

立法會
Legislative Council

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**Report of the Panel on Commerce and Industry
for submission to the Legislative Council**

Purpose

This report gives an account of the work of the Panel on Commerce and Industry during the 2012-2013 session of the Legislative Council. It will be tabled at the Council meeting on 17 July 2013 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000, 9 October 2002, 11 July 2007 and 2 July 2008 for the purpose of monitoring and examining Government policies and issues of public concern relating to commerce and industry. The terms of reference of the Panel are in **Appendix I**.

3. The Panel comprises 16 members. Hon Vincent FANG Kang and Dr Hon CHIANG Lai-wan were elected Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is in **Appendix II**.

Major work

Support for small and medium enterprises (SMEs)

4. The Panel attached great importance to SMEs as it is the bedrock of the local economy. During the session, the Panel has closely monitored and reviewed the implementation of various SME Funding schemes and support measures to enhance the overall competitiveness of local SMEs. To reap the maximum return from these pro-SME measures, the Panel called on the Administration to step up promotion and publicity to heighten SMEs' awareness and understanding of these support resources. The

Administration was also called upon to strengthen market intelligence and business matching services for SMEs, including information on the latest policies and market development in the Mainland and emerging markets overseas. Some members suggested that more trade missions led by the Chief Executive (CE) and Principal Officials should be organized particularly to the Mainland and emerging markets such as the Association of Southeast Asian Nations (ASEAN), South America, and Africa to help Hong Kong enterprises understand the investment environment and development potentials there.

SME Funding Schemes

5. Members were pleased to note that in response to the Panel's and the industry's call, the application period for the special concessionary measures under the SME Financing Guarantee Scheme (SFGS) was extended for one year to the end of February 2014 to help more SMEs secure loans in the commercial lending market. The Panel urged the Administration to explore with lending institutions the possibility of lowering the interest rates to reduce SMEs' loan burden and to further streamline the SFGS application procedures. To help SMEs explore new markets and business opportunities, the cumulative funding ceiling for each SME under the SME Export Marketing Fund was increased from \$150,000 to \$200,000 subject to meeting the relevant additional conditions. Members also called on the Administration to review and fine-tune the funding schemes and support measures for SMEs to ensure appropriate and timely assistance to SMEs in light of industry feedback and market needs. The Administration undertook to maintain close liaison with the industry and enhance the support measures where necessary in response to global financial and local economic situation.

Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund)

6. The Panel urged the Administration to take concrete measures to ensure that the \$1 billion BUD Fund set up in June 2012 would assist Hong Kong enterprises to capitalize the opportunities arising from the National 12th Five-Year Plan through upgrading and restructuring, developing brands, and promoting domestic sales in the Mainland. Members expressed concerns about the long processing time for applications and called for close monitoring of the funded projects to ensure alignment with the objectives of BUD Fund. Concern was raised that although a key objective of the BUD Fund was to support the upgrading and restructuring of Hong Kong enterprises engaged in import processing operations in the Mainland, the number of applications from manufacturing enterprises was lower than that from non-manufacturing enterprises. Some members

suggested that the cumulative funding ceiling of \$500,000 per enterprise should be raised and that enterprises be allowed to claim depreciation allowances for their plants and machinery in the Mainland so as to incentivize upgrading and restructuring. On brand building and market entry-support, members suggested that priority be given to help enterprises explore new markets in second- and third-tier Mainland cities. To extend product showcase network, members called for more Design Galleries in different Mainland cities and more "shops-in shop" where Design Gallery shops were set up in selected department stores. The Administration was also requested to set up show-and-sales centres in major Mainland cities to provide promotion and sales outlets for Hong Kong products on a long-term basis.

7. The Panel was pleased to note that new Design Gallery shops in Qingdao and Chengdu were expected to open in August 2013 and mid 2014 respectively. In addition to the "shops-in-shop" in Shanghai and Wuhan, eight more would be opened in Beijing, Wuhan, Shengyang and Harbin from September 2013 to early 2014. The Administration undertook to provide continued assistance through funding support, training, and promotional activities to assist Hong Kong enterprises in securing finance, expanding markets and promoting their brands in Mainland and other emerging overseas markets.

Support on export credit insurance

8. The Panel supported the Administration's proposal to increase the cap on the contingent liability of the Hong Kong Export Credit Insurance Corporation (ECIC) from \$30 billion to \$40 billion to strengthen ECIC's underwriting capacity and enhance the export credit insurance protection for Hong Kong exporters. Given ECIC's huge reserves and the relatively low claim ratio, the Panel also looked into rooms for lowering the insurance premium to ease the loan burden on Hong Kong exporters. Members were pleased to note that the ECIC had taken on board the Panel's suggestions and provided enhanced services including further extending the waiver of annual policy fee for one year, shortening the processing time of credit limit applications, and offering three free credit checks for each Hong Kong exporter and more than ten free buyers credit assessment services each year for ECIC policy holders. Premium rates reduction was offered to policies with good business performance and satisfactory claim records. A "Small Business Policy" scheme was introduced in March 2013 under which Hong Kong enterprises with an annual business turnover of below \$50 million would enjoy waiver of the annual policy fee for two years.

Trade and economic relations

9. Hong Kong's economic and trade relations with key markets remained a major focus area of the Panel. Members closely reviewed and monitored developments in this area and received an annual briefing on the work of the Economic and Trade Offices (ETOs) overseas and in the Mainland, the Office of the Government of the Hong Kong Special Administrative Region (HKSAR) in Beijing, and the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO).

Trade and economic relations with the Mainland

10. The Panel noted the continued strengthening of Hong Kong's economic and trade ties with the Mainland. Under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), a total of 338 measures covering 48 service sectors had been announced whereby Hong Kong service suppliers could enjoy preferential treatment in 48 service sectors in Mainland market. A number of early and pilot measures under CEPA were implemented in individual provinces and municipalities, including Guangdong, Beijing and Shanghai, covering key sectors such as construction, insurance and tourism. Members urged the Administration to seek further arrangements for Hong Kong services sectors to enter into the Mainland market, and to expand the scope of "early and pilot implementation" from Guangdong Province to other provinces in the Pan Pearl River Delta Region. Some members called on the Administration to strive for more liberalization measures to improve the access of Hong Kong's cultural and creative industries, such as film and publishing industries, to the Mainland market. Members called on the newly set up Joint Working Group, led by the Ministry of Commerce and the Trade and Industry Department, to enhance the existing mechanism for implementation of CEPA and provide targeted assistance to sectors that had encountered relatively more market entry barriers and more CEPA implementation issues in individual provinces and municipalities.

11. On development in Qianhai, members called on the Administration to reflect Hong Kong business sectors' views in a timely manner to the relevant central ministries and Shenzhen authorities when they drew up policies and regulations for Qianhai in the six key areas of finance, taxation, legal services, professional services, medical services, education and telecommunications. Some members urged the Administration to strive for the application of Hong Kong law in Qianhai, particularly commercial and contract law.

Trade and economic relations with Taiwan

12. The Panel was briefed on the latest developments of Hong Kong's trade and economic relations with Taiwan. Members noted that the bilateral link had been greatly enhanced with the establishment of the HKETCO in December 2011 and through the concerted efforts of the Hong Kong-Taiwan Economic and Cultural Co-operation Council and its respective Taiwan counterpart, namely the Taiwan-Hong Kong Economic and Cultural Co-operation Council. Members urged the HKETCO to foster closer co-operation with Taiwan in economic relations, trade, investment, culture, tourism and other areas of mutual interests. On tourism, members suggested the Hong Kong Tourism Board (HKTB) to target second tier cities in Taiwan and to take advantage of the free-of-charge online Pre-arrival Registration arrangement introduced in September 2012. Members also called on the Administration to strengthen exchanges with Taiwan in creative industries and to promote Hong Kong's animation, comics and filming industry, which were the flagship of the local creative industries.

13. Members remained concerned about the impact on Hong Kong's role as the gateway to the Mainland for Taiwan enterprises following the signing of the Cross-Strait Economic Co-operation Framework Agreement (ECFA) in June 2010 between the Mainland and Taiwan. The Administration was urged to seek a more active participation in ECFA for Hong Kong to reap the opportunities arising from it. Members reiterated the call for setting up a comprehensive framework for economic and trade co-operation between Hong Kong and Taiwan similar to ECFA or CEPA.

14. The Administration advised that there were no signs of Hong Kong's intermediary role being undermined by ECFA. Hong Kong remained an important entrepot for Cross-Straits indirect trade, which had continue to register considerable growth, despite growing Cross-Straits direct trade. The Administration would actively follow up with Taiwan on forging a co-operation arrangement.

Promotion of inward investment

15. The Panel was briefed on Invest Hong Kong's (InvestHK) key activities in investment promotion in 2012 and the way forward for 2013. Members called for closer collaboration among InvestHK, the relevant government bureaux and departments, and organizations such as the Hong Kong Trade Development Council (HKTDC) and HKTB to promote business opportunities in sectors where Hong Kong had a competitive edge, such as financial services, innovation and technology, green technology and

creative industry sectors. Members considered it important for InvestHK to continue to accord priority to investment promotion in the Mainland and to promote Hong Kong as an ideal platform for Mainland companies to go global. As sovereign debt crisis in Europe remained a threat to the global economy, members suggested that apart from developed markets such as the United States and Europe, InvestHK's promotion effort should pivot to key emerging markets including Southeast Asia, Russia, India, the Middle East and South America.

16. To enhance the effectiveness of InvestHK and facilitate evaluation of its work, some members suggested InvestHK to keep track of the development of the companies newly established in Hong Kong and collect follow-up information, such as subsequent business expansion, additional number of jobs created, and post-start-up investment after the first year operation. Members also advised InvestHK to strengthen its ongoing aftercare support services for overseas enterprises established in Hong Kong to facilitate business expansion and upgrading in Hong Kong.

Enhancing the functions of the Mainland ETOs

17. The Panel examined and supported the Administration's proposal to create one permanent Administrative Officer Staff Grade B post and extend one supernumerary Administrative Officer Staff Grade C post for a period of three years under the Constitutional and Mainland Affairs Bureau for implementing those 2013 Policy Address initiatives relating to strengthening the relations between HKSAR and the Mainland. The Panel urged the Administration to enhance Government-to-Government co-operation and economic partnership with provinces and municipalities in the Mainland on all fronts and also supported a series of initiatives to enhance the functions of the Mainland ETOs, including setting up a new ETO in Wuhan and an Immigration Division (ID) in the Chengdu ETO. Members called on the Administration to look into the feasibility of setting up more liaison units in other cities as well as a new ID in Shanghai. The provision of timely assistance to Hong Kong residents and enterprises in the Mainland has remained a major concern of Panel members. The Administration was urged to strengthen liaison with Hong Kong residents and groups in the Mainland and to provide timely assistance to those in distress who were involved in litigation or detained in the Mainland.

18. The Administration advised that it was the longer-term objective of the Administration to set up an ID in each Mainland Office to help Hong Kong residents in need. The Census and Statistics Department would conduct a thematic household survey to collect aggregate data of Hong Kong residents in the Mainland to better gauge their situation and assess

the service needs.

19. In view of the growing Mainland-Hong Kong conflicts arising from a number of recent issues, some members suggested that the Administration should take into account possible reaction of the Mainland community in policy formulation. The Mainland ETOs should also strengthen target-specific communication and publicity in the Mainland to enhance Mainland people's understanding of Hong Kong's policies and to foster mutual understanding and respect between the people of both sides.

ETOs in overseas markets

20. The Panel noted the huge opportunities that the emerging markets in ASEAN presented to Hong Kong, and were keen to see additional resource allocation for the Singapore ETO to capture these opportunities. Members also called for the setting up of new ETOs in emerging markets in South America, Europe, and ASEAN to further Hong Kong's economic and trade interests. The Administration agreed to consider allocating additional resources for Singapore ETO and would assess the need for setting up new ETOs in other emerging economies, taking into account Hong Kong's economic and trade relations with these economies.

21. Members were pleased to note that as requested by the Panel and the industry, the Government had submitted to ASEAN a request to join the Free Trade Area between China and ASEAN (CAFTA). The Administration was urged to step up lobbying for an early favourable decision from ASEAN. As pursuing bilateral or plurilateral free trade agreements (FTAs) had become a global trend, members called on the Administration to actively forge FTAs with trading partners to secure favourable market access for Hong Kong goods and services. The Administration was also urged to conclude more Investment Promotion and Protection Agreements with trading partners to attract foreign investments to Hong Kong and to enhance protection for Hong Kong investors' overseas investments.

Development of innovation and technology

22. The Panel welcomed the new initiatives to be implemented in 2013-2014 to further innovation and technology (I&T) development in Hong Kong. Members noted that the six local universities engaging in technological research and development (R&D) and designated as local public research institutions would each be provided with a maximum of \$4 million per annum for three years to enhance their technology transfer and R&D capability. From 2013-2014 onwards, the existing ceiling of \$2

million per annum for each Partner State Key Laboratories (PSKLs) would be raised to \$5 million until 2015-2016. A total funding of \$15 million would be provided to the Hong Kong Branch of Chinese National Engineering Research Centres (CNERCs) over a period of three years to enhance their applied R&D capabilities and strengthen research collaboration with the Mainland partners. Members were keen to ensure that control mechanism was in place to ensure that the funds were used on activities directly related to promoting knowledge and technology transfer.

23. Members supported the Government's policy to focus on developing Hong Kong's I&T sectors that had a distinct competitive potential, and suggested promoting green technology and setting up Hong Kong Branches of CNERCs focusing on environmental protection, medicine and biotechnology. Members also called on the Administration to provide the necessary hardware and software support for the sustained development of I&T and to strengthen collaborations among the Government, industry, academic and research sectors to facilitate commercialization of R&D results to bring about wider social and economic benefits to the community. It was suggested that usability study and user behavior research be conducted to facilitate commercialization of local R&D outcomes.

24. The Administration advised that on top of revitalizing the three industrial estates (IEs) in Tai Po, Yuen Long and Tseung Kwan O, the Hong Kong Science and Technology Parks Corporation was exploring the feasibility of expanding the Yuen Long IE by about 16 hectares to meet the long-term development needs of the high-tech industry. The Phase 3 development of the Hong Kong Science Park (HKSP) was going on in full steam for phased completion in 2014 and 2016. On green technology, HKSP was designated by Ministry of Science and Technology (MOST) in November 2011 as the National High-tech Industrialization (Partner) Base for Green Technology. Since then, the number of HKSP tenants engaging in green technology had increased by 16%.

25. The Panel encouraged closer I&T collaboration with the Mainland and noted that the Innovation and Technology Commission (ITC) had been working closely with MOST to identify and implement collaborative initiatives. Under these initiatives, more local R&D institutions and personnel would take part in national science and technology programmes, and local experts would be nominated for inclusion in the National Science and Technology Programmes Expert Database. Members urged the Administration to further cement scientific research and collaboration with the Mainland, while locally more emphasis should be placed on developing I&T human resources and career opportunities for university graduates

with science, engineering and technology background. Members also stressed the need to instill a stronger innovation culture in the community to foster wider public support and participation in strengthening Hong Kong's I&T development.

Promoting research and development

26. The Panel supported the Administration's proposal to increase the cash rebate level of the Research and Development Cash Rebate Scheme from 10% to 30% with effect from 1 February 2012. The Administration was advised to closely monitor the application trend and apply for additional funding in good time to ensure continuity of the Rebate Scheme. Many members were concerned that only R&D projects funded by the Innovation and Technology Fund (ITF) and Partnership Projects conducted in collaboration with designated local public research institutions were eligible for a 30% cash rebate on their R&D outlay. They considered this restriction not conducive to I&T development and urged the Administration to relax the eligibility criteria to cover also SMEs' in-house R&D projects. The Administration advised that starting from 1 April 2012, the scope of the "Small Entrepreneur Research Assistance Programme" under the ITF was extended to cover companies with venture capital investment and the funding ceiling for each project was raised from \$4 million to \$6 million.

27. The Panel also received an update on the operation of the five R&D Centres in 2012. Members affirmed the positive role of the R&D Centres in driving applied R&D in their respective focus areas and requested the Administration to explore the need for additional R&D Centres in other focus areas. Members noted that all R&D Centres had exceeded their interim industry contribution targets, which showed the growing support and recognition of their work. As enhancing R&D and innovation capability was a long-term investment, some members were of the view that the level of industry contribution or the income from commercialization in the short term should not be taken as the sole performance target for R&D Centres.

28. Members were dissatisfied that Hong Kong's expenditure on R&D at 0.72% of Gross Domestic Product (GDP) in 2011 was low by international standard. Members urged the Administration to map out the timetable for increasing the Government's R&D investment to 0.8% of GDP, as pledged in CE's election manifesto. Members also called for effective measures to stimulate private sector investment in R&D, encourage commercialization of R&D results in the private sector and facilitate technology transfer to the private sector. Suggestions put forward by members included tax incentives, such as doubling tax

deduction for R&D investment, and setting up a "Young Entrepreneur Park" to provide office accommodation and technical advice to SMEs and young entrepreneurs in pursuing R&D activities.

29. The Panel was pleased to note that ITF's funding scope had been extended to cover the production of tools/prototypes/samples and the conduct of trial use of local R&D outcome in the public sector. In light of the good response, the public-sector trial use initiative was extended in July 2012 to cover not only projects undertaken by R&D Centres but also all ITF-funded R&D projects. Members called on the Administration to conduct a comprehensive review of the scope of ITF to further liberalize the funding mechanism and to put in place a robust evaluation and monitoring mechanism to better assess the effectiveness of the ITF. The Administration undertook to review the ITF and other incentive schemes to improve the funding mechanism and enhance their effectiveness in spurring R&D.

Promoting research and development of Chinese medicine in Hong Kong

30. The development of Chinese medicine (CM) and the promotion of CM-related R&D was a key area of attention of the Panel, and members were generally dissatisfied with the slow progress in this area. Some members were concerned whether Hong Kong's CM development had been hindered by professionals of Western medicine, and called on the Committee on Research and Development of Chinese Medicines (the R&D Committee) to look into the ways and means to remove the barriers between Chinese and Western medicine and promote integrative health care. Some members were gravely concerned about the Administration not giving equal treatment to CM and western medicine despite its claim to promote CM development. Members called on the Administration to take the lead in recognizing the status of CM by including CM in the coverage of civil service medical benefits. On promoting R&D in CM, some members opined that a sound intellectual property protection system should be set up to encourage R&D investment and in manufacturing proprietary CM (pCm).

31. Members noted that as announced by the CE in the 2010-2011 Policy Address, the Administration would work out a timetable for mandatory implementation of Good Manufacturing Practice (GMP) for pCm manufacturing so as to ensure product safety and quality and to keep pace with international trend. The Panel met with deputations of the pCm industry to receive views on the difficulties encountered in becoming GMP-compliant.

32. Members were sympathetic towards pCm manufacturers who faced multiple challenges in becoming GMP-compliant, such as financial constraints, lack of technical know-how, and shortage of suitable land for setting up GMP facilities. Members considered the CM trade not yet GMP-ready and cautioned against a hasty introduction of mandatory compliance. There were worries that most local pCm manufacturers, being SMEs, would be squeezed out of business should mandatory GMP be implemented, resulting in market domination by large companies that were GMP-capable at the expense of SMEs. The Panel was particularly concerned about the lack of government support to help the local pCm industry become GMP-ready, and called on the Administration to formulate comprehensive policies and workable guidelines in consultation with the industry stakeholders, and to provide the necessary hardware and software support, including direct financial support or tax incentives, support on manpower training and provision of facilities to help local pCm manufacturers overcome the GMP-compliance challenges. On hardware infrastructural support, members requested the Administration to take the lead in revitalizing vacant industrial buildings or consider setting up a CM science and technology park to provide GMP-standard factory premises. On vocational manpower training, there was a view that a portion of the \$15 billion funding to the Employee Retraining Board should be designated to train up suitable CM development personnel. Some members expressed reservations about the Administration's proposal to expand the current GMP consultancy services and the contract manufacturing arrangements of GMP service providers, fearing that such a move might result in acquisition and merger of local pCm SMEs by pharmaceutical giants.

33. Some members also questioned whether the adoption of the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S) GMP standard would suit Hong Kong as most pCm SMEs were targeting the Greater China and Asian markets rather than the world market. These members advised that GMP requirements should not be made mandatory and different pCm manufacturers should be free to choose whether or not to apply for GMP certificates, depending on their financial capacity, business model, and target markets. Some members shared the view of some deputations that the Government should facilitate the local pCm industry in developing Hong Kong's own production-management model with unique traditional Chinese characteristics, leveraging on the opportunities presented by the Greater China and Asian markets.

34. The Administration advised that as committed by the CE in his election manifesto, a Chinese Medicine Development Committee led by the CE had been set up to examine the policies and measures to further the development of CM. While the Food and Health Bureau and the Department of Health were the regulatory authorities on the use, manufacture, and trading of pCm and the implementation of GMP, the ITC and the R&D Committee would focus on promoting R&D of CM and make every effort to support and facilitate technology upgrading of the industry.

Development of the testing and certification industry

35. The Panel looked into the implementation progress of the three-year market-oriented development plan for the testing and certification industry as proposed by the Hong Kong Council for Testing and Certification (HKCTC). Members generally supported the HKCTC's recommendations on the way forward and advised the HKCTC to closely monitor the market trend and assess the development potential of other trades for inclusion in its development plan, which currently covered six selected trades identified as having strong demand for testing and certification services, namely Chinese medicines, construction materials, food, jewellery, environmental protection, and information and communications technologies.

36. The Panel called upon the Administration and the Hong Kong Accreditation Service (HKAS) to seek wider recognition of Hong Kong's testing and certification services in the international and regional arena, in particular the Mainland. Members were pleased to note that product testing for the China Compulsory Certification system was extended to cover all the existing 22 types of products processed in Hong Kong. Under Supplement IX to CEPA signed in June 2012, the scope of certification that could be undertaken by Hong Kong accredited testing organizations was expanded to cover food products on a trial basis in Guangdong Province with effect from January 2013. Members urged the HKCTC to capitalize on Hong Kong's advantages and seize the opportunities under CEPA to proactively secure further opening up of the Mainland market to Hong Kong's testing and certification industry.

37. In view of the huge business opportunities in the Mainland for Hong Kong-made CM, some members urged the Administration to explore with the Mainland authorities the feasibility of developing a common standard of CM testing and to seek acceptance of testing reports for pCm registration issued by HKAS-accredited laboratories. Members also suggested to explore the possibility of extending Hong Kong's testing and certification services to food produced in the Mainland, using milk

products as a trial item. Suggestion was made to consider setting up designated retail outlets in the Mainland for sale of products certified by Hong Kong, which would also help promote the Hong Kong brand.

38. The Administration advised that the HKCTC would continue to use the various HKTDC platforms, including local and overseas trade fairs, to promote the "Tested in Hong Kong, Certified in Hong Kong" brand to potential service users. The Administration would work closely with the HKCTC to further enhance the accreditation service and strengthen the critical success factors, including manpower, technology, capital and land, whilst focusing efforts on the six specific trades selected for targeted promotion.

Review of the patent system in Hong Kong

39. The Panel looked into the proposed way forward for the patent system in Hong Kong following a review by the Advisory Committee on Review of the Patent System. The Panel supported the strategic directions recommended by the Advisory Committee, which included introducing an Original Grant Patent (OGP) System, outsourcing the substantive examination capability in the short to medium term, retaining the current re-registration system to offer users a choice of the OGP and the existing system, and enhancing the current short-term patent system by making substantive examination a pre-requisite to the commencement of infringement proceedings. Members considered that a robust patent system tailor-designed to meet local needs and in line with international standard would facilitate the development of Hong Kong into a regional innovation and technology hub. Members urged the Administration to take forward the implementation of the OGP system as soon as possible, and to conduct public education to promote OGP awareness. The Administration undertook to work out a detailed implementation plan in consultation with the Advisory Committee and relevant stakeholders. A preliminary target date for introducing the necessary legislative amendments is in 2015.

40. There was a general consensus among members that the Administration should progressively develop Hong Kong's own substantive examination capability in the long run and build up local expertise in drafting and processing patent applications. The Administration was requested to forge closer cooperation with relevant Mainland authorities, to work for mutual recognition of patents, and to negotiate facilitation of patent applications with the Mainland and other jurisdictions. The Administration advised that in-house substantive examination capability as a long-term goal would be developed in stages, focusing on specific

technological areas in which Hong Kong had acquired considerable expertise. The Administration would develop outsourcing arrangements with the preferred patent office(s) identified.

41. On human capital development, members urged the Administration to liaise with the education sector and patent industry to offer courses on patent agency services and to step up efforts to attract talents and broaden the career paths for local graduates in science and technology. Some members called for an early regulation of patent agency services to better protect patent owners and enhance the credibility of the patent agency profession, which in turn would strengthen Hong Kong's position in negotiating mutual recognition of patents with the Mainland and other jurisdictions. The Administration advised that a full-fledged regulatory regime would be developed in stages upon the commencement of OGP.

Development of intellectual property trading in Hong Kong

42. The Panel welcomed the Administration's initiatives to foster the development of intellectual property (IP) trading in Hong Kong. Members considered a sound IP protection regime and the development of IP trading could encourage I&T development, enhance local R&D capability, facilitate technology transfer, and promote commercialization of R&D results and branding development. The consequential increase in the demand for high value-added IP intermediary services would also help create quality jobs in Hong Kong. Members called on the Administration to leverage on Hong Kong's advantages as an international financial centre and the gateway to China to develop Hong Kong into a regional IP trading hub. Members also urged the Administration to provide the necessary hardware and software underpinnings in terms of policy measures, funding, human resource development, and public education to promote the sustained development of IP trading so as to complement Hong Kong's efforts to become a regional I&T hub.

43. Members suggested that the Administration should step up efforts to promote respect for IP rights and heighten the business sectors' awareness of IP trading to encourage IP creation, exploitation, and commercialization. Local enterprises, especially SMEs, should be given more support to protect and capitalize on their intellectual assets and increase their competitiveness through branding and upgrading.

44. The Panel also called on the Working Group on IP Trading led by the Secretary for Commerce and Economic Development to map out the overall strategies and identify appropriate support measures to develop Hong Kong into an IP trading hub. According to the Administration, the

Working Group had identified four preliminary strategic areas of work, namely to enhance the IP protection regime, support IP creation and exploitation, foster the IP intermediary services and manpower capacity, and foster collaboration with Mainland and overseas IP authorities as well as international IP organizations.

45. Some members raised concern about the lapse of the Copyright (Amendment) Bill 2011 following the end of the previous term of the Legislative Council and urged for early legislation to enhance copyright protection in the digital environment. The Administration advised that in view of the complexity of the legislative proposal, the Administration would continue to engage different stakeholders and take full account of the views received to address issues of concern, including parody and the related copyright issues, and ensure the continuous effectiveness of the copyright laws in the digital environment.

Promoting diversification of industries

46. The Panel has all along called for an overall industry policy to broaden Hong Kong's economic base, diversify industries and achieve sustainable growth so as to provide better employment opportunities, and improve people's livelihood. The Panel welcomed the setting up of the Economic Development Commission (EDC) led by the CE as a positive policy response to this industry need. Members called on the EDC to formulate a holistic industrial policy and identify growth sectors that would further Hong Kong's long-term economic growth and prosperity. Some members however were concerned that the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the EDC was too wide-encompassing and would not be able to focus on the development of all the industries concerned.

Fees and charges under the Trade and Industry Department

47. The Panel supported in principle the Trade and Industry Department (TID)'s proposal to increase fees and charges for certification and licensing services for two strategic commodities-related items, namely Delivery Verification Certificate (DVC) and International Import Certificate (IIC). Members also noted that the proposed fee increase of about 10% in 2012-2013 was based on the "user-pays" principle. Apart from the fees for DVC and IIC and two other items relating to printing charge and registration fee, there would be no adjustment to the remaining 20 items under TID's purview in 2012-2013.

Relocation of TID

48. The Panel supported in principle the proposed relocation and re-provisioning of TID's information technology systems and facilities to the new Trade and Industry Tower at the Kai Tak Development Area. As requested by some members, TID agreed to consider the possibility of adopting the latest technology, including the cloud technology where appropriate, taking into account data security requirements. To address members' concern about data security and service disruption during system testing and relocation, TID undertook to make the necessary arrangements to ensure data security and to minimize service interruption. The trading community and the public would be notified in advance through various channels nearer the date of system testing and actual office removal.

Meetings held

49. From October 2012 to end June 2013, the Panel held a total of ten meetings. The Panel has scheduled another meeting in July 2013.

Council Business Division 1
Legislative Council Secretariat
10 July 2013

Panel on Commerce and Industry

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to commerce, industry, business and services promotion, innovation and technology, intellectual property protection and inward investment promotion.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

Panel on Commerce and Industry

Membership list for 2012 - 2013 session

Chairman	Hon Vincent FANG Kang, SBS, JP
Deputy Chairman	Dr Hon CHIANG Lai-wan, JP
Members	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 Steven HO Chun-yin Hon MA Fung-kwok, SBS, JP Hon Charles Peter MOK Hon Dennis KWOK (since 29 October 2012) Hon Christopher CHEUNG Wah-fung, JP 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 (Total : 16 members)
Clerk	Ms Annette LAM
Legal Adviser	Ms Wendy KAN