立法會
Legislative Council

LC Paper No. CB(1)485/06-07
(These minutes have been seen by the Administration)

Ref: CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 21 November 2006, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present	**:**	Hon Vincent FANG Kang, JP (Chairman) Hon WONG Ting-kwong, BBS (Deputy Chairman) Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP Hon SIN Chung-kai, JP Hon Jeffrey LAM Kin-fung, SBS, JP Hon Andrew LEUNG Kwan-yuen, SBS, JP Hon Ronny TONG Ka-wah, SC Hon CHIM Pui-chung
Members absent	**:**	Dr Hon LUI Ming-wah, SBS, JP Hon CHAN Kam-lam, SBS, JP Hon Timothy FOK Tsun-ting, GBS, JP
Public officers attending	**:**	Agenda Item IV Mr Anthony S K WONG Commissioner for Innovation and Technology Miss Clara TANG Assistant Commissioner for Innovation and Technology Dr Tony LEE Chief Executive Officer Hong Kong R&D Centre for Automotive Parts and Accessory Systems

Mr Haider BARMA
Cheif Executive Officer
Hong Kong Research Institute of Textiles & Apparel

Professor Ka-ming NG
Chief Executive Officer
Nano and Advanced Materials Institute Limited

Mr Anthony KWOK
Manager, Technology Programs
Logistics and Supply Chain Management Enabling Technology R&D Centre

Dr Robert YANG
Chief Executive Officer
Hong Kong Applied Science and Technology Research Institute Company Limited

Dr Manuel F COSTA
Vice President (Planning)
Hong Kong Applied Science and Technology Research Institute Company Limited

Mr Ernest WONG
Chief Financial Officer
Hong Kong Applied Science and Technology Research Institute Company Limited

Mr Victor CHIN
Director of Administration
Hong Kong Applied Science and Technology Research Institute Company Limited

Agenda Item V

Mr David LEUNG
Principal Assistant Secretary for Commerce, Industry and Technology (Commerce & Industry)

Miss Belinda KWAN
Assistant Director-General (Systems) for Trade and Industry Department

Mr Lawrence LAM
Trade Officer for Trade and Industry Department

Agenda Item VI

Ms Linda LAI
Deputy Secretary for Commerce, Industry and Technology (Commerce & Industry) 1

Mr Howard LEE
Principal Assistant Secretary for Commerce, Industry and Technology (Commerce and Industry) 1

Mr Albert TANG
Principal Assistant Secretary for Economic Development and Labour (Economic Development) A1

Miss Aubrey FUNG
Acting Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 2

Mr WATT Cheuk-wai
Principal Trade Controls Officer for Customs and Excise Department (Trade Investigation Bureau)

Clerk in attendance : Miss Erin TSANG
Chief Council Secretary (1)3

Staff in attendance : Mr Kelvin LEE
Assistant Legal Adviser 1

Ms YUE Tin-po
Senior Council Secretary (1)5

Ms May LEUNG
Legislative Assistant (1)6

I Confirmation of minutes of meeting

(LC Paper No. CB(1)280/06-07 — Minutes of meeting held on 17 October 2006)

The minutes of the meeting held on 17 October 2006 were confirmed.

II Papers issued since last meeting

2. Members noted that there had not been any paper issued for the Panel's information since the last meeting held on 17 October 2006.

III Date and items for discussion for next meeting

(LC Paper No. CB(1)278/06-07(01) — List of outstanding items for discussion

LC Paper No. CB(1)278/06-07(02) — List of follow-up actions)

3. Members agreed that the following items would be discussed at the next meeting scheduled for 19 December 2006 –

(a) Work of the Hong Kong Science and Technology Parks Corporation;

(b) Proposed amendments to the Patents Ordinance (Cap. 514); and

(c) Promoting the use of genuine software in business.

IV Strategic framework for innovation and technology development

(LC Paper No. CB(1)279/06-07 -- Background Brief on the current strategic framework for innovation and technology development prepared by the Secretariat)

(a) Research and Development Centres

(LC Paper No. CB(1)278/06-07(03) -- Information paper provided by the Administration)

Presentation by the Administration

4. At the invitation of the Chairman, the Commissioner for Innovation and Technology (C(IT)) informed members of the latest position on the establishment of the five Research and Development (R&D) Centres and the implementation of the strategic framework for innovation and technology development as detailed in the Administration's paper. In gist, (C(IT)) said that under the strategic framework, a three-tier funding model under the Innovation and Technology Fund (ITF) was adopted to support applied R&D in Hong Kong. Under Tier one, five R&D Centres were established for conducting R&D in specific focus areas, including nanotechnology and advanced materials; textile and clothing; logistics and supply chain management enabling technologies; automotive parts and accessory systems; and information and communications technologies. The five Centres, which commenced operation on 20 April 2006, had been actively

engaged in institutional and corporate issues, publicity and marketing programmes, exploration of cooperation opportunities with the industry and research institutes, as well as public solicitation of R&D proposals. C(IT) stressed that a transparent and credible project vetting mechanism was established by each Centre to ensure sufficient scientific propriety in the projects undertaken by the Centres, market relevance to Hong Kong and the Pearl River Delta (PRD), and a reasonable chance of success in developing the technology and subsequent commercialization. The specific progress of each R&D Centre was summarized below:

(a) R&D Centre for Nanotechnology and Advanced Materials

The R&D Centre for Nanotechnology and Advanced Materials, which was hosted by the Hong Kong University of Science and Technology (HKUST), focused on five core technology areas, namely nanomaterials (functionalization and applications); nanotechnology enabled nano-optoelectronics; nano-structured/textured materials applications; advanced materials for interconnection, packaging and thermal management; and forming of advanced materials. A total of $61.4 million and $209 million had respectively been earmarked for the operating cost of the Centre and for supporting about 75 R&D projects in the initial five years.

(b) R&D Centre for Textile and Clothing (TC)

The R&D Centre for TC, which was hosted by the Hong Kong Polytechnic University (PolyU), focused on four core technology areas, namely new materials and textile and apparel products; advanced production technologies; innovative design and evaluation technologies; and enhanced industrial systems and infrastructure. A total of $60.3 million and $215 million had respectively been earmarked for the operating costs of the Centre and supporting about 100 R&D projects in the initial five years.

(c) R&D Centre for Logistics and Supply Chain Management (LSCM) Enabling Technologies

The R&D Centre for LSCM Enabling Technologies was jointly hosted by the University of Hong Kong, the Chinese University of Hong Kong (CUHK) and HKUST. The Centre focused on three core technology areas, namely radio frequency identification (RFID) tag and reader technologies; networking and infrastructure technologies; and applications and decision support technologies. A total of $52.2 million and $255 million had respectively been earmarked for the operating costs of the Centre and for supporting about 80 R&D projects in the initial five years.

(d) R&D Centre for Automotive Parts and Accessory Systems (APAS)

The R&D Centre for APAS, which was hosted by the Hong Kong Productivity Council, focused on four core technology areas, namely electronics and software; safety; hybrid electric drive and environment; and new materials and processes. A total of $100 million and $250 million had respectively been earmarked for the operating costs of the Centre and upgrading of Hong Kong's testing facilities in the local institutions to carry out testing of automotive parts/components and systems, as well as supporting about 78 R&D projects, in the initial five years.

(e) R&D Centre for Information and Communications Technologies (ICT)

The R&D Centre for ICT, which was hosted by ASTRI, focused on four technology areas, namely communications technologies; consumer electronics; integrated circuit design; and opto-electronics. ASTRI's operating expenses had been increased from $93.3 million in 2005-2006 to $119.9 million (which had been approved by the Legislative Council in 2006 as part of the 2006-2007 Estimates) in 2006-2007. In addition, the ITF had earmarked $1,400 million to support about 150 R&D projects to be undertaken by the Centre.

5. Under Tier two in which R&D projects with focus themes were undertaken, C(IT) informed that the "Guangdong/Hong Kong Technology Cooperation Funding Scheme" (the Funding Scheme) was launched in 2004 to encourage collaborative R&D by research institutions and industries in PRD. In 2004 and 2005, the governments of Guangdong and Hong Kong supported respectively a total of 66 and 126 projects, of which 23 and 32 respectively were funded by Hong Kong. The total funding involved was around $650 million ($250 million from Hong Kong side). The projects covered RFID, automotive parts and accessory systems and etc. For 2006-2007, a total of 62 applications had been solicited in Hong Kong, with total funding applied amounting to $275 million. C(IT) advised that those proposals were related to ICT; biomedicine and health; precision manufacturing technologies and products; new materials and nanotechnology; new energy and resources conservation; and modern agriculture. The applications of the proposals were being processed by the Innovation and Technology Commission (ITC).

6. In addition, C(IT) pointed out that although Hong Kong ranked second in the export of clocks and watches, it lacked the core technology for local mechanical watch movement and had to import the technology from Switzerland and Japan. As such, a mechanical watch movement project was funded under Tier two to develop associated design methodologies and precision manufacturing technologies in the fabrication of the mechanical watch movement

in Hong Kong. The project was conducted by CUHK in collaboration with a number of other local R&D support institutions.

7. C(IT) advised further that the Digital Entertainment Incubation-cum-Training Centre (the Incubation-cum-Training Centre), which was also funded under Tier two and managed by the Hong Kong Cyberport Management Limited, aimed to incubate up to a total of 45 companies in digital entertainment and digital multimedia industries. Its initial focus was on game development and to provide technical and business-related training for digital entertainment professionals in the industry. The total funding required for the project was $30.77 million. The project had commenced in October 2005 and was scheduled for completion by January 2009. So far, 30 incubatee companies had been recruited and the majority of them had already settled in the Incubation-cum-Training Centre.

8. As for projects funded under Tier three, C(IT) indicated that those projects were innovative in nature while also exhibiting application potentials. As such, apart from projects which aimed to develop new technology, projects which followed up from or leveraged on the results of completed basic research projects were also supported. Public solicitation of proposals for projects under Tier three was launched in December 2005 to March 2006. A total of 127 applications were received, and 45 applications involving total funding support of $40 million were approved.

Discussion

R&D Centres

9. Mr Jeffrey LAM considered that in order to secure continued support from the industries concerned for applied R&D in Hong Kong, the R&D Centres should strengthen their promotion and publicity efforts to enhance industry customers' awareness of the R&D projects undertaken and the research output. Echoing the views of Mr Jeffrey LAM, Mrs Sophie LEUNG also opined that the R&D Centres should not limit their contact with trade associations only but should outreach themselves to ascertain the varying needs of the industry customers and to enhance industry awareness. Since the Administration would review whether the R&D Centres should continue to exist or otherwise after the five-year funding period, she urged the R&D Centres to draw up, as soon as possible, R&D programmes and direction which were relevant to the industry and could address the industry needs, and to avoid using the funding to meet high administrative costs.

10. In response, C(IT) stressed that the R&D Centres attached great importance to the promotion of their activities to industry customers which included both local companies and companies in PRD. The Chief Executive Officer of each R&D Centre had been establishing channels and effective connections with the industry to promote the Centre’s activities. Moreover, a

marketing manager was designated by each Centre to launch marketing programmes in order to publicize the Centre's services and R&D capabilities. A membership system was also put in place to facilitate industry customers' access to industry information including project results, research output, the latest technology development in the industry and market needs. The R&D Centres would continue to step up their efforts in promotional activities. Separately, the Administration would continue to liaise with the Mainland authorities and provincial and municipal Science and Technology Agencies in PRD to secure their assistance in the promotional activities of the R&D Centres.

11. Mr WONG Ting-kwong said that as far as he was aware, the Mainland and overseas research institutes could ultimately generate income sufficient to sustain their operation. As such, he enquired when the Administration would anticipate that the five R&D Centres could reach a balanced budget. In response, C(IT) stressed that the funding provided for maintaining the operation of the R&D Centres and supporting part of their R&D projects should be regarded as an investment in the market development, and should be measured by the overall economic benefits brought about to the society as a whole. Nevertheless, consideration was being given to conducting a consultancy study for quantitative analysis on the social and economic benefits as a result of the setting up of the R&D Centres in terms of job opportunities created, increase in revenue of enterprises, the number of new enterprises established and etc. He added that the five R&D Centres were also expected to generate up to 40% of R&D expenses from industry contributions when they ramped up to the fifth year of operation. In further response to Mr SIN Chung-kai's enquiry on the estimated expenditure of the R&D Centres against the funding approved, C(IT) undertook to report to the Panel in six months' time and thereafter annually the income and expenditure of the R&D Centres for members' information.

Admin

12. In this connection, Mr WONG Ting-kwong sought elaboration on industry contributions on projects requested by the industry. In response, C(IT) advised that for contract research type of projects, the requesting company had to fund 100% of the costs involved plus the necessary overhead costs. The income so generated would be reserved for meeting the R&D Centre's expenditure needs in the future. However, for platform type projects of which the technology would be adopted by a wide base of companies, the Government would be responsible for 90% of the project costs and the remaining 10% would be obtained from the industry.

13. Mr WONG Ting-kwong expressed concern on the targets of R&D deliverables as most of the local manufacturers had moved to operate in the Mainland, C(IT) pointed out that of the 80 000 factories in the PRD region, 60 000 were owned or partially-owned by local manufacturers who still maintained their offices and headquarters in Hong Kong to make use of the local services such as logistics and financial services. As the intellectual property rights (IPs) generated from R&D projects undertaken by the R&D Centres were normally owned by the Centres, all local manufacturers or overseas companies were the

targets of the research output as they could buy the technologies and commercialize the IPs developed by the R&D Centres. In this connection, the Chairman enquired and C(IT) confirmed that environmental concerns would be taken into account in the R&D programmes of the five R&D Centres.

14. Mr Jeffrey LAM enquired whether more R&D centres would be set up to meet the future needs of technology development in Hong Kong. C(IT) advised that upon evaluation, if projects under Tier two had market needs, consideration would be given to upgrading the projects to Tier one and R&D centres would be set up for further pursuit. Similarly, if the project deliverables could be applied by the industry and had industry support, projects under Tier three might also be upgraded to Tier two and so on. C(IT) advised further that while a comprehensive review on the overall performance of the five R&D Centres and the projects undertaken would be conducted after five years, a mid-term review would be made after two years to ascertain whether it was necessary to set up more R&D centres to meet the market needs.

15. In further response to Mr Jeffrey LAM's enquiry on the recruitment of more R&D professionals to cater for the future demands if new R&D projects were to be undertaken in Hong Kong, C(IT) said that there was currently a shortage in the supply of local R&D personnel. In cases where the required expertise was not available locally, overseas recruitment exercises were conducted. Moreover, through the Umbrella Memorandum of Understanding signed between ITC and overseas institutes such as the Tsinghua University, the University of California at Berkeley, the University of California at Los Angeles, London University, etc, the collaboration network could be expanded. This would not only facilitate research activities undertaken by the R&D Centres but also attract world renowned R&D professionals to engage in R&D activities in Hong Kong. In the long run, ITC would continue to organize activities such as the Innovation Festival to arouse the interests of the younger generation in innovation and technology, and would strengthen the cooperation with the local universities and various R&D institutions with a view to nurturing R&D talents for the future R&D development in Hong Kong. ITC had already earmarked funding to support the industry for engaging local university graduates as placements in R&D activities; it was expected that over 100 local university graduates would benefit from such arrangement. R&D professionals currently employed by the R&D Centres could also help train up local R&D personnel to meet the future needs.

R&D Centre for TC

16. Mrs Sophie LEUNG expressed concern that the R&D Centre for TC had not been establishing effective connections with the industry. In response, Mr Haider BARMA, Chief Executive Officer of Hong Kong Research Institute of Textiles & Apparel (CEO of Hong Kong Research Institute of Textiles & Apparel) said that the objective of the PolyU in hosting the R&D Centre for TC was to set up an R&D centre of excellence in research, development and technology

transfer in fashion and textile technologies. Over the past six months, the R&D Centre for TC had been establishing contact and connections with the industry, universities and research institutes. Marketing programmes, such as joint exhibitions with overseas partners to showcase the works of renowned world-class fashion designers, had also been organized to promote the Centre's services and its R&D capabilities.

17. Mrs Sophie LEUNG remarked, that publicity events such as fashion shows might not be entirely relevant to the industry needs. Highlighting that Hong Kong's export of textile products such as leisure wear ranked second in the world, she was of the view that the industry in fact possessed a great deal of expertise in areas such as textile production and design. To facilitate the R&D Centre for TC in gauging the views of the industry customers and establishing more effective connections with the industry, she suggested that the Centre should consider setting up an office in Cheung Sha Wan where there were a lot of textile and clothing factories and outlets so as to widen the Centre's customer base. Consideration could also be given to encouraging local university graduates to work out projects with local customers and customers of PRD so that the project deliverables could really meet the industry needs. CEO of Hong Kong Research Institute of Textiles & Apparel took note of Mrs LEUNG's views and suggestions for further consideration.

R&D Centre for APAS

18. Mr SIN Chung-kai was concerned that Hong Kong did not have any car assembly plants nor did it have a competitive edge in that respect. He, therefore, queried whether the local industries could benefit from the research output of the R&D Centre for APAS. He also enquired on what basis the Administration would decide whether the Centre should continue to operate or otherwise.

19. In response, C(IT) stressed that extensive consultation and critical evaluation had been made before the five focus areas, including APAS, were identified for setting up R&D centres. For platform type of projects undertaken by the R&D Centre, at least 10% of the project costs had to be obtained by means of industry contributions before a full project would be allowed to proceed. If the R&D programmes and direction failed to meet the industry demand or to sustain industry support as reflected by the industry contribution and participation, consideration might be given to ceasing the operation of the R&D centre concerned.

20. Regarding APAS, C(IT) informed that Hong Kong's export of APAS amounted to over $10 billion in 2004, and there were currently over 50 trades in Hong Kong which were engaged in manufacturing products related to APAS. In spite of the rapid growth of the Mainland automotive industry, the automotive manufacturers in the Mainland did not have the necessary technologies to support the development of the industry. As such, the R&D Centre for APAS could assist the local industry sectors to develop competitive new products and

technologies to capture market opportunities in the Mainland. In this connection, Dr Tony LEE, Chief Executive Officer of the Hong Kong R&D Centre for APAS advised that by the closing date of 3 November 2006, 23 project proposals had been solicited at the first round of project invitation. Seven projects had already gained industry contributions of 50% of the project costs, which was a good indication of the industry support for the R&D projects to be undertaken by the Centre. C(IT) added that the R&D Centre for APAS would continue to strengthen its partnership with the related industry groups and the Mainland auto manufacturers to ensure their research output meet the market needs.

(b) Issues related to the operation and management of the Applied Science and Technology Research Institute (ASTRI)

(LC Paper No. CB(1)278/06-07(04) -- Information paper provided by ASTRI)

21. Mr WONG Ting-kwong enquired about the R&D work undertaken by ASTRI. In response, C(IT) advised that at the early stage when ASTRI was first set up, ASTRI had conducted R&D research projects out of its own initiative. With the conversion of ASTRI into a corporate R&D institution, public solicitation of R&D projects were made to ensure that the projects undertaken by ASTRI could satisfy the varying needs of the wide industry customer base.

22. Mr SIN Chung-kai sought elaboration on the technology transfers from ASTRI to the industry and the targets to be achieved by ASTRI in terms of industry contributions. In response, Dr Robert YANG, Chief Executive Officer of ASTRI (CEO of ASTRI) explained that "technology transfer" referred to the paid transfer of well-defined product technologies, service technologies or enabling technologies, through a license contract, a service contract or other legal means, from an R&D institution to its industry customers for the purpose of commercialization. As far as ASTRI was concerned, it had to go through evolutionary stages from building up a technology base, to developing world-class technology, and finally to transfer the technologies to the industry for generation of income. CEO of ASTRI stressed that the number of annual technology transfers from ASTRI to the industry had grown substantially 2 in 2003-2004 to 10 in 2004-2005 and 18 in 2005-2006. For the current financial year, ASTRI aimed to transfer 31 technologies to the industry; and in first six months, ASTRI had already transferred 18 technologies to the industry. CEO of ASTRI added that notwithstanding its target to generate industry contributions at 10% of the R&D expenses in the first year of the operation of the ICT R&D Centre (i.e. around $13 million), ASTRI had already generated industry contributions up to $7.5 million by the end of October 2006. ASTRI's future target of industry contributions was to reach 40% by the fifth year of the operation of the ICT R&D Centre.

Summing up

23. While looking forward to the R&D results which could hopefully be applied or commercialized by the industries concerned, the Chairman called on the Administration to closely monitor the operation of the R&D Centres to ensure that public funds were used in a prudent and cost-effective manner.

V Proposed new fee structure for the Textiles Trader Registration Scheme

(LC Paper No. CB(1)278/06-07(05) — Information paper provided by the Administration)

24. At the invitation of the Chairman, the Principal Assistant Secretary for Commerce, Industry and Technology (Commerce & Industry) (PASCIT(CI)) briefed members on the proposed new fee structure for the Textiles Trader Registration Scheme (TTRS) as detailed in the Administration's paper. In gist, PASCIT(CI) said that the Government had introduced Government Electronic Trading Services (GETS) since 1997 to promote electronic commerce. The GETS platform allowed the trading community to submit to the Government by electronic means six official trade-related documents including textiles notifications under TTRS. The service for electronic submission of TTRS notifications was launched in 2003 when the Import and Export (General) (Amendment) (No.2) Regulation 2003 came into effect. PASCIT(CI) said that the proportion of textiles notifications lodged electronically was about 12%. Moreover, as the costs of lodging paper or electronic notifications were at present the same, the current TTRS fee structure did not provide any financial incentive for textiles traders to lodge the notifications electronically. As such, the Administration proposed to introduce a new fee structure with a view to encouraging textiles traders to switch to electronic submission. Under the new fee structure, a new fee of $3.8 would be collected for each paper notification on top of the printing cost of $0.5 for each paper form whereas registered traders continued to pay $0.5 for each electronic notification. PASCIT(CI) added that the Administration had no plan at this juncture to make the electronic mode of lodgement mandatory by amending the legislation.

25. PASCIT(CI) advised that the Textiles Advisory Board and the Textile Council had been consulted, and both of them supported the proposed new TTRS fee structure. Mrs Sophie LEUNG added that the Textiles and Garment Information Centre (TGIC) had issued questionnaires to gauge the views of about 6 000 to 7 000 small and medium enterprises (SMEs) on the proposed new TTRS fee structure. The SMEs concerned expressed no objection in principle to the proposal. She personally was also in support of the proposed amendments as it could provide a financial incentive for textiles traders to migrate to electronic submission.

26. In response to the Chairman's enquiry on the implementation timetable of the proposal, PASCIT(CI) said that to give effect to the proposed TTRS fee structure, amendments had to be made to the Schedule to the Import and Export

(Fees) Regulations (Cap. 60B). Subject to the approval of the Executive Council, the Administration intended to table the subsidiary legislation for the Legislative Council's negative vetting within the first quarter of 2007. The Administration aimed to implement the new fee structure as soon as possible after the amendment legislation was enacted. PASCIT(CI) informed members that the Administration would undertake publicity measures to ensure that textiles traders would have sufficient time for preparation and switching to electronic submission before the proposed TTRS fee structure came into effect.

27. Noting that major textiles traders could migrate to electronic submission without difficulties, Mr WONG Ting-kwong was concerned with SMEs which might not have the technical know-how for lodging notifications electronically. He, therefore, suggested the Administration to organize free short-term courses lasting for, say one to two hours, to familiarize traders, SMEs in particular, with the electronic mode of lodgment. Moreover, as some SMEs might not even have internet access, the Administration should consider providing assistance to SMEs in this respect. In this connection, Mrs Sophie LEUNG advised that TGIC had been organizing such kind of training courses for the textiles and clothing industry.

28. PASCIT(CI) took note of members' suggestions, and undertook to urge the service provider concerned to organize, in collaboration with TGIC where possible, training courses to textiles traders in order to facilitate SMEs' switching to electronic submission under TTRS.

29. Summing up the discussion, the Chairman said that the Panel was in principle supportive of the proposed TTRS fee structure.

VI Proposed amendments to the Import and Export (Registration) Regulations (Cap. 60 sub. leg. E)

(LC Paper No. CB(1)278/06-07(06) — Information paper provided by the Administration)

30. At the invitation of the Chairman, the Deputy Secretary for Commerce, Industry and Technology (Commerce & Industry)1 (DSCIT(CI)1) briefed members on the proposed amendment to the Import and Export (Registration) Regulations (Cap. 60 sub. leg. E) (the Regulations) which sought to amend regulation 8 to exempt any person who lodged an import or export declaration relating to gold bars within the meaning of the Hong Kong Imports and Exports Classification List (Harmonized System) (the Classification List) from payment of the declaration charges. DSCIT(CI)1 highlighted that as announced by the Financial Secretary in his Budget Speech in February 2006, the Administration would consider providing a concession in trade declaration charges for gold with a view to supporting the development of Hong Kong as a logistics hub and gold trading centre, alongside with the Hong Kong Airport Authority's proposal to establish a gold depository at the Hong Kong International Airport. As such, it

was proposed that an exemption be given to the declaration charge on imports, exports and re-exports of gold bars in order to enhance Hong Kong's competitiveness as a logistics hub and gold trading centre by reducing the relevant transaction costs.

31. DSCIT(CI)1 advised that the current internationally acceptable standard of gold bars was 995.0 fineness or above. The Administration, however, did not propose to stipulate rigidly in the Regulations the definition or specifications of gold bars in order to cater for possible changes in gold fineness standard in future. The Administration intended to set out in the Classification List that only "gold bars of 995.0 fineness or above" would be eligible for the proposed exemption. It was estimated that the proposed exemption in trade declaration charges for gold would have a revenue implication of about $5.1 million annually to the Government. Nevertheless, DSCIT(CI)1 pointed out that this cost should be considered as an investment in market development as significant benefits were likely to arise from Hong Kong's further development as a leading logistics hub and gold trading centre. DSCIT(CI)1 also informed members that the Administration had discussed the proposal with the industry, including the Chinese Gold and Silver Exchange and the Airport Authority, and gained their general support for the proposal.

32. Mr WONG Ting-kwong enquired about the existing declaration charge scale as stipulated in regulation 8 of the Regulations. DSCIT(CI)1 explained that at present, the declaration charge for imports and exports of non-food items, including gold, was 50 cents for the first $46,000 of the value of goods declared, and 25 cents for each additional $1,000 or part thereof and rounded up to the nearest $0.1.

33. Regarding the legislative timetable of the proposal, DSCIT(CI)1 informed that the Administration intended to introduce the legislative proposal to the Legislative Council in January 2007 for positive vetting and aimed to bring the proposed amendments into effect by early February 2007.

34. While expressing, in principle, his personal support and the support of the Democratic Alliance for the Betterment and Progress of Hong Kong for the proposal as it would be conducive to Hong Kong's development as a leading gold trading centre and the annual revenue implication was minimal, Mr WONG Ting-kwong reminded the Administration that sufficient time should be allowed for the Legislative Council to scrutinize the proposed amendments if it was considered necessary.

35. Mrs Sophie LEUNG also expressed her support for the proposal as it would enable Hong Kong to have a favourable business environment underpinned by a sound legal system for gold trading activities.

36. Summing up the discussion, the Chairman said that the Panel supported in principle the proposed legislative amendments.

VII Any other business

37. There being no other business, the meeting ended at 4:05 pm.

Council Business Division 1
Legislative Council Secretariat
15 December 2006