

立法會
Legislative Council

LC Paper No. CB(1)1296/11-12
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 17 January 2012, at 2:30 pm
in Conference Room 2B of the Legislative Council Complex

- Members present** : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon Fred LI Wah-ming, SBS, JP
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
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
- Members absent** : Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Timothy FOK Tsun-ting, GBS, JP
- Public officers attending** : Agenda item IV
Mr Andrew LAI, JP
Acting Commissioner for Innovation and
Technology

Dr Cecilia PANG
Biotechnology Director
Innovation and Technology Commission

Agenda item V

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

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

Agenda Item VI

Mr Gregory SO, JP
Secretary for Commerce and Economic
Development

Ms Maria KWAN, JP
Director-General of Trade and Industry

Miss Winsome AU
Assistant Director-General of Trade and Industry
(Mainland)

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. Confirmation of minutes of meeting**
(LC Paper No. CB(1)827/11-12 -- Minutes of meeting held on
15 November 2011)

The minutes of the meeting held on 15 November 2011 were

confirmed.

II. Information paper issued since last meeting

2. Members noted that no paper had been issued since the last meeting held on 20 December 2011.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)829/11-12(01) -- List of outstanding items for discussion

LC Paper No. CB(1)829/11-12(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 21 February 2012 at 2:30 pm to discuss the following items:

- (a) Promotion of inward investment; and
- (b) Trade relations between the Mainland and Hong Kong.

(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, two additional agenda items "Reduction of the Import and Export Declaration Charges" and "International Organizations (Privileges and Immunities) (Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction) Order" were subsequently included in the agenda for the February meeting and item (b) would be deferred to the second quarter of 2012.)

IV. Research and development of Chinese medicines

(LC Paper No. CB(1)829/11-12(03) -- Administration's paper on research and development of Chinese medicines

LC Paper No. CB(1)829/11-12(04) -- Paper on the Hong Kong Jockey Club Institute of Chinese Medicine and development and promotion of Chinese medicine prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

4. At the invitation of the Chairman, Acting Commissioner for Innovation and Technology (Atg CIT) briefed members on the latest initiatives in promoting research and development (R&D) of Chinese medicines (CM) in Hong Kong, including the disbandment of the Hong Kong Jockey Club Institute of Chinese Medicine (HKJCICM) and the setting up of the Committee on Research and Development of Chinese Medicines (the Committee), as set out in the Administration's paper (LC Paper No. CB(1)829/11-12(03)).

Discussion

Setting up of a Government-led Committee

5. Ms Emily LAU noted that there was reasonably wide acceptance of the use of CM in Hong Kong, however, the results of the Administration's initiatives in the development and promotion of CM was not promising. She expressed concern whether the development of CM in Hong Kong was hindered by the medical professionals of Western medicine. In this connection, Ms LAU enquired about the experience learnt by the Administration from the disbandment of HKJCICM. She also enquired about the number of members of the Committee who were representatives from Western medicine.

6. Mr Albert CHAN expressed disagreement with the setting up of the Committee which was chaired by a government official who did not have sufficient knowledge and experience in CM. He opined that it was not conducive to sustainable and long term development of R&D of CM. He suggested that the Administration should establish a statutory organization supported by a development fund for promoting R&D of CM. The Administration should also encourage the realization of the R&D results of CM in Hong Kong, thus promoting the development of industry and creating more job opportunities for local people. In this connection, Ms Emily LAU suggested that the Committee should be chaired by a representative from the CM industry instead of a government official.

7. Mr Jeffrey LAM considered that Hong Kong had unique position, strengths and achievements in R&D of CM, and carried particular advantages in supporting collaboration of Chinese and Western medicine. He expressed concern about the commercialization of R&D results and manufacturing of proprietary CM. He suggested that the Administration should include representatives from the commerce and industry sector in the Committee to

provide relevant knowledge and experience.

8. In response, Atg CIT advised that unlike Western medicine which usually comprised single chemical ingredient with defined drug target, and well-established testing standards and methodology, CM was usually made up of multiple ingredients and there was no universally accepted set of standards for CM. Therefore R&D of CM was a complex work. HKJCICM had a low profile of its R&D activities. For the 18 projects funded by the Institute, most of the R&D work was conducted by universities. HKJCICM had tried to revamp its strategies and work focus in the past but its overall performance had not been improved substantially.

9. Atg CIT further advised that the Committee aimed to act as a platform to gauge views from various stakeholders, formulate the broad direction in promoting R&D of CM in Hong Kong, identify key areas of work, monitor progress and recommend areas of improvement where necessary, and facilitate sharing of R&D outcomes and other collaboration among parties concerned. Its objectives were to create synergy in R&D of CM and to promote collaboration with organizations outside Hong Kong.

10. Atg CIT supplemented that the Committee included representatives from Government, CM and pharmaceutical industries, medical professionals of Chinese and Western medicine, relevant public organizations and advisory bodies, local universities with significant R&D of CM, and lay members. Among which there were Western medicine doctors, senior executives from large proprietary CM manufacturers and pharmaceutical companies, and a number of leaders of the CM trade associations or chambers of commerce. The Committee provided a good platform for universities, medical professionals, the CM industry and other stakeholders to identify R&D collaboration potential of Chinese and Western medicine where Hong Kong had strengths. Since the representation and scope of work of the Committee were broader than those of HKJCICM, the Administration believed that it would be more effective in co-ordinating collaboration among various parties. The Administration would review the membership of the Committee after completion of the current appointment term in two years' time.

11. Dr LAM Tai-fai expressed regret that the Administration had disregarded the objection of the CM sector and the Panel to the disbandment of HKJCICM. He enquired whether the Administration had set any indicators for evaluating the performance and effectiveness of the Committee in supporting R&D and testing of CM and promoting CM development in Hong Kong.

12. Atg CIT responded that the Committee would hold the second

meeting in March 2012 to discuss its work plan for the coming two years. It might also consider setting indicators for evaluating the work of the Committee as suggested by Dr LAM Tai-fai. Atg CIT added that the indicators might include the number of R&D projects approved, promotional activities organized to enhance public awareness of Hong Kong's R&D of CM, and measures to encourage the universities and industry to undertake R&D projects, etc.

Testing and certification of CM and funding arrangement and vetting mechanisms for R&D projects of CM

13. Ms Tanya CHAN enquired about the details of the specific measures to support the testing and certification of CM, and the vetting mechanisms for CM R&D projects under the Innovation and Technology Fund (ITF) and the Hong Kong Jockey Club Charities Trust.

14. Biotechnology Director, Innovation and Technology Commission responded that the Hong Kong Council for Testing and Certification (HKCTC) had identified CM as one of the four selected trades which could generate considerable demand for testing and certification services. The authentication of CM fell within this area. Testing laboratories might authenticate herbal CM by microscopic examination and physicochemical methods according to the Hong Kong Chinese Materia Medica Standards. Testing laboratories needed support in manpower training and inter-laboratory comparison to raise their technical competencies in authentication of herbal CM. HKCTC had also invited universities to consider providing short courses to equip practitioners in testing laboratories with the necessary technical skills in authentication of CM. A product certification scheme was being explored as that would enhance the confidence of consumers in purchasing herbal CM. The Committee could support HKCTC in taking forward initiatives to enhance technical competencies of testing laboratories and to develop a product certification scheme for herbal CM, and co-ordinate promotional activities to enhance the understanding of overseas professionals and the local community on Hong Kong's R&D strengths in CM.

15. Atg CIT supplemented that the Innovation and Technology Support Programme under ITF supported midstream/downstream R&D projects undertaken mainly by universities, R&D Centres, industry support organizations, professional bodies and trade and industry associations. The key assessment criteria for funding support included the competence of research team, the novelty of the research project, and the existence of a holistic plan for commercialization. The Hong Kong Jockey Club (Charities) Limited (HKJCCL) would continue to fund worthwhile CM projects in Hong

Kong under its established vetting mechanism. About \$400 million remained available for R&D of CM in that regard. HKJCCL had agreed to continue to use the funds to support non-profit organizations in carrying out CM projects. The Innovation and Technology Commission (ITC) and HKJCCL would work closely to create synergy and bring maximum benefits to society.

16. In response to Ms Tanya CHAN's and the Chairman's further enquiry, Atg CIT advised that two HKJCICM funded projects were being carried out by the Hong Kong Polytechnic University and the Chinese University of Hong Kong respectively and they were due for completion in January 2012 and end of 2012. Funding for these projects had already been earmarked for the two universities. To avoid disruption to the projects, ITC would oversee the implementation of these projects on behalf of HKJCICM until their completion.

17. Dr LAM Tai-fai enquired about the amount of funding allocated for supporting R&D projects of CM among the current balance of about \$2 billion under ITF. In response, Atg CIT advised that under the prevailing ITF mechanism, there was no predetermined funding ceiling for a particular technology sector, including CM.

Collaboration of Chinese and Western medicine

18. The Chairman noted that the Committee had identified the collaboration of Chinese and Western medicine as one of the initial focus areas in promoting R&D of CM in Hong Kong. He hoped that the Committee would be able to remove the barriers between Chinese and Western medicine. He also suggested that the Committee should include representative(s) of the Food and Health Bureau to facilitate the formulation of policy and inter-departmental co-ordination with respect to the development and promotion of CM.

19. In response, Atg CIT and Biotechnology Director, ITC acknowledged that it would be a challenging task to promote collaboration of Chinese and Western medicine. Since the Committee included medical professionals of Chinese and Western medicine as well as representatives from CM and pharmaceutical industries, they would explore the feasibility of integrative Chinese and Western medicine.

Way forward

20. The Chairman and Mr CHIM Pui-chung considered that the Administration should update the Panel regularly on the progress of the work

of the Committee and the latest initiatives in promoting R&D of CM in Hong Kong. Atg CIT advised that the Administration would report to the Panel later this year after the Committee had finalized its areas of focus and work plan.

V. Proposed adjustment to fees and charges under the purview of the Trade and Industry Department

(LC Paper No. CB(1)829/11-12(05) -- Administration's paper on proposed adjustment to fees and charges under the purview of the Trade and Industry Department)

Presentation by the Administration

21. At the invitation of the Chairman, Deputy Director-General of Trade and Industry (Commercial Relations, Controls and Support) (DDGTI) briefed members on the proposals to adjust fees and charges in respect of the certification and licensing services related to strategic commodities under the purview of the Trade and Industry Department (TID), as set out in the Administration's paper (LC Paper No. CB(1)829/11-12(05)). DDGTI advised that the Administration would introduce the necessary legislative amendments to implement the proposed fee adjustments in end of March 2012.

Discussion

22. Mrs Regina IP enquired about the types of strategic commodities that required the issue of Delivery Verification Certificate (DVC) and International Import Certificate (IIC), the number of DVC and IIC issued in recent years, and the justifications for the adjustments of the fees and charges for DVC, IIC and the Permit under the Chemical Weapons (Convention) Ordinance (CWC Permit).

23. In response, DDGTI advised that for the purpose of ascertaining the actual destination or controlling exports of specific types of strategic commodities, such as firearms and ammunition, overseas exporting licensing authorities might require their exporters who, in turn, requested Hong Kong importers to obtain a DVC or IIC respectively. On the IIC, the Hong Kong importer undertook that the goods concerned would be imported into Hong Kong and would not be diverted, transshipped or re-exported except under the authority of an export licence issued by TID. Traders needed not apply for DVC or IIC unless they were so requested by overseas exporters. In the

past few years, only the exporting licensing authorities in Germany had required Hong Kong importers to obtain DVCs. In 2011, TID had issued 8 DVCs and 88 IICs, and no application for CWC Permit was received.

24. DDGTI supplemented that under the "user-pays" principle, the fees and charges for the above three items should be reviewed and updated regularly, and these fees were last revised in March 2008. The Administration had recently conducted a costing review on these three items. According to the guidelines issued by the Financial Services and Treasury Bureau, for fees with an existing cost recovery rate of over 70%, full-cost recovery was to be achieved within one to three years through a 10% or lower increase. TID proposed to adopt a gradual approach to achieve full-cost recovery for DVC and IIC through a fee increase by about 10% in 2011-2012. DDGTI added that the costing review also revealed that in the past few years, the Customer Service Counter was no longer required since TID had received only enquiries about, but no application for CWC Permit. Therefore there was a substantial decrease in the full unit cost of CWC Permit.

25. In response to the Chairman's enquiry, DDGTI advised that CWC Permit was only required for certain types of chemicals controlled under the Chemical Weapons (Convention) Ordinance (Cap. 578).

26. Ms Emily LAU enquired about the calculation of the estimated net decrease of around \$115 in revenue per annum resulted from the proposed fee adjustments. DDGTI responded that the calculation was based on an estimated issue of 10 DVCs, 80 IICs and 3 CWC Permits annually. Ms Emily LAU suggested that the Administration should consider seeking the Panel's views on proposed adjustments to statutory fees with insignificant financial implication by circulation in the future.

27. The Chairman concluded that the Panel supported in principle the Administration's proposed adjustment to the fees and charges for the three strategic commodities-related items.

VI. Progress on further liberalization under the Mainland and Hong Kong Closer Economic Partnership Arrangement

(LC Paper No. CB(1)623/11-12(01) -- Administration's paper on the Mainland and Hong Kong Closer Economic Partnership Arrangement

LC Paper No. CB(1)829/11-12(06) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

28. At the invitation of the Chairman, Secretary for Commerce and Economic Development (SCED) and Director-General of Trade and Industry (DGTI) briefed members on the latest state of the enhancement of economic and trade co-operation and exchanges between the Hong Kong Special Administrative Region Government (HKSARG) and the Central People's Government (CPG) under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). Details of the briefing were set out in the Administration's paper (LC Paper No. CB(1)623/11-12(01)).

Discussion

29. Mr Jeffrey LAM welcomed the signing of Supplement VIII to CEPA which provided for a total of 32 services liberalization and trade and investment facilitation measures. He considered that these measures for the pillar industries and those industries in which Hong Kong had a competitive edge would help Hong Kong service industries accelerate their opening up of the Mainland market. He pointed out that the service industry, such as the exhibition industry, was still being confronted with various barriers of entry to the Mainland market with the associated access restriction. He urged the Administration to push forward the implementation of the measures announced under Supplement VIII to CEPA. Echoing Mr Jeffrey LAM's views, Mr Andrew LEUNG enquired how the Administration assisted Hong Kong enterprises and service providers to capitalize on the opportunities brought about by Supplement VIII to CEPA.

30. In response, SCED advised that HKSARG had been in communication with the business and professional communities before and during the consultations with the Mainland on the new CEPA measures. Views from the trade had also been reflected to the relevant Mainland authorities as appropriate. HKSARG would continue to liaise with the relevant ministries of CPG and the provincial and municipal governments to push forward the implementation of Supplement VIII to CEPA, including the opening up of the Guangdong market under "early and pilot measures" to Hong Kong's service industries, and gradual extension of such measures to other regions. The Trade and Industry Department (TID) maintained a

dedicated website to provide the public with the latest information on CEPA. Information papers would also be issued to various trade-related advisory bodies to familiarize the industry with the new CEPA measures.

31. On the liberalization measure to expand the scope of product testing that could be undertaken by testing organizations in Hong Kong for the China Compulsory Certification (CCC) System to all existing products processed in Hong Kong that required CCC, Mr Jeffrey LAM called on HKSARG to strive for further expansion of the scope to cover all products manufactured by Hong Kong enterprises in the Mainland.

32. In response, SCED advised that the Hong Kong Council for Testing and Certification, TID and the Hong Kong Accreditation Services (HKAS) would jointly organize a "Seminar on Supplement VIII to CEPA for Testing and Certification Industry" on 14 February 2012 that focused on the new business opportunities arising from Supplement VIII to CEPA. The seminar aimed to update the industry on the new CEPA measures on CCC testing as well as the procedures and requirements for obtaining the accreditation to perform CCC testing. Speakers included representatives from the Mainland's Certification and Accreditation Administration, HKAS and a designated Mainland certification body. Participants could meet these designated bodies and guest speakers to explore new business opportunities. DGTI supplemented that the Administration noted the views of Mr Jeffrey LAM and the testing and certification industry, and would continue to strive for further liberalization measures in relation to product testing under the CCC System.

33. Mr Andrew LEUNG expressed concern about the Administration's initiatives to support Hong Kong enterprises in branding, upgrading and domestic sales. He enquired whether the Administration would set up liaison units to facilitate the communications with different provincial and municipal governments in the Mainland on the implementation of CEPA measures and issues related to the restructuring and upgrading of the processing trade.

34. SCED responded that the Administration had proposed to set up a dedicated fund of \$1 billion to support Hong Kong enterprises in developing their brands, promoting their products in the Mainland domestic 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. The Administration was liaising with the trade and relevant organizations and would draw up the implementation details as soon as possible. SCED and DGTI added that meetings with the Ministry of Commerce were held regularly to follow up implementation of the CEPA

initiatives. There was also an expert group under the Hong Kong/Guangdong Co-operation Joint Conference to discuss co-operation initiatives in relation to the implementation of CEPA in Guangdong.

35. Mr Andrew LEUNG and Mrs Regina IP suggested that in addition to the proposed dedicated fund of \$1 billion, the Administration should set up a specific unit to co-ordinate the work for assisting Hong Kong brands to enter the Mainland market. Sharing a similar view, the Chairman suggested that the Administration should consider setting up showcase centres in major cities in the Mainland for staging exhibition and product shows on a long-term basis, and subsequently leased out exhibition booths or divided units to Hong Kong enterprises to help them enter the Mainland market.

36. In response, SCED and DGTI advised that the Federation of Hong Kong Industries had recently held a "2012 Hong Kong Shopping Festival in Chongqing" in a major shopping centre in Chongqing, showcasing the products of over 20 Hong Kong brands. The project was funded by the Small and Medium Enterprise Development Fund under TID. Such promotional activities were welcomed by the shopping centres in the Mainland, and provided exposure for Hong Kong brands to the Mainland market. The Hong Kong Trade Development Council had also established the Design Gallery Beijing Shop to promote Hong Kong brands and designs.

37. In response to Ms Emily LAU's enquiry about the measures under Supplement VIII to CEPA to strengthen co-operation in tourism, SCED advised that the tourism industry was a major pillar of the economy of Hong Kong. Subsequent to the public consultation on the review of the operation and regulatory framework of Hong Kong's tourism sector, the Administration proposed to establish an independent statutory body, tentatively named the Travel Industry Authority, as the overall regulatory body. It was expected that the new regulatory regime would further enhance the quality of tourism services and sustain the healthy development of Hong Kong's tourism sector in the long run. Under Supplement VIII to CEPA, Hong Kong and the Mainland agreed, inter alia, to further co-operation in overseas joint tourism promotion and joint development of "multi-destination" itineraries featuring the Mainland and Hong Kong. Both sides also agreed to encourage investment and entry of their respective tourism enterprises in each other's markets, and to support the setting up of travel agents by Hong Kong service providers in the Mainland. The Administration would continue to strive for further liberalization to allow Hong Kong travel agents established in the Mainland to operate international-bound group tours.

VII. Any other business

38. There being no other business, the meeting ended at 4:27 pm.

Council Business Division 1
Legislative Council Secretariat
19 March 2012