

立法會
Legislative Council

LC Paper No. CB(1)2014/10-11
(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 March 2011, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, 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, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon Paul CHAN Mo-po, MH, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
- Members absent** : Hon Fred LI Wah-ming, SBS, JP
Hon Albert CHAN Wai-yip
- Public officers attending** : Agenda item IV
Miss Janet WONG, JP
Commissioner for Innovation & Technology

Mr Andrew LAI, JP
Deputy Commissioner for Innovation &
Technology

Prof YUE On-ching
Science Advisor
Innovation & Technology Commission

Agenda item V

Mr Andrew HY WONG, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mrs Alice CHEUNG
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)

Ms Carol YUEN, JP
Deputy Director-General of Trade & Industry
(Commercial Relations, Controls & Support)

Mr Andrew LAI, JP
Deputy Commissioner for Innovation &
Technology

Mr Daniel CHENG Chung-wai
Deputy Secretary for Constitutional and Mainland
Affairs

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

Staff in attendance : Miss Rita YUNG
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)1529/10-11 -- Minutes of meeting held on 18 January 2011)

The minutes of the meeting held on 18 January 2011 were confirmed.

II. Information paper issued since last meeting

(LC Paper No. CB(1)1455/10-11(01) -- Submission from the Hong Kong Institute of Patent Attorney referred by Hon Mrs Regina IP on review of the Hong Kong Patent Registration System dated 25 February 2011)
(*Chinese version only*)

2. Members noted that the above paper had been issued since the last meeting, and that the Administration would brief members on the outline and scope of a proposed review of Hong Kong's patent system in the regular Panel meeting to be held on 17 May 2011.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)1531/10-11(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1531/10-11(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 19 April 2011 at 2:30 pm to discuss the item "Revitalization review of industrial estate".

(*Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, an additional agenda item "Progress report on the promotion of innovation and technology development in Hong Kong" was subsequently included in the agenda for the April meeting.*)

IV. Progress on improving the Innovation and Technology Fund and promotion of use of innovation and technology in the public sector

(LC Paper No. CB(1)1531/10-11(03) -- Administration's paper on progress on improving the Innovation and Technology Fund and promotion of use of innovation and technology in the public sector

LC Paper No. CB(1)1531/10-11(04) -- Paper on progress on improving the Innovation and Technology Fund and promotion of use of innovation and technology in the public sector prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

4. At the invitation of the Chairman, Commissioner for Innovation & Technology (CIT) briefed members on the latest progress on making improvements to the Innovation and Technology Fund (ITF) mechanism, and the measures taken to promote the use of innovation and technology in the public sector, as set out in the Administration's paper (LC Paper No. CB(1)1531/10-11(03)).

Discussion

Improvements to the ITF mechanism

5. In response to Mr Jeffrey LAM's enquiry about the results of the review of the industry contribution models, CIT advised that there were broadly two categories of projects under the Innovation and Technology Support Programme (ITSP) of ITF, namely platform projects and collaborative projects. Platform projects required industry contribution from at least two industry sponsors to cover at least 10% of the total project cost and the industry sponsors would not own the project intellectual property (IP). Collaborative projects required industry contribution of at least 30% (for Research and Development (R&D) Centre projects only) or 50% (for

non-R&D Centre projects) of the project cost and the industry sponsor(s) would be entitled to utilize the project IP exclusively for a defined period or own the project IP. Past experience suggested that in some platform projects, securing 10% industry contribution could prove to be difficult particularly in cases where the research had a high social value but low commercial use. The Innovation and Technology Commission (ITC) would consider waiving such request for justified cases if there was strong policy support from Government bureaux/departments. On the other hand, ITC considered it desirable to encourage a higher level of financial contribution because that would indicate a stronger industry interest in the project, and hence the greater chance of success to commercialization. Apart from accepting contributions from the industry, financial contributions from other sources such as charitable organizations, venture capitalists, or even individuals including the project team members, would be taken into account during project vetting. The improvement measures had been finalized and incorporated into the new round of ITSP application exercise launched on 1 March 2011.

6. Mr Jeffrey LAM further enquired whether the ITF project vetting criteria would include enhancing the chance of realization of R&D results to encourage and select projects with greater prospect of commercialization. CIT responded that the previous vetting criteria focused mainly on the scientific/technical aspects, whereas the refined assessment framework covered other factors including the existence of a holistic plan to realization/commercialization, and relevance with Government policies or in overall interest of the community. The applicants would be required to provide in the application forms information including the exact deliverables/key milestones (both qualitative and quantitative) and the relevant time frame. Following the improvements to the assessment framework, ITC would review and refine the monitoring mechanism to assess whether the applicants could fulfil their commitments after the projects were completed. As such, the performance of the R&D teams in promoting the commercialization of projects could be available as a reference when assessing their applications in the future.

7. Dr Samson TAM welcomed the extension of the scope of ITF funding to cover production of tools/prototypes/samples and conducting of trial schemes in the public sector. He suggested that ITC should consider further extending the scope of funding to cover trial schemes in the public sector in the Mainland such as Shenzhen or Guangdong Province, where more "references" by the users for the products could be obtained, especially for opening the vast market in the Mainland.

8. In response, CIT advised that while extending the scope of funding to cover trial schemes in the public sector, certain technical issues would need to be resolved, such as liability and insurance in connection with the prototypes/samples produced and conducting of trial schemes. In the case of applying Radio Frequency Identification technology in public hospitals, ITC was still seeking legal advice and discussing with the Hospital Authority about the liability issue. It was anticipated that there would be more technical and other issues to be addressed for funding and conducting trial schemes in the Mainland.

9. In response to Mrs Regina IP's enquiry about the details of the shortened ITF process, CIT advised that with the launch of the new vetting system, ITC would in the long run launch two rounds of applications each year (in January and July) for non-R&D Centre projects. (For R&D Centres, applications were received throughout the year). The application period of such projects would last for around two months. In general, ITC hoped to complete the vetting process within four months after receipt of the applications, unless the Assessment Panel requested additional information on individual applications before final approval by ITC. On 18 February 2011, ITC organized a seminar at the Charles K Kao Auditorium at the Hong Kong Science Park to brief participants from different sectors (industry/academia/research) on the underlying philosophy and progress of ITF reform and the new ITF application form. The new form and the guide to application were uploaded to ITC's website on 1 March 2011. A sample of a completed application form was also available for the applicants' reference to assist them in completing the application forms with sufficient information and thus help speed up the vetting process.

10. In response to the Chairman's enquiry about the progress of work of the Steering Committee on Review of Intellectual Property Issues in the Innovation and Technology Sector (the Committee), Deputy Commissioner for Innovation & Technology (DCIT) advised that the Committee had held two meetings since its establishment in late 2010. Views from the parties concerned, including universities, R&D Centres, chambers of commerce and IP professionals were collated in the meetings. The current arrangements governing the ownership of IP rights and benefit sharing of R&D projects were under review. In the next meeting to be held in April 2011, the Committee would study the examples from overseas in relation to these issues. The Committee hoped to complete the review around end 2011.

11. In response to the Chairman's further enquiry about the eligibility for applying ITF funding, DCIT advised that ITC welcomed applications from spin-off companies set up by local universities. Universities could decide

on different modes of co-operation with its subsidiary companies in R&D as they saw fit.

12. Noting that it was important to inspire the youngsters' interest in and commitment to innovation and technology, so as to nurture a new generation of innovators for the future economic and social development of Hong Kong, Dr Samson TAM enquired how the university graduates in Hong Kong could benefit more from ITF, apart from the existing Small Entrepreneur Research Assistance Programme (SERAP).

13. Sharing a similar concern, Mrs Regina IP noted that many elite students in Hong Kong had furthered their studies, especially in computer or engineering disciplines, in the United States (US). Due to a lack of career opportunities in Hong Kong, many graduates remained to work for technology companies or start up their own businesses in the US after completing their studies. Noting that the governments of Korea and Singapore were more proactive in attracting their students who had studied abroad to return to and work in their own countries, Mrs IP enquired whether the Administration would consider recruiting Hong Kong highly educated talents from overseas to work in local R&D sector.

14. In response, CIT advised that currently not many university graduates chose to pursue a career in the R&D sector probably due to less favourable job opportunities when compared to sectors like banking. She considered that there was a need to foster a stronger culture that placed more importance and pride in innovation and technology. The Administration had undertaken measures to foster an innovation and technology culture in the society, in particular the youngsters. Among the various activities organized by the Administration, the "Innotech Month" launched in November 2010 was the most important and largest in scale, featuring a nine-day InnoCarnival at the Hong Kong Science Park. Moreover, the Administration would introduce, jointly with the Hongkong and Shanghai Banking Corporation, a scholarship scheme in April 2011, under which the selected university students would be offered attachments at renowned universities overseas or in the Mainland, and summer internships at the Hong Kong Science Park or other organizations. Regarding the pay level of research personnel under the ITF programme, the Administration was reviewing the situation with a view to ensuring a level attractive enough to good quality graduates. It was hoped that upon the completion of the ITF projects (or different phases of projects), the participating companies would be more willing to employ the graduates, and hopefully the graduates could become entrepreneurs in the years to come. She supplemented that ITC would also review the funding scope of SERAP in future, with a view to encouraging more young entrepreneurs to join the R&D sector.

15. CIT also advised that the Administration would definitely consider attracting local elite students who had graduated from overseas universities to return to Hong Kong. The Administration would work with the Hong Kong Science and Technology Parks Corporation to promote the Science Park Phase 3 development and recruit potential tenants from overseas starting from this year. The Administration would also take the opportunities to explore the factors affecting the decision of those talents overseas to return to and work in Hong Kong or otherwise.

Promotion of use of innovation and technology in the public sector

16. Noting that the realization and commercialization of R&D deliverables could bring about wide economic and social benefits to the community, Ms Emily LAU enquired about the details and progress of the projects being explored for use in the public sector, and called on the Administration to further promote the use of innovation and technology in Government departments/bureaux.

17. In response, CIT advised that for the use of light-emitting diode (LED) lighting, apart from LED streetlamps being tested/evaluated by the Highways Department, outdoor LED lighting in public housing estates and task lighting in workplace were being explored with the Housing Department and the Electrical and Mechanical Services Department respectively. Regarding the trial project undertaken by the Nano and Advanced Materials Institute, the objective was to improve upon the properties of galvanized steel through special treatment, thus enhancing corrosion resistance, ductility and service life of galvanized structural steel members at Water Supplies Department (WSD)'s facilities. On Ms Emily LAU's suggestion to explore the use of this technology on water pipes, CIT said that she would relay the matter to WSD for consideration.

18. Science Advisor, Innovation & Technology Commission (SAITC) supplemented that for the project on multi-functional odour-control uniform, apart from the dead removal teams of Food and Environmental Hygiene Department (FEHD), other sections in FEHD, Hong Kong Police Force and Fire Services Department had also indicated interest in the trial use of the uniform. The Hong Kong Research Institute for Textiles and Apparel would continue to discuss/collaborate with the departments on the design of the uniform. For the project on electric vehicle, the Automotive Parts and Accessory Systems R&D Centre would also work on the battery charging technology. As regards the project on e-book, the objective was to provide e-learning systems tailored for Hong Kong schools. Two schools clusters had been engaged to evaluate e-learning total solutions developed by the

Applied Science and Technology Research Institute. While pilot production of device samples would be ready by mid 2011, Hong Kong eBook specifications would also be circulated to publishers for review.

Other issues

19. Mrs Regina IP and the Chairman expressed concern about the funding provided to the Hong Kong Productivity Council (HKPC) for purchase of equipment, in particular those related to testing and certification, which was one of the six priority industries. DCIT advised that the annual expenditure of HKPC was about \$500 million. About one-third of which (ie about \$170 million) was funded by the subvention from the Administration, and the rest was funded by the income from the HKPC services provided to the industry. HKPC had the autonomy in utilizing its financial resources in different aspects. Apart from the annual subvention, the Administration had provided a total of over \$14 million to HKPC in the past two years for the upgrade of the laboratory systems and equipment. CIT supplemented that the Administration would consider individual funding requests from HKPC on top of the annual subvention from Government as appropriate.

V. Trade relations between the Mainland and Hong Kong and Hong Kong/Guangdong Co-operation Joint Conference in relation to commerce and industry between the two places

(LC Paper No. CB(1)1531/10-11(05) -- Administration's paper on trade relations between the Mainland and Hong Kong and Hong Kong/Guangdong Co-operation Joint Conference in relation to commerce and industry between the two places

LC Paper No. CB(1)1531/10-11(06) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

20. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT)

briefed members on the development of the trade relations between the Mainland and Hong Kong, and on matters relating to commerce and industry discussed at the 16th Working Meeting of the Hong Kong/Guangdong Co-operation Joint Conference (Working Meeting) held on 28 February 2011 in Guangzhou, as set out in the Administration's paper (LC Paper No. CB(1)1531/10-11(05)).

Discussion

Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and Professional services

21. In response to the Chairman's enquiry whether the HKSAR Government, upon the new round of consultation with the Mainland authorities, had proposed further liberalization measures after implementation of the Supplement VII to CEPA, PSCIT advised that in 2003, the Mainland and Hong Kong signed the main text of CEPA and its six annexes which covered liberalization of trade in goods, trade in services, as well as trade and investment facilitation between the two places. As at May 2010, seven supplements to CEPA had been signed for progressive implementation of liberalization measures. Including the measures in Supplement VII, the two sides had so far announced nearly 280 liberalization measures in trade in services, where the number of service sectors covered was 44. The HKSAR Government would continue to discuss with the Mainland authorities, with a view to reviewing the implementation of current measures, and broadening and enriching the scope of CEPA and its supplements through continuous liberalization in a gradual and orderly manner. The Administration would also continue to communicate with the business and professional communities during the consultations with the Mainland, and reflect the views from the trade to the relevant Mainland authorities as appropriate. The Administration aimed to conclude the review in mid-2011.

22. Noting that Hong Kong had been facing a shortage of medical professionals, Mr Vincent FANG enquired whether the early and pilot implementation of the liberalization measures in trade in services under CEPA in the Guangdong Province were two-way, meaning that the medical professionals in Guangdong were allowed to provide services in Hong Kong. In response, PSCIT advised that the liberalization measures under CEPA provided Hong Kong service suppliers in the medical sector with preferential access to the Mainland market, but not vice versa.

Qianhai development

23. Ms Emily LAU enquired about the details of the co-ordination mechanism, in particular the involvement of the HKSAR Government, of the Overall Development Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area (Qianhai Development Plan), and whether a site visit to the Qianhai Area could be arranged for Panel members. She also expressed concern that Qianhai Area might have a competitive impact on Hong Kong enterprises.

24. In response, Deputy Secretary for Constitutional and Mainland Affairs (DSCMA) advised that the Qianhai Development Plan stipulated that a co-ordination mechanism led by the National Development and Reform Commission with the involvement of relevant ministries of the State Council, the Guangdong Provincial Government, the HKSAR Government and the Shenzhen Municipal Government should be set up to co-ordinate and resolve major problems encountered (such as those involving policies of the Central Government) in the development of Qianhai. The discussions on the details of the set up of the mechanism were ongoing, and the HKSAR Government would actively participate in the mechanism. He would relay Ms Emily LAU's suggestion of site visit to the Bureau for consideration.

25. PSCIT and Deputy Secretary for Commerce and Economic Development (Commerce and Industry) (DS(CI)) supplemented that Qianhai development was still in the early stage. The focus of development in Qianhai would be the development of modern service industries, based on the principle of promoting the mutual benefits of Hong Kong and Shenzhen. The objectives included leveraging on Hong Kong's advantages as an international financial, trading and shipping centre to develop the Mainland market, especially the Greater Pearl River Delta market, for Hong Kong's service industries, and jointly exploring markets for modern service industries under the principle of enhancing complementarities and mutual benefits, and within the framework of CEPA. As compared with other areas in the Mainland, it was anticipated that Hong Kong enterprises would encounter less barriers of entry to Qianhai Area with the implementation of the Qianhai Development Plan.

26. Noting that the focus of development in Qianhai would be the development of modern service industries, Dr Samson TAM relayed the concern of the local information technology (IT) sector that many Hong Kong enterprises might choose to relocate their logistics base and back office to Qianhai, thus affecting the job opportunities in the local IT sector. He suggested that the Administration should explore the possibilities of attracting

international enterprises to set up data centres in Hong Kong and Qianhai. He was of the view that with the technical support of Hong Kong's IT professionals, both Hong Kong and Shenzhen could develop into the best data centre hub in the world.

27. Deputy Commissioner for Innovation & Technology (DCIT) responded that it was the Government's policy to support the development of high-end data centres in Hong Kong. In fact, the Office of Government Chief Information Officer had recently completed a study to examine the economic impacts that data centres would bring to Hong Kong. As regards the land suitable for the setting up of data centres, DCIT said that there were special requirements in the choice of locations for data centres as the latter had unique security and electricity supply needs. The Hong Kong Science and Technology Parks Corporation (HKSTPC) welcomed the industry to develop high-end (i.e. Tier III and IV) data centres in its Industrial Estates. In the past year, HKSTPC had granted a total of about 8 hectares of land in Tseung Kwan O Industrial Estate to 4 enterprises, including multi-national enterprises to develop high-end data centres with billions of investment. The Administration also encouraged the industry to develop Tier I and II data centres in ordinary multi-storey industrial buildings available on the commercial market.

Intellectual property rights

28. Noting that Hong Kong had maintained the highest international standards for the protection of intellectual property (IP) rights but had yet to establish an "original grant" ("OG") patent system, Dr Samson TAM enquired whether the Administration would consider pursuing the matter, in particular with the co-operation between Hong Kong and the Guangdong Province, and exploring the possibilities of fostering mutual recognition of patent system between the two places under CEPA.

29. Echoing Dr Samson TAM's view, Mrs Regina IP called on the Administration to consider establishing an "OG" patent system, and that relevant patent grants should be in line with internationally recognized ones. She also enquired about the details of the participation of the HKSAR Government in the Patent Cooperation Treaty administered by the World Intellectual Property Organization. The Chairman opined that if the Mainland enterprises could apply for internationally recognized standard patents for their products in Hong Kong, it would help them tap the overseas market, thus creating huge business opportunities for the patent industry in Hong Kong.

30. In response, PSCIT advised that currently the Hong Kong Patents Registry did not conduct substantive examination of the patent applications. The system was hence also referred to as a "re-registration" system. The Administration would conduct a review of Hong Kong's patent system. The issues to be reviewed would include (but were not limited to) whether Hong Kong should establish an "OG" system, and whether Hong Kong should outsource the substantive examination, as was done in some other territories such as Singapore and Macau. The Administration would conduct a public consultation exercise to collect views from all stakeholders before deciding whether and if so how the current system should be changed. The Administration would brief members on the outline and scope of the proposed review at the regular Panel meeting to be held on 17 May 2011.

31. PSCIT supplemented that the current co-operation between Hong Kong and the Guangdong Province on the issue of IP mainly focused on promoting the awareness of and respect for IP rights, and helping Hong Kong and Mainland enterprises to understand the patent system on both sides.

Admin

32. At the request of Mrs Regina IP, PSCIT agreed to provide information on the participation of the HKSAR Government in the Patent Cooperation Treaty under the World Intellectual Property Organization.

Restructuring and upgrading of Hong Kong enterprises in the Guangdong Province

33. Mr Vincent FANG noted that many Hong Kong enterprises in Guangdong which had restructured into import processing operations were plagued by the taxation problem when struggling to establish their brands in the Mainland domestic market. At the same time, they were unable to claim the depreciation allowances in respect of their machinery or plants used in import processing operations in the Mainland. In face of such difficulties, some enterprises wished to switch back to processing trade. He urged the Administration to provide assistance to these enterprises.

34. Sharing a similar concern, Dr LAM Tai-fai opined that relevant policy Bureaux should jointly deal with the issues on restructuring and upgrading and the depreciation allowances. He said that in previous Panel meetings, the Commerce and Economic Development Bureau (CEDB) had agreed to pursue the issue on depreciation allowances with the Financial Services and Treasury Bureau (FSTB). He enquired whether FSTB had discussed with or consult CEDB regarding the issue.

35. In response, PSCIT advised that it was the Mainland's policy to encourage enterprises engaging in processing trade to upgrade, restructure, and tap the Mainland domestic market. In fact, this was also one of the major initiatives in the Framework Agreement on Hong Kong/Guangdong Co-operation (Framework Agreement). The HKSAR Government had all along maintained close liaison with Mainland authorities at various levels (including through the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade) and convey to them the trade's view on problems encountered in the process of developing the domestic sales market and in the course of upgrading and restructuring. The HKSAR Government would also discuss with the Mainland authorities supportive measures for the trade.

36. In response to Dr LAM Tai-fai's enquiry about the communications between CEDB and FSTB in relation to the issue on depreciation allowances, PSCIT said that he would check with his colleagues and revert to the Panel.

(Post-meeting note: On 12 April 2011, CEDB confirmed that it had already reflected the trade's views on the issue of depreciation allowances to FSTB.)

National 12th Five-Year Plan

37. In response to Mr Jeffrey LAM's enquiry about the work of the HKSAR Government in complementing the National 12th Five-Year Plan, in particular the trade relations between the Mainland and Hong Kong, DSCMA advised that the Government would continue to follow the "One Country, Two Systems" principle and take forward the relevant work in complementing the National 12th Five-Year Plan in a pragmatic manner. Under the chairmanship of the Chief Secretary for Administration, the existing cross-bureaux steering committee had stepped up the overall co-ordination of bureaux' efforts and the follow-up work.

38. PSCIT supplemented that the HKSAR Government would proactively liaise with the Central Government ministries to secure their support to take forward the relevant work further. This included the continuous implementation of CEPA, the opening up of the Guangdong market under "early and pilot measures" to Hong Kong's service industries, and the gradual extension of such measures to other regions. The HKSAR Government would also convey to the Mainland authorities the concerns and needs of the Hong Kong business sector, and measures which would help Hong Kong enterprises to expand in the Mainland market.

Creative industries

39. Noting that there was relatively little freedom of expression in the Mainland, Ms Emily LAU enquired whether the film industry in Hong Kong would encounter many restrictions when submitting their films for censorship in the Mainland.

40. In response, DCIT advised that liberalization measures under CEPA in relation to the film industry had been implemented since 1 January 2004. These included allowing Hong Kong audiovisual service suppliers to construct, renovate and operate cinema theatres, providing videos and sound recording products (including motion picture products) on a wholly-owned basis, allowing Chinese language motion pictures produced in Hong Kong to be imported for distribution in the Mainland on a quota-free basis, after vetting and approval by the relevant Mainland authority, and treating motion pictures jointly produced by Hong Kong and the Mainland as Mainland motion pictures for the purpose of distribution in the Mainland, and eliminating the restriction on the percentage of principal creative personnel from Hong Kong.

41. Regarding the vetting of motion pictures by the Mainland authority, PSCIT advised that there was also a film censorship system in Hong Kong. The Administration encouraged the trade to capitalize on the opportunities brought about by the liberalization measures to expand their business in the Mainland market.

42. In response to Dr Samson TAM's suggestion that the Administration should endeavour to facilitate the Hong Kong-Guangdong co-operation and exchange in creative industries, in particular electronic publishing, DCIT responded that he would relay Dr TAM's view to the Create Hong Kong for consideration. DCIT added that the Hong Kong Productivity Council (HKPC) and the Administration of Culture, Press, Publication, Radio and Television of Guangzhou Municipality had just signed a co-operation framework agreement on creative industries in early 2011. HKPC and the Guangzhou authorities were in the progress of taking forward the concrete measures. The Administration would brief the Panel on Information Technology and Broadcasting on the progress in due course.

Other issues

43. Mr Vincent FANG enquired whether taxation issues, in particular tax concessions for Hong Kong enterprises facilitating their operations in the Mainland, had been discussed in the Working Meeting. DSCMA replied in the negative, and explained that the purpose of the Working Meeting was to

review the implementation progress of the Framework Agreement, particularly in respect of the 2010 Work Plan. Both sides had finalized the 2011 Work Plan which was signed after the meeting. PSCIT understood that there was an arrangement for the avoidance of double taxation between the HKSAR and the Mainland, but there did not seem to be arrangements on a sectoral basis. He would check the information and revert to the Panel.

(Post-meeting note: On 12 April 2011, the Administration advised that the Arrangement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income between the Mainland and the Hong Kong Special Administrative Region ("the Arrangement") had already entered into force on 8 December 2006. Two Protocols to the Arrangement were subsequently signed by both sides, namely the Second Protocol signed on 30 January 2008 and the Third Protocol on 27 May 2010. The Second Protocol became effective on 11 June 2008 and the Third Protocol would come into force after the completion of ratification procedures and notification by both sides.)

VI. Any other business

44. There being no other business, the meeting ended at 4:28 pm.