

立法會
Legislative Council

LC Paper No. CB(1)592/11-12
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by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 18 October 2011, at 2:30 pm
in Conference Room 1 of the Legislative Council Complex

- Members present** : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon Jeffrey LAM Kin-fung, GBS, 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
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
- Member attending** : Hon WONG Kwok-hing, MH
- Members absent** : Hon Fred LI Wah-ming, SBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP

**Public officers
attending**

: Agenda item III

Commerce and Economic Development Bureau

Mr Gregory SO, JP
Secretary for Commerce and Economic
Development

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

Miss Elizabeth TSE, JP
Permanent Secretary for Commerce and Economic
Development (Communications and Technology)

Ms Linda LAI, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)¹

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

Mrs Alice CHEUNG
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)³

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Ms Carol YUEN
Acting Director-General of Trade and Industry

Constitutional and Mainland Affairs Bureau

Mr Raymond TAM Chi-yuen, JP
Secretary for Constitutional and Mainland Affairs

Mr Joshua LAW Chi-kong, JP
Permanent Secretary for Constitutional and
Mainland Affairs

Miss Charmaine LEE Pui-sze
Deputy Secretary for Constitutional and Mainland
Affairs (2)

Mr Daniel CHENG Chung-wai, JP
Deputy Secretary for Constitutional and Mainland
Affairs (3)

Agenda item IV

Constitutional and Mainland Affairs Bureau

Mr Raymond TAM Chi-yuen, JP
Secretary for Constitutional and Mainland Affairs

Mr Joshua LAW Chi-kong, JP
Permanent Secretary for Constitutional and
Mainland Affairs

Miss Charmaine LEE Pui-sze
Deputy Secretary for Constitutional and Mainland
Affairs (2)

Mrs Elina CHAN NG Ting-ting
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

Action

- I. Information papers issued since last meeting**
(LC Paper No. CB(1)2849/10-11(01) -- Administration's paper on
preparations for the
mandatory use of the

electronic Road Cargo
System

LC Paper No. CB(1)3102/10-11(01) -- Administration's paper on the 14th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference

LC Paper No. CB(1)75/11-12(01) -- Information on the financial position of the Applied Research Fund for the period of 1 March to 31 May 2011)

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

II. Date of next meeting and items for discussion

(LC Paper No. CB(1)37/11-12(01) -- List of outstanding items for discussion

LC Paper No. CB(1)37/11-12(02) -- List of follow-up actions)

2. Members agreed that the next regular Panel meeting would be held on 15 November 2011 at 2:30 pm to discuss the following items:

- (a) Development of the exhibition industry in Hong Kong; and
- (b) Progress report of the Hong Kong Council for Testing and Certification.

(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, an additional agenda item "Review of the patent system in Hong Kong" was subsequently included in the agenda for the November meeting.)

III. Briefing on relevant policy initiatives featuring in the Chief Executive's 2011-2012 Policy Address

(LC Paper No. CB(1)37/11-12(03) -- Administration's paper on policy agenda of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau

LC Paper No. CB(1)37/11-12(04) -- Administration's paper on the initiatives of the Constitutional and Mainland Affairs Bureau in relation to Mainland and Taiwan co-operation

LC Paper No. CB(1)101/11-12(01) -- Speaking note of the Secretary for Commerce and Economic Development
(Chinese version only, tabled at the meeting and subsequently issued on 19 October 2011)

LC Paper No. CB(1)101/11-12(02) -- Speaking note of the Secretary for Constitutional and Mainland Affairs
(Chinese version only, tabled at the meeting and subsequently issued on 19 October 2011)

Other relevant documents

(a) Address by the Chief Executive at the Legislative Council meeting on 12 October 2011 - "From Strength to Strength" (issued on 12 October 2011); and

(b) The 2011-2012 Policy Address - "Policy Agenda" (issued on 12 October 2011.)

Briefing by the Administration

3. At the invitation of the Chairman, Secretary for Commerce and Economic Development (SCED) briefed members on the major initiatives related to the Commerce, Industry and Tourism Branch and Innovation and Technology Commission (ITC) of the Commerce and Economic Development Bureau (CEDB) under the 2011-2012 Policy Agenda. Details

of the policy initiatives were set out in the Administration's paper (LC Paper No. CB(1)37/11-12(03)) and SCED's speaking note (LC Paper No. CB(1)101/11-12(01)).

4. At the invitation of the Chairman, Secretary for Constitutional and Mainland Affairs (SCMA) briefed members on the major initiatives of the Constitutional and Mainland Affairs Bureau (CMAB) in relation to Mainland and Taiwan co-operation as set out in the 2010-2011 Policy Agenda. Details of the policy initiatives were set out in the Administration's paper (LC Paper No. CB(1)37/11-12(04) and SCMA's speaking note (LC Paper No. CB(1)101-11-12(02)).

Discussion

Innovation and Technology

5. On co-operation on innovation and technology between the Mainland and Hong Kong, Mr WONG Kwok-hing enquired about the two support measures announced by Mr LI Keqiang, Vice-Premier of the State Council in August 2011 during his visit to Hong Kong, including the establishment of a Hong Kong branch of the Chinese National Engineering Research Centre and a National High-tech Industrialization base in Hong Kong. Mr WONG opined that the Administration should increase the investment in innovation and technology, so as to promote Hong Kong's technological development and help Hong Kong research personnel and institutes in national science and technology to capture opportunities arising from the National 12th Five-Year Plan, thereby creating more job opportunities in the long run.

6. Ms Emily LAU opined that although there was no guarantee that the amount of effort and resources put in research and development (R&D) would be commensurate with the outcome due to the inherent risky and uncertain nature of R&D, the Administration should still increase the investment in R&D since it was vital to the overall economic development of Hong Kong.

7. In response, SCED advised that the Administration would work with the Ministry of Science and Technology to follow up on the two support measures announced by Vice-Premier LI Keqiang. In fact, the Administration had proposed to the Central Government the development of a National High-tech Industrialization Base for green technology at the Hong Kong Science Park (HKSP).

8. Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCED(CT)) and Commissioner for Innovation and Technology (CIT) supplemented that the Administration's annual expenditure in promoting innovation and technology under the Innovation and Technology Fund was about \$700 million. ITC was reviewing and refining the Small Entrepreneur Research Assistance Programme and the R&D Cash Rebate Scheme with a view to better supporting R&D of small and medium-sized enterprises (SMEs) and reinforcing research culture among business enterprises.

9. Dr Samson TAM opined that apart from supporting R&D of SMEs, the Administration should also attract international technology enterprises to set up R&D centres in Hong Kong, thus creating more job opportunities for and helping the industry to train local research talents. Sharing a similar view, Ms Emily LAU expressed concern about the Administration's policy initiatives for attracting international technology enterprises to invest in Hong Kong.

10. In response, SCED advised that the governments of Hong Kong and Shenzhen had worked together to successfully invite DuPont, a United States enterprise, to set up its global thin film photovoltaic business headquarters and research centre in HKSP and its manufacturing facilities in Shenzhen. The DuPont project was the first major technology collaboration project under the "Shenzhen-Hong Kong Innovation Circle". The HKSAR Government would continue to work with Shenzhen authorities along this direction so as to attract more overseas enterprises to conduct research in Hong Kong. SCED added that the BYD Company Limited had also announced its setting up of an electric vehicle R&D office in HKSP to facilitate its collaboration with research institutes in Hong Kong.

11. CIT supplemented that HKSP Phase 3 development project was underway, with staged completion from late 2013 to 2016. On completion of Phase 3, the total gross floor area of R&D offices, laboratories and supporting facilities in HKSP would be increased by 47%. The Administration would work closely with the Hong Kong Science and Technology Parks Corporation (HKSTPC) and the Hong Kong Trade Development Council (HKTDC) on attracting international technology enterprises to set up R&D offices or regional headquarters in HKSP Phase 3.

Developments of Industrial Estates (IEs)

12. Mr WONG Kwok-hing enquired about the latest development of IEs. SCED responded that to ensure effective use of land in the three existing IEs, HKSTPC would continue to undertake revitalization measures, including

encouraging grantees that were not fully utilizing their sites due to economic restructuring to take up new projects or assigning such sites to new users. SCED added that HKSTPC had approved four assignment applications involving four hectares of land since April 2011. In the past two years, HKSTPC had granted a total of about eight hectares of land in Tseung Kwan O IE for the development of high-end data centres.

13. The Chairman informed members that the Administration would brief members on the latest developments of IEs and considerations to be taken into account in examining whether or not to develop a fourth IE at the Panel meeting on 20 December 2011.

Testing and certification

14. Mr Jeffrey LAM enquired about the Administration's initiatives to assist Hong Kong enterprises in capturing the opportunities arising from the National 12th Five-Year Plan, in particular for the testing and certification industry.

15. In response, CIT advised that under the Supplement VII to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) signed in May 2010, testing laboratories in Hong Kong and accredited by the Hong Kong Accreditation Service were allowed for the first time to co-operate with designated Mainland organizations in testing products for the China Compulsory Certification System on a pilot basis, for four types of products processed in Hong Kong. These products included toy, switches, protective devices and connection devices for electrical installations, information technology equipment, and lighting apparatus. In August 2011, during Vice-Premier LI Keqiang's visit to Hong Kong, it was announced that the Mainland had agreed to allow qualified Hong Kong laboratories to test all types of Hong Kong processed products that required China Compulsory Certification. The HKSAR Government had started consultations with the Mainland authorities with a view to implementing the new measure soon.

Liberalization of trade in services

16. Ms Starry LEE enquired about the Central Government's indication to basically achieve full liberalization of trade in services between the Mainland and Hong Kong by the end of the National 12th Five-Year Plan period.

17. In response, SCED advised that the Central Government had clearly indicated that the Mainland market would be further opened up for Hong Kong services sectors, and set a target to achieve basically, through CEPA, liberalization of trade in services between the Mainland and Hong Kong

before the end of the National 12th Five-Year Plan period. The HKSAR Government had started consultations with the Mainland authorities with a view to signing Supplement VIII to CEPA soon. The HKSAR Government would also liaise closely with the Mainland authorities on plans for further liberalization of trade in services in the years ahead.

18. SCED and SCMA supplemented that the Chief Executive had asked the Financial Secretary to follow up on the matter in earnest. CEDB had started consultations with the Mainland authorities in relation to the plan to achieve liberalization of trade in services for Hong Kong.

Nansha and Qianhai development

19. Noting that Nansha was one of the key co-operation areas under the Framework Agreement on Hong Kong/Guangdong Co-operation, Dr Samson TAM suggested that the Administration should pursue tax concessions for Hong Kong residents working in Nansha. Sharing a similar view, Ms Starry LEE expressed concern about the development of Nansha and Qianhai.

20. SCMA responded that the HKSAR Government would make good use of the Hong Kong/Guangdong Co-operation Joint Conference and the working group on Hong Kong/Guangzhou co-operation to complement the work of Guangdong Province and Guangzhou Government to develop Nansha, so as to create new opportunities for Hong Kong business sectors. He added that taxation issues were complex and the HKSAR Government would discuss with the Mainland authorities in this respect.

21. SCMA supplemented that at the first meeting of the Inter-ministries Joint Conference on the Development of Qianhai Area in Shenzhen which was convened in Beijing on 27 September 2011, representatives from relevant ministries of the Central Government, Guangdong Provincial Government, Shenzhen Municipal Government and the HKSAR Government reviewed the work progress of the "Overall Development Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area" since its approval, and conducted in-depth discussions on how to drive the development of Qianhai and to enhance its business environment. The HKSAR Government would also actively complement the Shenzhen authorities' lobbying efforts for more preferential policies to be implemented in Qianhai, as well as their publicity work to promote the business opportunities of Qianhai to the Hong Kong business sectors.

Support measures for SMEs and Dedicated fund of \$1 billion

22. Mr Vincent FANG enquired about the details of the support measures to be introduced by the Administration to help Hong Kong enterprises tide over the difficult period amidst the recent sharp downturn in the external economy and the sovereign debt crisis in Europe.

23. SCED responded that the Administration would continue to assist Hong Kong enterprises to secure trade finance, expand market and enhance overall competitiveness through the three SME funding schemes administered by the Trade and Industry Department. The Administration would also continue to closely monitor and review from time to time the operation of the SME funding schemes and other support measures for SMEs. The Administration would take into account all relevant factors, including the market situation and the needs of the trade, and make timely adjustments so that appropriate assistance could be provided to the trade.

24. Mr Jeffrey LAM and Mr Vincent FANG welcomed the Administration's proposal to set up a five-year dedicated fund of \$1 billion to support Hong Kong enterprises in developing their brands, promoting their products in the Mainland domestics market, as well as restructuring and upgrading their operations in the Mainland, so as to help them capture the opportunities arising from the National 12th Five-Year Plan. They enquired about the eligibility criteria for the dedicated fund and urged the Administration to implement the proposal as soon as possible.

25. In response, SCED advised that the Administration would liaise with the trade and relevant organizations in the next few months, and draw up the implementation details as soon as possible. The Administration planned to submit the funding application to the Finance Committee in the first half of 2012.

Upgrading and restructuring of Hong Kong enterprises in the Mainland

26. Dr LAM Tai-fai pointed out that Hong Kong enterprises in the Mainland were deterred from upgrading and restructuring due to the broad-brush policy adopted by the Administration in relation to the depreciation allowances on machinery and plants under section 39E of the Inland Revenue Ordinance (Cap. 112). He opined that the Administration lacked concrete policy to assist Hong Kong enterprises to upgrade and restructure. Sharing a similar view, the Chairman urged the Administration to discuss with the industry so as to understand the actual problems faced by Hong Kong enterprises in the process of upgrading and restructuring.

27. SCED responded that the Administration had all along been maintaining a close dialogue with the trade through various channels, including the Task Force to Support the Processing Trade, so as to understand their concerns and views relating to upgrading and restructuring, and promoting domestic sales. Moreover, the Administration had provided assistance to the trade, in particular SMEs, through various funding schemes. Through supporting various organizations such as HKTDC, the Hong Kong Productivity Council and trade associations, the Administration had also provided Hong Kong enterprises with Mainland market information, and support services on technological upgrading, management improvement, branding and market development, etc.

Assistance provided to Hong Kong residents in the Mainland

28. In response to Mr Albert CHAN's enquiry about the assistance provided to Hong Kong residents who were detained in custody in the Mainland, SCMA advised that the Beijing Office and the Hong Kong Economic and Trade Offices in the Mainland under CMAB would provide practical assistance to Hong Kong residents in distress in the Mainland, including those who were detained in custody, and liaise with relevant authorities in the Mainland when necessary.

IV. Establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan

(LC Paper No. CB(1)37/11-12(05) -- Administration's paper on establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan

LC Paper No. CB(1)37/11-12(06) -- Paper on establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

29. At the invitation of the Chairman, Secretary for Constitutional and Mainland Affairs (SCMA) briefed members on the proposed detailed arrangements for the establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO), including the creation of a directorate

post to head the HKETCO and the proposed rates of Rent Allowance payable to officers to be posted to the HKETCO, details of which were set out in the Administration's paper (LC Paper No. CB(1)37/11-12(05)).

Discussion

30. Noting the signing of the Economic Co-operation Framework Agreement (ECFA) in June 2010 between the Mainland and Taiwan, Ms Starry LEE called upon the Administration to pursue a more active role to participate in ECFA to enable Hong Kong to benefit from opportunities brought about by ECFA. Ms LEE also enquired about the number of posts to be created to support the HKETCO, and how the Administration would evaluate the performance of the HKETCO in the future.

31. In response, SCMA advised that the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council and the Taiwan-Hong Kong Economic and Cultural Co-operation Council had reached consensus that both sides should commence an exploratory study on the possibility of discussing an economic co-operation framework agreement between Hong Kong and Taiwan, similar to ECFA between the Mainland and Taiwan. The Administration also planned to set up a dedicated liaison unit in Fujian under the Hong Kong Economic and Trade Office (ETO) in Guangdong to strengthen and deepen the multi-faceted co-operation with Fujian, and to capitalize on the opportunities in the Economic Zone on the West Coast of the Taiwan Strait.

32. Permanent Secretary for Constitutional and Mainland Affairs (PSCMA) supplemented that the HKETCO would be headed by the director of the office and supported by 14 other staff, including six permanent non-directorate posts and one two-year time-limited post for various duties relating to administrative and public relations, commercial relations and investment promotion, and seven locally-engaged personnel to provide support on various fronts.

33. PSCMA added that in the Estimates of Expenditure, there were various indicators for measuring the performance of the Mainland ETOs under the Constitutional and Mainland Affairs Bureau. Similar indicators would be adopted when evaluating the performance of the HKETCO in the future. At the request of Ms Starry LEE, SCMA agreed to provide information in this respect in the paper to be submitted to the Finance Committee (FC).

(*Post-meeting note:* The Administration had addressed the issue in paragraph 22 of EC(2011-12)3 submitted to the Establishment Subcommittee concerning the creation of a directorate post to head the HKETCO.)

34. Mr Albert CHAN asked whether the staff of the HKETCO would liaise with relevant authorities in Taiwan to discuss and study issues of mutual concern. He also enquired about the Administration's stance on the status of the Taipei Economic and Cultural Office in Hong Kong. SCMA agreed to provide information to the Panel after the meeting.

(*Post-meeting note:* The Administration's response was circulated to members vide LC Paper No. CB(1)176/11-12(01) on 25 October 2011.)

35. Mr Vincent FANG supported the establishment of the HKETCO. He opined that apart from promoting economic and trade relations between Hong Kong and Taiwan, strengthening co-operation between the two places in areas such as tourism, public health and food safety, etc should also be included in the functions of the HKETCO. Noting that the HKETCO would also facilitate cultural co-operation between Hong Kong and Taiwan, Mr FANG opined that the head of HKETCO should preferably possess reasonable knowledge of the culture in Taiwan. He also enquired whether the Administration would consider merging the Taiwan Offices of the Hong Kong Trade Development Council (TDC) and the Hong Kong Tourism Board (HKTB) with the HKETCO to better co-ordinate the various types of promotion work in Taiwan and for cost savings.

36. SCMA and PSCMA noted Mr Vincent FANG's views and advised that all overseas ETOs, the offices of TDC and HKTB in the relevant cities had all along operated independently while maintaining complementary and coordinated working relationships in promoting Hong Kong overseas. The Administration did not see the need to merge the HKETCO with the Taiwan Offices of TDC and HKTB at the moment.

37. Summing up, the Chairman concluded that the Panel supported in principle the creation of a permanent directorate post to head the HKETCO and the proposed rates of Rent Allowance payable to officers to be posted to the HKETCO.

V. Any other business

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

Council Business Division 1
Legislative Council Secretariat
12 December 2011