

立法會
Legislative Council

LC Paper No. CB(1)747/13-14
(These minutes have been seen
by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 19 November 2013, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon Vincent FANG Kang, SBS, JP (Chairman)
Dr Hon CHIANG Lai-wan, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK
Hon Dennis KWOK
Hon SIN Chung-kai, SBS, JP
Hon Martin LIAO Cheung-kong, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan

Public officers attending : Agenda item V
Commerce and Economic Development Bureau

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Johann WONG, JP
Deputy Commissioner for Innovation and
Technology

Mr Frank TSANG
Assistant Commissioner for Innovation and
Technology (Funding Schemes)

Agenda item VI

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Johann WONG, JP
Deputy Commissioner for Innovation and
Technology

Mr Kesson LEE
Secretary-General (Testing and Certification)
Hong Kong Council for Testing and Certification

Ms Bella HO
Acting Executive Administrator (Accreditation)
Innovation and Technology Commission

Agenda item VII

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

Ms Joyce TAM, JP
Director, Hong Kong Economic and Trade Office
in Shanghai

Ms Noel TSANG
Principal Assistant Secretary for Constitutional and
Mainland Affairs (8)

**Attendance by
invitation**

: Agenda Item V

Hong Kong Research Institute of Textiles and
Apparel

Mr Edwin KEH
Chief Executive Officer

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

Mr Simon WONG
Chief Executive Officer

Clerk in attendance : Ms Annette LAM
Chief Council Secretary (1)3

Staff in attendance : Ms Connie HO
Senior Council Secretary (1)3

Miss Rita YUNG
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

- I. Confirmation of minutes of meeting**
(LC Paper No. CB(1)260/13-14 -- Minutes of meeting held on
10 October 2013)

The minutes of the meeting held on 10 October 2013 were confirmed.

II. Matters arising

Consideration of a duty visit to Taiwan

2. The Chairman invited members' views on a Panel duty visit to Taiwan proposed by Mr WONG Ting-kwong at the last Panel meeting. He said that according to some professors of the Hong Kong University of Science and Technology, Belgium and Israel had made outstanding achievements on innovation and technology development.

3. Mr SIN Chung-kai considered it worthwhile to visit Israel, a country known for its advance innovation and technology development where many world-class hi-tech companies were located. Given the similarities between Hong Kong and Israel in terms of population size and the lack of natural resources, a visit to Israel might provide useful reference for Hong Kong. Mr Charles MOK concurred with Mr SIN Chung-kai, saying that as Israel was

an external-oriented economy like Hong Kong, Israel's experience would be useful for Hong Kong in areas such as venture capital financing for technology start-up companies with high potential growth.

4. Mr Andrew LEUNG opined that the Panel should select a country that could provide the most useful reference for Hong Kong on innovation and technology development. He suggested that the Panel might consider visiting countries in Northern Europe or South Korea which had out-performed Taiwan in innovation and technology development in Asia.

5. Mr Jeffrey LAM said that South Korea, among Asian countries, was the top performer in terms of innovation and technology development, in particular on the research and development of tabular personal computers. Mr LAM said that the success of both South Korea and Israel on their innovation and technology development was largely attributable to staunch government support. He was of the view that the proposed duty visit should focus on one specific country to allow an in-depth study on the relevant policies of the local government and exchange of views with the receiving organizations.

Secretariat

6. Mr SIN Chung-kai suggested and the Chairman agreed that more information on South Korea, Israel and Belgium should be collected to facilitate members' discussion on the subject at the next Panel meeting. The Chairman said that he would approach the Consul General of Israel in Hong Kong for information about Israel. Ms Emily LAU suggested consulting the Commissioner for Innovation and Technology (CIT) who had earlier visited Israel.

III. Information papers issued since last meeting

(LC Paper No. CB(1)166/13-14(01) -- Administration's paper on United Nations Sanctions (Somalia) (Amendment) (No. 2) Regulation 2013

LC Paper No. CB(1)171/13-14(01) -- Administration's paper on the 16th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference

LC Paper No. CB(1)239/13-14(01) -- Letter from Hon Dennis KWOK dated 31 October 2013 on issues relating to the
(*Chinese version only*)

operation of the Dedicated Fund on Branding, Upgrading and Domestic Sales

LC Paper No. CB(1)334/13-14(01) -- Administration's written response to Hon Dennis KWOK's letter dated 31 October 2013 as set out in LC Paper No. CB(1)239/13-14(01))

7. Members noted that the above papers had been issued since the last meeting. The Chairman said that following the receipt of Mr Dennis KWOK's letter dated 31 October 2013 regarding recent media reports on the operation of the Dedicated Fund on Branding, Upgrading and Domestic Sales ("the BUD Fund"), the Secretariat had written to the Administration requesting that the item on the BUD Fund be discussed at the Panel meeting in December 2013. The Administration, in its reply dated 15 November 2013, had proposed to brief the Panel on the related issues during the progress update on the implementation of the BUD Fund in the first quarter of 2014. Mr Dennis KWOK agreed to the proposed arrangement.

IV. Date of next meeting and items for discussion

(LC Paper No. CB(1) 290/13-14(01) -- List of outstanding items for discussion

LC Paper No. CB(1) 290/13-14(02) -- List of follow-up actions)

8. Members noted that the next regular Panel meeting would be held on 17 December 2013 at 2:30 pm to discuss the following items proposed by the Administration:

- (a) Proposed creation of one supernumerary post at Assistant Director of Intellectual Property (DL2) rank for three years in the Intellectual Property Department ; and
- (b) Promotion of inward investment.

9. The Chairman informed members that at the invitation of the Innovation and Technology Commission (ITC), a visit to the Hong Kong Science Park on Thursday, 12 December 2013 from 12:15 pm to 5:30 pm had

been arranged. During the visit, members would receive a briefing on the latest achievements and plans of the Research and Development Centres. The CIT would host a lunch for visiting members. The Chairman said that six Panel members and one non-Panel member had signed up for the visit so far. Members who wished to join the visit and the lunch were requested to inform the Secretariat by 22 November 2013.

V. Extension of the operation of Research and Development Centres
(LC Paper No. CB(1)290/13-14(03) -- Administration's paper on extension of the operation of Research and Development Centres

LC Paper No. CB(1)290/13-14(04) -- Paper on Research and Development Centres set up under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

10. At the invitation of the Chairman, Commissioner for Innovation and Technology (CIT) briefed members on the funding proposal to extend the operation of two Research and Development (R&D) Centres set up under the Innovation and Technology Fund (ITF), namely the Hong Kong Research Institute of Textiles and Apparel (HKRITA) and the Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies (LSCM). Details of the funding proposal were set out in the Administration's paper (LC Paper No. CB(1)290/13-14(03)).

Discussion

11. Mr CHUNG Kwok-pan declared that he was a former member of the Board of Directors of HKRITA.

Performance of HKRITA and LSCM

12. Noting that HKRITA and LSCM had both achieved the industry contribution target of 18% in the two-year observation period in 2011-2013, Ir Dr LO Wai-kyok supported the proposal to extend the operation of the two R&D Centres. He affirmed the positive role of the two R&D Centres in

driving applied R&D in their respective focus areas, and enquired about examples in which the R&D projects of the two R&D Centres had facilitated technology upgrading or helped enhanced efficiency in the relevant industries. Sharing similar view, Mr WONG Ting-kwong asked what efforts had been made to enable the local small and medium enterprises (SMEs) share the benefits of the commercialization of the R&D projects and technology transfer, particularly in realization of R&D results and the production of the deliverables from completed projects.

13. Chief Executive Officer, LSCM advised that in 2011-2013, LSCM had proactively reached out and forged closer working relationship with various related industry sectors in addition to the logistics and supply-chain sector, including the retail sector, construction industry, and private hospital sector, leveraging on its technology capabilities in radio-frequency identification (RFID), Internet-of-Things and location-based service technology. The "E-Lock-Based Enabling Technology for Container Cargo Trans-shipment Process" adopted by the Customs and Excise Department had helped reduce the number of repeated customs inspection for cargos at the entry control points, enhance couriers' efficiency and reliability, and facilitate logistics flow between Hong Kong and the Mainland. In addition, with the support of the Airport Authority Hong Kong and Carrier Liaison Group (a trade organization representing the air cargo, mail, courier and express cargo industries in Hong Kong), LSCM was currently working on an "Advance Truck Arrival Notice System" where various cargo terminals would be notified when trucks heading for the Hong Kong International Airport were passing through the Tsing Ma Bridge. The system would help improve terminal docking space scheduling, increase loading/unloading efficiency and raise air-freight service quality and reliability.

14. Chief Executive Officer, LSCM further advised that on technology transfer to SMEs in Hong Kong, LSCM had successfully introduced its core RFID readerchip technology to more than 15 different local SMEs. Among these companies, one of them had partnered with LSCM's research team to develop a collaborative R&D project which aimed to customize the readerchip for commercial use.

15. Chief Executive Officer, HKRITA highlighted that HKRITA had broadened its research scope, and placed a stronger focus on delivering solutions to promote sustainable industry development and reduction of labour and material costs. Examples included a collaborative project on "Waterless Multi-functional Supercritical Fluid System for Textile Treatment" in partnership with a local garment company that provided a more environment-friendly dyeing method for the textile industry to reduce the use of water and electricity. HKRITA's marketing priority was to complement

the R&D efforts to generate greater industry interest from manufacturers and brand owners, etc in the deliverables from completed projects. Two of HKRITA's projects, namely an "Image Colour Measurement System for Textile and Garment Industry" and a "Fabric Touch Tester", had won the Gold medal in the 41st International Exhibition of Inventions of Geneva in April 2013. These outcomes demonstrated that HKRITA had successfully enhanced its collaboration with and gained more recognition of the industry both locally and overseas.

16. Chief Executive Officer, HKRITA added that HKRITA had been taking an active role in promoting the use of R&D results in the public sector that would benefit the community. Examples included the "performance sportswear" designed for elite athletes of the Hong Kong Sports Institute, in particular the Hong Kong cycling athletes participating in the 2012 London Olympic Games, as well as a prototype uniform for the Fire Services Department which would help reduce firemen's thermal stresses/strains and increase comfort and safety during training and in actual fire-fighting work.

17. In response to Mr CHUNG Kwok-pan's enquiry about the collaboration among the R&D Centres, Chief Executive Officer, HKRITA responded that HKRITA, in collaboration with LSCM and the Hong Kong Applied Science and Technology Research Institute (ASTRI), had completed a trial on an outerwear made of Nu-Torque fabric and embedded with RFID tags in two elderly care centres to track the movement of Alzheimer patients to better monitor their location. Discussion was underway to conduct a larger scale trial of the technology. Chief Executive Officer, LSCM advised that LSCM was collaborating with ASTRI and the Hong Kong Polytechnic University in developing a system that aimed to benefit the disabled or paralyzed persons.

18. Mr CHUNG Kwok-pan noted that the number of projects commenced by HKRITA and LSCM in previous two years had increased considerably. He enquired whether the two R&D Centres had enough manpower to undertake the increased projects. Highlighting the importance of human capital for the long-term development of R&D and innovation and technology, Ms Emily LAU called on the Administration to place more emphasis on nurturing local R&D talents and attracting overseas R&D talents to work in Hong Kong, so as to further strengthen Hong Kong's R&D capabilities.

19. Chief Executive Officer, HKRITA and Chief Executive Officer, LSCM appreciated members' concern about the supply of R&D human capital in Hong Kong. They said that by leveraging the unique position of the R&D Centres as a liaison platform among the Government, industry, academia and research institutions, HKRITA and LSCM would continue to

strive for more collaboration opportunities, bringing together R&D capabilities in conducting inter-disciplinary projects to enhance the competitiveness of the industries in their respective focus areas, thereby contributing to Hong Kong's economic development to the benefits of the local community.

20. CIT supplemented that Hong Kong was a service-driven economy and many university graduates chose to pursue a career in, say, the financial sector rather than the innovation and technology or R&D sector probably partly due to the availability of job opportunities. Sharing members' view on the importance of nurturing talents, CIT agreed that there was a need to provide more job opportunities to attract university graduates with science and technology background to consider pursuing R&D as a life-long career.

Monitoring the performance of R&D Centres

21. Mr Charles MOK was pleased to note that HKRITA and LSCM had made considerable improvements in their performance in the two-year observation period in 2011-2013, and supported the proposal to extend the operation of HKRITA and LSCM. He noted with concern that the industry was not very keen on collaborating with the R&D Centres in conducting R&D projects. He said that some industry stakeholders had reflected to him that the existing funding arrangements under the ITF were too restrictive, and that the project vetting requirements and procedures were too complex and cumbersome to facilitate worthy projects to be undertaken quickly. He opined that while it was essential to monitor the performance and review the operation of the R&D Centres to ensure proper use of public funds, the Administration should avoid micro managing the operation of the R&D Centres, or taking short-term monetary income as the sole performance indicator for R&D Centres. The Chairman shared Mr MOK's views, pointing out that the enhancement of R&D and innovation and technology capability was a long-term investment that required time for the realization of R&D deliverables.

22. While expressing support for extending the operation of HKRITA and LSCM, Mr SIN Chung-kai called on the Administration to continue to monitor the performance of the existing five R&D Centres. He suggested that in addition to reviewing the performance and operation of the five R&D Centres for the purpose of deciding whether or not to support their further operation, the Administration should also proactively explore the need for setting up new R&D Centres in other focus areas.

23. CIT took note of the views expressed by the Chairman, Mr Charles MOK and Mr SIN Chung-kai. She said that apart from commercialization income from licensing fees, royalty payments, etc, the social and economic benefits brought about to the community by the R&D results of the R&D Centres were also an important performance indicator of the R&D Centres although the latter was more difficult to quantify. She advised that the Administration had since mid 2013 commenced a comprehensive review of the ITF after its some 15 years of operation and to explore areas of improvements. As part of the review, the Administration would also take a critical look at the long-term funding arrangements for R&D projects/activities and the R&D Centres. Subject to the outcome of the review, the Administration would evaluate the operation of all the R&D Centres around year 2015 and put forward recommendations on their future operation taking into account whether their performance had shown sustained improvement, and having regard to the state of the market at the time as well as the prevailing Government policies.

Investment in R&D

24. The Deputy Chairman, Mr CHUNG Kwok-pan, Mr WONG Ting-kwong, Ms Emily LAU and Mr Dennis KWOK expressed dissatisfaction that Hong Kong's gross expenditure on R&D (GERD) as a ratio to the gross domestic product (GDP) at below 0.8% was relatively low by international standard and when compared to other economies in the region, such as Japan, Korea, Singapore and Israel. The Administration was urged to put in more resources to promote innovation and technology as well as R&D development, including stimulating private sector investment in R&D.

25. CIT responded that the Administration recognized that Hong Kong's GERD as a ratio to GDP was low compared to other developed economies. She said that this was mainly due to the unique economic structure of Hong Kong that was dominated by the service industry and the lack of national defence expenditure and large-scale manufacturing industries. The ITF was established to provide funding support for applied R&D projects that contributed to innovation and technology upgrading in manufacturing and service industries. Presently, about 70% of public sector spending in R&D was funded by the University Grants Committee/Research Grants Council. CIT pointed out that as Hong Kong was a city, it would be more appropriate to compare Hong Kong's GERD as a ratio to GDP with that of other cities, rather than with other countries. Deputy Commissioner for Innovation and Technology supplemented that the GERD as a ratio to GDP of London was smaller than that of the United Kingdom as a whole.

26. CIT further advised that at present, support for private companies' in-house R&D activities was mainly through the Small Entrepreneur Research Assistance Programme under the ITF, which had its limitations. Support for private sector R&D was one of the key areas covered in the comprehensive review of the ITF. While acknowledging the need to motivate more private sector enterprises to participate in conducting R&D projects, CIT highlighted that there was also a need to ensure accountability and proper use of public funds. The Administration would strive to achieve a good balance in this respect.

27. Pointing out that the ITF had been in operation for nearly 15 years, Mr WONG Ting-kwong considered that the Administration should review its operation and effectiveness more frequently. CIT responded that the ITF was set up in 1999 with an initial capital of \$5 billion. Over the years, the Administration had regularly reviewed the operation of the ITF and introduced various enhancements to the ITF mechanism, such as expanding the funding scope to support the production of samples/prototypes and conducting of trials in the public sector. The uncommitted ITF balance of around \$0.9 billion was expected to be fully committed around 2015-2016. The Administration would closely monitor the position and consult the Panel on the way forward, following the comprehensive review of the ITF to ensure continued support for the development of innovation and technology and R&D in Hong Kong.

Development of industries

28. The Deputy Chairman supported the proposal to extend the operation of HKRITA and LSCM. She pointed out that the promotion of innovation and technology and R&D would contribute to the development of the economy and industries in Hong Kong. She called on the Administration to put more efforts to expedite the development of industries, in particular the manufacturing industries. CIT took note of the Deputy Chairman's views, and added that the manufacturing sector contributed a low percentage to Hong Kong's GDP. Due to the scarcity of land, Hong Kong might no longer be a suitable location for mass manufacturing. The Administration would continue to promote the upgrading of the local industry to focus on high value-added manufacturing to drive Hong Kong's economy up the value chain.

Summing up

29. The Chairman concluded that the Panel supported in principle the funding proposal to extend the operation of HKRITA and LSCM. He called on the R&D Centres to further reach out and forge closer ties with

industry-support bodies, trade associations and enterprises to develop more demand-led and industry-driven R&D projects relevant to the needs of industry users.

VI. Progress report of the Hong Kong Council for Testing and Certification

(LC Paper No. CB(1)290/13-14(05) -- Administration's paper on progress report of the Hong Kong Council for Testing and Certification

LC Paper No. CB(1)290/13-14(06) -- Paper on promoting the development of the testing and certification industry in Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

30. At the invitation of the Chairman, the CIT briefed members on the development of the Hong Kong Council for Testing and Certification (HKCTC) and the progress of its work since the last report to the Panel in April 2013. Members' support was also sought to convert the supernumerary post of Secretary-General (Testing and Certification) (SG(TC)) at Administrative Officer Staff Grade C (AOSGC) (D2) rank to the permanent establishment of the ITC with effect from 1 April 2014.

Discussion

Promoting wider recognition of Hong Kong's testing and certification services in the Mainland

31. Noting that the Hong Kong Accreditation Service (HKAS) had planned to apply for expansion of its mutual recognition arrangements (MRAs) with the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and the Pacific Accreditation Cooperation and the International Accreditation Forum, Mr CHUNG Kwok-pan was concerned whether the Administration would also step up its efforts in seeking wider recognition of Hong Kong's testing and certification results in the Mainland in parallel.

32. In response, the Acting Executive Administrator (Accreditation), ITC informed members that the APLAC was a forum to establish, develop and expand MRAs among accreditation bodies in the Asia Pacific Region, including the Mainland. Being a signatory of the APLAC, the HKAS had signed a mutual recognition agreement with member accreditation bodies of the APLAC, including those from the Mainland. SG(TC) added that the Mainland had been gradually opening up its market to Hong Kong's testing and certification industry since Supplement VII to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) became effective in 2011. Hong Kong testing laboratories accredited by the HKAS were now allowed to co-operate with Mainland certification bodies to undertake testing for the China Compulsory Certification (CCC) System with regard to products processed in Hong Kong. Since then, four Hong Kong testing laboratories had entered into co-operation agreements with Mainland certification bodies for undertaking CCC testing.

33. Mr CHUNG kwok-pan further enquired whether the acceptance of test data provided by Hong Kong laboratories in the Mainland was confined to the four trades, namely food, Chinese medicines, environmental and medical testing. Given the great potential demand for testing and certification services for textile products in the Mainland, Mr CHUNG was keen to see that this item would be included in the further liberalization measures under CEPA in the future. SG(TC) responded that in line with the National 12th Five-Year Plan on service liberalization, the scope of certification that could be undertaken by Hong Kong-accredited testing organizations was expanded, on a pilot basis in Guangdong Province, to cover food with effect from January 2013 under Supplement IX to CEPA. He said that the scope of testing services for the purpose of certification that could be undertaken by Hong Kong testing laboratories would be expanded from food to other areas of voluntary product certification on a pilot basis in Guangdong Province starting from 1 January 2014 under Supplement X to CEPA signed in August 2013. The ITC was now discussing the implementation details with the Certification and Accreditation Administration. SG(TC) assured members that the Administration would continue to pursue further liberalization under CEPA, and strive for further expansion of the scope of testing services for the purpose of certification that could be undertaken by Hong Kong testing laboratories in future supplements to CEPA with a view to providing more business opportunities for the trade.

Regulation of Hong Kong testing laboratories

34. Mr WONG Ting-kwong cited a recent case in which tests on turtle jelly products of a certain brand conducted by a laboratory under the management of a university and the Government Laboratory produced

different results. While the findings of the university laboratory showed that there were no constituents of turtle plastrons in the products, the test results of the Government Laboratory found that samples contained turtle constituents. Pointing out that inaccurate test results would seriously undermine the goodwill of a company, Mr WONG enquired about the regulation of testing laboratories in Hong Kong, and the penalties, if any, for testing organizations that had produced inaccurate test results.

35. Deputy Commissioner for Innovation and Technology (DCIT) responded that the HKAS provided accreditation service for laboratories in Hong Kong through the Hong Kong Laboratory Accreditation Scheme (HOKLAS). HOKLAS aimed to upgrade the standard of testing and management of Hong Kong laboratories, officially recognize their competence in performing specific tests, and promote the acceptance of endorsed test reports issued by accredited laboratories, both locally and internationally. HOKLAS was open to voluntary participation. If there was any report or complaint against an accredited laboratory or its accredited services, the HKAS would approach the accredited laboratory. Should serious non-conformity with accreditation regulations or technical criteria be identified, the HKAS might suspend or terminate the relevant accreditation of the laboratory. CIT added that HKAS would conduct thorough investigation on complaints lodged against HKAS-accredited testing laboratories. There had been cases in the past that the accreditation of some laboratories was revoked when complaints against them were found to be substantiated. The Chairman urged the Administration to deal with such cases in a serious manner because inaccurate test results on a product could have a substantial adverse impact on the reputation of a company.

Promoting support services for the testing and certification industry

36. Mr Charles MOK appreciated the joint efforts of the Hong Kong Productivity Council (HKPC) and the Hong Kong Science Park (Science Park) in launching the "Lab Test One", a new one-stop testing and technical support service that could facilitate Hong Kong testing and certification organizations in using the shared facilities provided by the HKPC and Science Park, thereby minimizing the need to make substantial capital investment in their testing facilities. Noting that local testing and certification organizations were mostly unaware of the support services offered by the Government and the related public organizations, he urged the HKCTC to widely promote the support services among stakeholders in the industry and also to attract laboratories from the Mainland to use the service. DCIT responded that while the HKCTC would have its own budget for service promotion, the General Support Programme of the Innovation and Technology Fund could also provide funding support for additional promotion work.

Maintaining professional expertise of HKCTC in the six selected trades

37. Considering that the scope of the six specific trades identified as having strong demand for testing and certification services was rather broad for the purpose of a focused development, Mr Charles MOK expressed concern whether the HKCTC had the mechanism in place to ensure its professional capability in devising testing and certification schemes for the respective trades. CIT advised that the HKCTC had set up a panel for each of the six selected trades to focus efforts on the development and promotion of testing and certification services for the respective trades. Members of the panels were widely drawn from relevant trades, the testing and certification industry, academics, professional bodies as well as relevant Government departments and public organizations. The panels were tasked to research into the possibility of introducing new testing or certification schemes in the respective trades and to develop new schemes with input from local stakeholders/overseas experts where appropriate.

Development of testing and certification services in the selected trade of information and communications technologies

38. Mr Charles MOK enquired about the HKCTC's long-term plan on promoting the development of the ISO 27001-based information security management system (ISMS) certification service, which enabled an organization to assess and manage its information security risks through establishing, implementing, maintaining and continuing improving its ISMS as part of the overall management framework. He asked whether the accreditation work for ISO 27001 certification would be undertaken by HKCTC or by the industry in the long run, and whether the Administration would consider putting in place a subsidy scheme to provide incentives for organizations in adopting the ISO 27001 certification or other certification initiatives on the information and technology front developed by the HKCTC in the future.

39. SG(TC) responded that a panel with experts from the information and technology industry had been set up to study the implementation of ISO 27001 certification service, among others. The HKCTC would step up promotion to enhance the awareness of potential service users on the application of ISO 27001 and the advantages of ISMS certification. While there were no HKAS-accredited certification bodies providing ISO 27001 certification service at present, the HKAS would continue to provide the necessary training for testing organizations to enhance their ISO 27001 certification capability and to introduce to them the related accreditation service offered by the HKAS. The HKCTC would also work with the Office of the Government Chief Information Officer (OGCIO) with a view to

fostering the development of ISO 27001 certification service. Mr Charles MOK advised that the HKCTC should, in collaboration with the OGCIO, engage the stakeholders of the information and technology industry and promote the relevant accreditation service offered by the HKAS to the industry and potential user organizations as early as possible.

40. Mr Charles MOK further pointed out that apart from ISO 27001 certification, the HKCTC might also explore the development of software testing services in the light of the strong potential demand in the market. Mr MOK said that the HKPC had been enhancing its work on the development of software testing services with the establishment of a third-party professional software and network testing platform in collaboration with the Zhuhai Southern Software Testing Center in December 2013. He asked if the HKCTC would complement the work of HKPC on the development of software testing services in Hong Kong.

41. SG(TC) advised that the HKCTC had been keeping a close watch on the development potential of third-party software testing services in Hong Kong. The market demand for software testing services and the competition among service providers were being studied. Mindful of HKPC's efforts in this regard, the HKCTC would make reference to HKPC's experience when mapping out the development plan of software testing services. Mr Charles MOK commented that the HKCTC and HKPC should enhance mutual collaboration with a view to formulating a more coordinated strategy in promoting software testing services in Hong Kong.

Summing up

42. The Chairman concluded that there were many opportunities for further development of the testing and certification services in Hong Kong, and the Panel supported the Administration's proposal to convert the supernumerary SG(TC) post to a permanent AOSGC (D2) post, in the ITC, with effect from 1 April 2014.

VII. Establishment of the Hong Kong Economic and Trade Office in Wuhan

(LC Paper No. CB(1)290/13-14(07) -- Administration's paper on establishment of the Hong Kong Economic and Trade Office in Wuhan

LC Paper No. CB(1)290/13-14(08) -- Paper on the establishment of the Hong Kong Economic and Trade Office in Wuhan prepared by the Legislative Council Secretariat (background brief)

Presentation by the Administration

43. At the invitation of the Chairman, Deputy Secretary for Constitutional and Mainland Affairs (3) (DSCMA) briefed members on the arrangements for the establishment of the Hong Kong Economic and Trade Office in Wuhan (Wuhan ETO), as well as the proposal to create a permanent Administrative Officer Staff Grade C (D2) post to head the Wuhan ETO. Details of the arrangements and the staffing proposal were set out in the Administration's paper (LC Paper No. CB(1)290/13-14(07)). DSCMA added that the Administration planned to seek the Establishment Subcommittee's endorsement of the establishment proposal in December 2013.

Discussion

Criteria for determining the location of the new Mainland ETO

44. While expressing support for the establishment of the Wuhan ETO, Dr LAM Tai-fai enquired whether the Administration had put in place any mechanism or drawn up objective criteria for determining the location of new ETOs in the Mainland. He questioned why the new ETO was not set up in Zhengzhou, Henan which was also a major city in the Central Region of the Mainland and was well served with convenient land and air transport network. Besides, Henan Province, being the granary of China yielding a significant amount of food and agricultural produce and as home to a large population, would be a vast market presenting huge business opportunities for Hong Kong, especially in the food and logistics sectors. Mr SIN Chung-kai echoed Dr LAM Tai-fai's views and enquired about the Administration's reasons for choosing Wuhan instead of Zhengzhou for setting up an ETO in the Central Region of the Mainland.

45. DSCMA noted Dr LAM Tai-fai's and Mr SIN Chung-kai's views on the advantages of Zhengzhou in terms of its population size, convenient transport network and geographical location. He explained that in deciding to set up a new ETO in Wuhan, the Administration had taken into account a host of factors, including the national strategy for co-ordinated regional development; the development situation, potential, geographical location and

transportation network of the relevant provinces and municipalities; and the potential business opportunities for Hong Kong enterprises, etc. He added that Wuhan of Hubei Province was positioned by the Central Government as the centre of the Central Region. It was also an integral transport hub in the region, with solid economic foundation as well as close economic and trade ties with Hong Kong. The setting up of an ETO there would facilitate Hong Kong enterprises to take advantage of the rapid economic development in the Central Region of the Mainland. At the request of Dr LAM and Mr SIN, DSCMA agreed to provide more detailed information on the reasons and justifications for setting up the new ETO in Wuhan instead of Zhengzhou.

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)470/13-14(01) on 4 December 2013.)

46. Mr SIN Chung-kai commented that apart from setting up more ETOs in the Mainland to enhance "internal diplomacy" and promote "homeland relationship" with the Mainland, it was equally important to set up more overseas ETOs in emerging markets, such as South America and Europe, and strengthen the functions and business role of the overseas ETOs to assist Hong Kong enterprises in developing the emerging overseas markets. The Chairman pointed out that on balance, more Hong Kong enterprises were turning to the Mainland market rather than markets in Central and South America for business opportunities in view of the proximity and the common language with the Mainland. More ETOs in the Mainland would benefit Hong Kong residents and businessmen living, studying and doing business in the Mainland.

47. DSCMA responded that the main functions of the Offices of the Hong Kong Special Administrative Region Government (HKSARG) in the Mainland (the Mainland Offices) were to promote economic and trade co-operation, enhance liaison, communication and cultural exchanges between the HKSARG and their respective provinces/municipalities/regions, attract investment into Hong Kong and provide appropriate assistance to Hong Kong residents and enterprises. He undertook to relay Mr SIN Chung-kai's suggestion on setting up more new ETOs in emerging markets to the Bureau concerned.

Support for Hong Kong residents and enterprises in the Mainland

48. Mr Dennis KWOK pointed out that there were complaints that the Mainland ETOs failed to render practical assistance to Hong Kong residents and enterprises encountering difficulties in dealing with Mainland authorities or being involved in litigation in the Mainland. He urged the Mainland

ETOs to step up efforts to proactively support Hong Kong residents in distress and enterprises involved in business, trade and labour disputes in the Mainland.

49. DSCMA responded that a series of new initiatives to enhance the functions of the Mainland Offices had been announced in the 2013 Policy Address to strengthen support for Hong Kong residents and enterprises in the Mainland. The initiatives included, among other things, strengthening liaison with Hong Kong residents and groups, stepping up policy research, and enhancing communication and publicity. The Mainland Offices had stepped up the dissemination of pertinent information on the Mainland's latest policies, regulations and business environment to business chambers, Hong Kong residents and enterprises in the Mainland, and to relay their views and concerns to the relevant Mainland authorities.

50. Director, Hong Kong Economic and Trade Office in Shanghai (Director, Shanghai ETO) supplemented that apart from making referrals to the relevant Mainland authorities, Shanghai ETO had followed up with the relevant Mainland authorities on some assistance cases where appropriate so as to better assist the Hong Kong residents and enterprises concerned in resolving problems encountered.

Promotion of cultural exchanges and co-operation

51. Mr MA Fung-kwok supported the establishment of the Wuhan ETO and the staffing proposal. He considered that the overseas ETOs and the Mainland Offices should play a more active role in promoting cultural exchanges and co-operation between Hong Kong and the regions under their coverage. Expressing disappointment that work in this respect had not been specified in the official functions of the ETOs, he urged the Administration to attach greater importance to the role of the ETOs in cultural promotion and to deploy dedicated manpower to the task. Referring to the naming of the Hong Kong Economic, Trade and Cultural Office in Taiwan, Mr MA requested the Administration to seriously consider retitling the ETOs to better reflect their role and functions in enhancing cultural co-operation and exchanges.

52. DSCMA took note of Mr MA Fung-kwok's suggestions. He said that although the title of the ETOs did not bear out their role on the cultural front, the promotion of cultural exchanges between Hong Kong and regions under their respective coverage had all along been one of the main functions of the ETOs. Director, Shanghai ETO advised that apart from promoting bilateral economic and trade relations between Hong Kong and the region, Shanghai ETO also maintained close liaison with local authorities and organizations to

enhance the Government-to-Government (G2G) co-operation and exchanges between Hong Kong and the provinces/municipalities under its coverage on various fronts, including cultural issues. She added that the HKSARG and the Shanghai Municipal Government had established the Hong Kong/Shanghai Economic and Trade Co-operation Conference to foster co-operation between the two places in various areas, including cultural and creative industries.

Appointment of the Head of ETOs

53. Dr LAM Tai-fai highlighted that the Heads of ETOs in the Mainland were HKSARG's principal representatives responsible for developing and fostering relations between the HKSARG and the different provinces/municipalities concerned. Since the normal tenure of a posting in the Mainland was approximately three years, Dr LAM expressed concern about how the continuity of the work, particularly in building up long-term relationship and liaison network with the Mainland authorities, could be maintained with changes of the Heads of ETOs every few years. The Chairman shared Dr LAM's concerns, saying that building up relationship and the relevant network was pivotal in doing business in the Mainland.

54. In response, DSCMA advised that the civil service had well-established arrangements to ensure smooth transition in personnel to maintain effective operation of the Mainland Offices when there were staff changes. Also, the HKSARG and the Mainland authorities had established various G2G platforms to promote closer and mutually beneficial regional co-operation on various fronts. These platforms included the Hong Kong/Guangdong Co-operation Joint Conference, the Hong Kong/Shenzhen Co-operation Meeting, etc.

Summing up

55. The Chairman concluded that the Panel supported in principle the proposed creation of a permanent Administrative Officer Staff Grade C (D2) post to head the Wuhan ETO.

VIII. Any other business

56. There being no other business, the meeting ended at 4:31 pm.