

**立法會**  
**Legislative Council**

LC Paper No. CB(1)3098/10-11  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 19 July 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 Fred LI Wah-ming, SBS, JP  
Hon Tommy CHEUNG Yu-yan, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, GBS, JP  
Hon CHIM Pui-chung  
Hon Starry LEE Wai-king, JP  
Dr Hon LAM Tai-fai, BBS, JP  
Hon Paul CHAN Mo-po, MH, JP  
Dr Hon Samson TAM Wai-ho, JP  
Hon Tanya CHAN  
Hon Albert CHAN Wai-yip
- Members absent** : Hon Emily LAU Wai-hing, JP  
Hon Timothy FOK Tsun-ting, GBS, JP  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
- Public officers attending** : Agenda item II  
Miss Janet WONG, JP  
Commissioner for Innovation and Technology

Mr Andrew LAI, JP  
Deputy Commissioner for Innovation and  
Technology

Agenda item III

Mr Christopher WONG, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)<sup>2</sup>

Ms Wendy CHEUNG  
Principal Assistant Secretary for Commerce and  
Economic Development (Commerce and Industry)<sup>4</sup>

Mr CHEUNG Sai-yan  
Head of Trade Controls  
Customs and Excise Department

Mr Jacky LUM Kwok-keung  
Assistant Director-General of Trade and Industry  
(System)

Mr Jerry CHEUNG Chun-yu  
Principal Trade Officer  
European Division  
Trade and Industry Department

Agenda Item IV

Ms Carol YUEN Siu-wai  
Deputy Director-General of Trade and Industry  
(Commercial Relations, Controls and Support)

Mr Jacky LUM Kwok-keung  
Assistant Director-General of Trade and Industry  
(Systems)

Mr Raymond WU Wai-man  
Principal Assistant Secretary for Commerce and  
Economic Development (Commerce and Industry)

Agenda Item V

Mr Stephen LAM, GBS, JP  
Secretary for Constitutional and Mainland Affairs

Mrs Elina CHAN  
Principal Assistant 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

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Action

**I. Information paper issued since last meeting**

(LC Paper Nos.

CB(1)2642/10-11(01) and (02)

-- Administration's papers on  
United Nations Sanctions  
(Libya) Regulation 2011  
and United Nations  
Sanctions (Côte d'Ivoire)  
(No. 2) Regulation 2011)

Members noted that the above papers had been issued since the last meeting.

**II. Progress report on the Research and Development Cash Rebate Scheme**

(LC Paper No. CB(1)2722/10-11(01)

-- Administration's paper on  
progress report on Research  
and Development Cash  
Rebate Scheme for  
2010-2011

LC Paper No. CB(1)2722/10-11(02) -- Paper on Research and Development Cash Rebate Scheme prepared by the Legislative Council Secretariat (updated background brief)

2. The Chairman thanked the Innovation and Technology Commission (ITC) for making the arrangements for members' visit to the Hong Kong Applied Science and Technology Research Institute (ASTRI), Nano and Advanced Materials Institute (NAMI) and Hong Kong Science Park on 7 July 2011.

Presentation by the Administration

3. At the invitation of the Chairman, Commissioner for Innovation and Technology (CIT) briefed members on the progress of the operation of the Research and Development (R&D) Cash Rebate Scheme (the Scheme) for 2010-2011, as set out in the Administration's paper (LC Paper No. CB(1)2722/10-11(01)).

Discussion

4. Dr LAM Tai-fai supported the Scheme to reinforce the research culture among private companies and to encourage them to establish stronger partnership with local research institutions. He noted that only \$5.86 million out of the original estimated expenditure of \$20 million for the Scheme had been approved in the first year of operation, and that the amount of cash rebate granted for over 180 approved applications out of the total of 212 was below \$50,000 each. He opined that the current 10% level of cash rebate was not attractive enough, therefore the industry was not keen to apply. He suggested that the Administration should increase the level of cash rebate to improve the attraction of the Scheme.

5. In response, CIT advised that during the first year of operation of the Scheme, ITC received a total of 240 cash rebate applications. Among them, ITC approved 212 cases, involving 180 companies and 133 Innovation and Technology Fund (ITF) projects (of which 34 were collaborative projects). Since most of the approved applications were platform projects, which required industry contribution of at least 10% of the project cost, the amount of industry contribution and the corresponding cash rebate would be relatively smaller. In the light of the lower than expected number of applications as well as the expenditure, the Administration would consider enhancement measures to improve the attractiveness of the Scheme,

including reviewing the level of cash rebate and other aspects of the ITF mechanism to provide more incentives to companies in conducting R&D in collaboration with public research institutes. The Administration would also encourage the designated research institutions to seek greater collaboration with the industry in conducting projects and explain clearly to them the availability of cash rebates under the Scheme, the financial support from ITF and the relevant application procedures. Mr Andrew LEUNG suggested that the Administration should provide incentives for enterprises to set aside a certain percentage of their profits for R&D purpose by means of tax concessions.

6. Dr Samson TAM expressed concern about the opportunities for graduates from local universities to acquire research/industrial experience and to pursue a career in the R&D sector. He also opined that the Administration should attract international technology enterprises to set up R&D section in Hong Kong, thus creating more job opportunities for and helping the industry to train local research talents.

7. Deputy Commissioner for Innovation and Technology (DCIT) advised that as part of the efforts in developing R&D capability in Hong Kong, ITC had established an Internship Programme for organizations undertaking R&D projects funded by ITF. These organizations could take on local university graduates as interns under the Internship Programme and received founding support from ITF. In general, two interns could be recruited in an ITF project and ITF would provide a maximum monthly allowance of \$12,000 for interns with Bachelor degrees. ITC had approved the recruitment of over 300 interns in the past two years. Dr Samson TAM opined that the Administration should increase the maximum monthly allowance in order to attract high quality graduates to join the local R&D sector.

8. Noting that the lowest amount of cash rebate disbursed was \$500, Mr Albert CHAN opined that the Administration should set a minimum amount of cash rebate for each application to ensure the cost-effectiveness of the Scheme. In this connection, the Chairman suggested that for the benefit of the small and medium enterprises, higher level of cash rebate should be granted to relatively smaller projects with a low level of industry contribution.

9. The Chairman expressed concern about the collaboration between Hong Kong and the Mainland in R&D. He also enquired whether the Administration would provide more incentives to companies in conducting applied R&D.

10. In response, DCIT advised that the ITF funding mechanism had been refined in mid-2009 to allow up to 50% of R&D funding to be used in the Mainland so as to leverage on the research capabilities in the Mainland and to promote further technological collaboration between the two regions. He added that overseas and Mainland companies in partnership with local designated research institutions were eligible to apply for cash rebate under the Scheme. CIT supplemented that the Administration had expanded the scope of ITF to provide R&D Centres with funding for the production of samples/prototypes and the conduct of trial schemes by Government departments, public bodies and trade associations. It was hoped that this would further help realization of the R&D results. After gathering sufficient experience, the Administration would extend the scope of ITF funding to cover other designated local research institutions as appropriate.

11. The Chairman enquired about the timetable for the review of the Scheme. CIT responded that the Administration would report the outcome of the review and proposed enhancement measures to the Panel in late 2011 or early 2012.

### **III. Proposed legislative amendments on rules of origin for arrangements/agreements of trade liberalization**

(File Ref: CR WT 324/9/10 -- Administration's paper on free trade agreement between Hong Kong and the Member States of the European Free Trade Association (Legislative Council Brief)

LC Paper No. CB(1)2722/10-11(03) -- Administration's paper on proposed legislative amendments on rules of origin for arrangements/agreements of trade liberalization

LC Paper No. CB(1)2744/10-11 -- Administration's paper on proposed legislative amendments on rules of origin for arrangements/agreements of trade liberalization (power-point presentation material))  
(*Chinese version only, tabled at the meeting and subsequently issued via e-mail on 20 July 2011*)

Presentation by the Administration

12. At the invitation of the Chairman, Deputy Secretary for Commerce and Economic Development (Commerce and Industry)2 (DSCED(CI)2) briefed members on the proposed amendments to the Trade Descriptions Ordinance (Cap. 362) (the Ordinance) that would allow more room for goods exported from Hong Kong to enjoy preferential tariff treatment, on the basis of the rules for determining places of origin. Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry)4 then gave a power-point presentation on the subject. Details of the briefing and presentation were set out in the Administration's papers (File Ref: CR WT 324/9/10, and LC Paper Nos. CB(1)2722/10-11(03) and CB(1)2744/10-11 (Chinese version only)).

Discussion

13. Dr Samson TAM welcomed the signing of the arrangement/agreement of trade liberalization (ATL) between Hong Kong and Member States of the European Free Trade Association (EFTA) (namely Iceland, Liechtenstein, Norway and Switzerland). He enquired about the Administration's plan regarding the pursuit of more ATLs with other trading partners in future. In response, DSCED(CI)2 advised that the Administration was currently exploring ATLs with Hong Kong's trading partners, including those in South America. The Administration would continue to pursue more ATLs with Hong Kong's other trading partners so that goods and services of Hong Kong might gain access to external markets under more favourable conditions. He added that by amending the Ordinance to cater for the "value-based" rules of origin concept, the Administration would be able to implement the ATL with EFTA, whilst at the same time providing room to accommodate future ATLs as far as possible. To this end, the present rules of origin in section 2(2) of the Ordinance would need to be amended. The Administration would also consider referring to individual ATLs in the legislation to cater for possible variations of the formulae in individual ATLs.

14. At the request of Dr Samson TAM, Assistant Director-General of Trade and Industry (System) (ADGTI) agreed to provide the Panel with information on the customs tariff levied on Hong Kong's domestic exports by EFTA States. He supplemented that the total Hong Kong's domestic exports to EFTA States was about HK\$1.7 billion in 2010. It was estimated that the implementation of the ATL with EFTA would bring about a tariff saving of about HK\$1 million to HK\$3 million each year.

*(Post-meeting note: The information on the customs tariff levied on Hong Kong's domestic exports by EFTA States provided by the Administration was issued to members vide LC Paper No. CB(1)3066/10-11(01) on 4 October 2011.)*

15. On behalf of the commerce and industry sector, Mr Vincent FANG thanked the Administration for its efforts in successfully concluding the ATL with EFTA, which would provide Hong Kong with better access to the markets of EFTA States and create more business opportunities beneficial to Hong Kong's long-term economic growth. Noting that the production base of many Hong Kong enterprises had been relocated to the Mainland, Mr FANG considered that the alternative set of "value-based" rules of origin provided added flexibility for Hong Kong traders to claim tariff concessions under ATLs, in particular for products which underwent product design in Hong Kong. He expected that the "value-based" concept would feature in ATLs that Hong Kong would pursue with its trading partners in future.

16. Mr Vincent FANG enquired about the calculation of the value attributable to non-signatory places against the total value of the goods under the "value-based" concept formula. In response, ADGTI advised that there were detailed rules in the ATL with EFTA, including a provision regarding "accumulation of origin". As an illustration, the cost of a watch movement originating from Switzerland for further processing/manufacturing purpose in Hong Kong could be counted as part of the "total value attributable to Hong Kong", for deciding whether the relevant rules of origin for enjoying preferential tariff treatment under the ATL with EFTA was satisfied. In this connection, Mr Vincent FANG called on the Administration to provide clear guidelines as soon as possible to facilitate the industry's understanding of the product-specific origin-conferring processes/criteria under the ATL with EFTA, in particular those relating to jewellery products as well as watches and clocks.

17. The Chairman supported the proposed amendments to the Ordinance. He relayed the industry's concern about adapting to two sets of origin-conferring criteria for preferential tariff treatment, namely the mainstream "process-based" rules and the new "value-based" rules. He called on the Administration to step up the promotion to facilitate the industry's understanding of the "value-based" concept.

18. In response, DSCED(CI)2 advised that Hong Kong traders could continue to mark their goods for export as having a Hong Kong origin pursuant to the "process-based" rules as they were doing currently. In drafting the proposed legislative amendments, the Administration was mindful that the "value-based" concept might be presented in different ways



and evolve over time. The Trade and Industry Department would continue to provide access to the full text of ATLs, and would also issue guidelines to facilitate the industry's understanding of the details of the ATL with EFTA. He added that the Administration hoped to, as far as possible, introduce the legislative amendments into the Legislative Council before the end of 2011, and to complete the legislative exercise before mid-2012, i.e. the tentative target implementation date for the ATL with EFTA.

19. Summing up, the Chairman concluded that the Panel supported in principle the proposed amendments to the Ordinance.

#### **IV. Proposed adjustment to textiles-related fees and charges**

(LC Paper No. CB(1)2722/10-11(04) -- Administration's paper on proposed adjustment to textiles-related fees and charges under the purview of the Trade and Industry Department)

#### Presentation by the Administration

20. At the invitation of the Chairman, Deputy Director-General of Trade and Industry (Commercial Relations, Controls and Support) (DDGTI) briefed members on the proposals to adjust fees and charges in respect of documents and services related to textiles licensing and notification under the purview of the Trade and Industry Department (TID), as set out in the Administration's paper (LC Paper No. CB(1)2722/10-11(04)).

#### Discussion

21. Noting that the Administration had consulted the Textiles Advisory Board which had indicated support for the proposed fee adjustments, Mr Andrew LEUNG supported the Administration's proposal.

22. Mr Vincent FANG expressed concern about the proposed increase in the fees for two items (i.e. Production Notifications (PN) for cut and sewn garments submitted electronically through a service provide or on paper). DDGTI advised that currently there were about 15 000 registered textiles traders under the Textiles Trader Registration Scheme (TTRS). TID received about 1.1 million Import or Export Notifications lodged on paper under TTRS, and about 5 000 PNs for cut and sewn garments submitted electronically each year. Based on the outcome of the costing review on PN submitted electronically, the Administration proposed to adopt a gradual

approach to achieve full cost recovery through a moderate fee increase for PN submitted electronically by about 15% in 2011-2012, in accordance with the guidelines issued by the Financial Services and the Treasury Bureau. Since 2000, all PNs received by TID had been submitted electronically. The fee for the paper mode was retained only to cater for contingency situations (e.g. breakdown of computer system) and was proposed to be increased by about 15% in line with that for electronic mode.

23. DDGTI supplemented that the number of PNs submitted had decreased drastically from over 98 000 in 2007 to about 5 200 in 2010. The Administration estimated that there would be about 4 900 submissions in 2011. Since there was a fixed cost for maintaining the computer system, the unit cost of processing PNs had inevitably increased. Despite this, the Administration reviewed regularly the relevant work procedures and where possible implement efficiency initiatives with a view to reducing or containing the cost of providing services. Efficiency savings had been reflected in the proposed fee adjustments.

24. Mr Vincent FANG enquired whether the Administration would consider abolishing all fees and charges in respect of documents and services related to textiles licensing and notification. DDGTI responded that under the "user-pays" principle, fees charged by the Government for various goods and services should be regularly reviewed and updated, and in general be set at levels adequate to recover the full cost of providing these goods and services. The Administration would continue to monitor developments in the international trading environment should there be further necessary adjustments to the textiles control arrangements, including PN requirement, in the light of new developments.

25. The Chairman relayed the industry's support for the proposed fee adjustments. He concluded that the Panel supported in principle the Administration's proposal, and called on the Administration to proceed with the necessary legislative amendments as soon as practicable.

**V. Establishment of a multi-functional office in Taiwan**

(LC Paper No. CB(1)2641/10-11(01) -- Administration's paper on establishment of a multi-functional office in Taiwan by Hong Kong)

Presentation by the Administration

26. At the invitation of the Chairman, Secretary for Constitutional and Mainland Affairs (SCMA) briefed members on the relevant arrangements for the establishment of a multi-functional office in Taiwan by Hong Kong (the Office), as set out in the Administration's paper (LC Paper No. CB(1)2641/10-11(01)).

Discussion

27. Dr Samson TAM considered it important to promote multi-faceted and multi-level exchanges between Hong Kong and Taiwan. He enquired about the number of Hong Kong permanent residents and enterprises living in and operating in Taiwan. He also expressed concern about the measures to foster cooperation between the two places in trade and investment. Mr Vincent FANG shared similar concern.

28. In response, SCMA advised that Hong Kong and Taiwan had long established close economic ties and had frequent exchanges. The Administration, however, did not have information on the number of Hong Kong permanent residents living in Taiwan. He added that Taiwan was Hong Kong's fourth largest trading partner in Asia. Many Hong Kong enterprises had set up operations in Taiwan, in particular those of financial, trade, tourism and professional services where Hong Kong had intrinsic strengths.

29. As regards trade facilitation measures, SCMA supplemented that the Financial Secretary visited Taiwan in August 2010 in his capacity as the Honorary Chairperson of the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council and met with senior representatives of the Taiwanese authorities. During the visit, both sides reached consensus in a wide range of issues, including commencing exploratory study of the possibility of concluding an economic cooperation framework agreement by Hong Kong and Taiwan, similar to that between the Mainland and Taiwan.

30. The Chairman and Mr Vincent FANG supported the establishment of the Office and welcomed the change of name of the Chung Hwa Travel Service to Taipei Economic and Cultural Office to reflect its functions. In this connection, the Chairman enquired about the timetable for the setting up of the Office.

31. SCMA responded that the Administration planned to set up the Office by the end of 2011. The establishment of the Office would be similar to that of Hong Kong's Economic and Trade Offices in the Mainland, and the

Director of the Office would be ranked at Senior Directorate level. The Administration would submit its staffing proposals to this Panel for consideration before seeking approval from the Establishment Subcommittee and the Finance Committee in the new legislative session. Before then, the Administration would deploy existing resources to create a supernumerary post to handle the preparatory work when necessary.

32. Mr Vincent FANG enquired about the measures to facilitate Taiwan tourists in visiting Hong Kong. SCMA responded that the Administration had introduced in the past few years various facilitation arrangements for Taiwan visitors including the iPermit service and allowing Taiwan visitors holding a valid Mainland Travel Permit for Taiwan Residents (commonly known as "Tai Bao Zheng") to visit Hong Kong for seven days without being required to hold an entry-exit endorsement for the Mainland. Further measures to facilitate entry of Taiwan visitors would be explored.

33. The Chairman concluded that the Panel supported in principle the relevant arrangements for the establishment of the Office.

## **VI. Any other business**

34. The Chairman said that this was the last Panel meeting in the 2010-2011 legislative session and he thanked members and the Administration for their support and contributions in the session.

35. There being no other business, the meeting ended at 4:17 pm.