

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 2013-2014 session of the Legislative Council. It will be tabled at the Council meeting on 9 July 2014 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 14 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 measures for small and medium enterprises

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

4. The Panel looked into the implementation progress of the BUD Fund which comprised the Enterprise Support Programme ("ESP") and the Organization Support Programme. Members were concerned about some small and medium enterprises' ("SMEs") complaints that the ESP vetting

criteria were unclear and the vetting process unfair and non-transparent. There were also queries as to whether the BUD Fund's current system of declaration of interests was effective in ensuring impartiality and fairness in vetting. The Administration advised that a three-tier vetting process and a two-tier declaration of interests system were in place to avoid any conflict of interests. The relevant mechanisms had been clearly laid down to ensure objective, fair and impartial vetting.

5. Members called for a mid-term review to assess the extent to which the BUD Fund objective had been met and to identify areas for improvement. Given the huge expenses required for brand development in the Mainland, some members suggested that resources should be focused on a few major industries to enhance the cost-effectiveness of the BUD Fund. The Administration was advised to closely monitor the implementation and evaluate the effectiveness of the funded projects to ensure that the BUD Fund would be able to bring tangible benefits to Hong Kong's economy as a whole, such as creating job opportunities, and not just benefit individual beneficiary enterprises. To facilitate public monitoring of the usage of the BUD fund and the dissemination of projects results for reference of enterprises in the relevant industries, members suggested that the final reports of completed projects should be uploaded onto the dedicated website of the BUD Fund for public viewing.

6. The Administration advised that while job creation was not the prime objective of the BUD Fund, the applicant enterprises had been requested to provide job-related and business expansion information to facilitate the assessment of the BUD Fund's overall economic impact. The sponsored organizations were required to share project results and deliverables widely with the industries on their website and conduct experience sharing seminars for SMEs in the relevant industries.

Manpower development of the retail industry

7. The Panel supported the \$130 million funding proposal to implement the recommendations of the Task Force on Manpower Development of the Retail Industry ("the Task Force") to tackle the manpower shortage problem in the retail industry. The recommendations included a pilot Earn-and-Learn Scheme to train up more retail manpower, a three-year image-building campaign to enhance the attractiveness of the retail industry to young job seekers, and the establishment of the Retail Technologies Adoption Fund for Manpower Demand Management ("RTAF") to help the retail industry, in particular SMEs, to adopt relevant information and communications technology and other technologies that help manage manpower demand.

8. Given the wide spectrum of trades in the retail industry and the customer services duties shouldered by retail practitioners, some members advised that product-centred or trade-specific training, as well as training on emotional quotient enhancement, communication and interpersonal skills should be provided for trainees of the pilot scheme to enhance their job skills. On the scope of the technologies eligible for funding support under the proposed RTAF, the Administration was advised to adopt a more inclusive approach to capture a wide range of technologies suitable for retail operations of different nature and scale so that more SMEs could benefit from the Fund.

9. Mindful that the lack of a long-term career prospect for retail practitioners and unfavourable working conditions were the main reasons for the manpower shortage in retail industry, some members urged the Administration to encourage retail employers to increase the pay and improve the career prospects and working conditions for retail practitioners to address the staff recruitment and retention problem. Some members were cautious about importing labour for the retail industry lest it would harm the employment opportunities of local young people. The Administration advised that the Task Force had recommended employers to maintain a competitive staff remuneration package and proactively improve the working conditions of their staff. Career progression pathways of retail practitioners based on the Specification of Competency Standards for the retail industry would also be drawn up.

Review of the Hong Kong Textiles Control System

10. In light of the global elimination of textiles quotas in 2005, members generally supported the Administration's proposal to further relax the Hong Kong Textiles Control System while retaining the voluntary Textiles Trader Registration Scheme for an initial period of three years to guard against possible protectionist developments in textiles trade in the global arena. Members also supported the associated legislative amendments to be put forward to the LegCo. The Administration was urged to closely monitor new developments and provide Hong Kong textiles traders with the latest information on textiles control arrangements in the major importing economies.

11. The Administration advised that the Trade and Industry Department ("TID") and the Economic and Trade Offices ("ETOs") in Geneva and Washington had been keeping a close watch on the global textiles trading environment and developments in the World Trade Organization and the US. The TID would continue to disseminate the

latest information on changes in textiles-related trade rules through existing communication channels.

The Vietnam incident

12. Members were gravely concerned about the outbreak of large-scale anti-Chinese protests in Vietnam in May 2014. The Administration was urged to maintain close communication with the Central People's Government, the Vietnamese Government and trade associations in Vietnam to take prompt actions to protect the lives and properties of Hong Kong residents and corporations there. Some members suggested that the HKSAR Government should assist the affected Hong Kong enterprises, in particular SMEs, to assess the losses suffered and represented them to seek compensation from the Vietnamese Government at a Government-to-Government level. Members also highlighted the importance of signing investment protection agreements with Vietnam and other Asian markets to protect Hong Kong businesses' investments there.

13. The Administration advised that the HKSAR Government had been in close liaison with the relevant authorities to convey the concerns of Hong Kong residents and would closely monitor the developments to provide necessary assistance to Hong Kong residents and enterprises in Vietnam. The Administration would also strive to complete the negotiations on the Hong Kong and the Association of South East Asian Nations ("ASEAN") Free Trade Agreement ("FTA") due to commence in July 2014, to allow Hong Kong businesses to have better access to the ASEAN markets and provide better protection for their investments.

Trade and economic relations

14. Hong Kong's economic and trade relations with key markets remained a major focus area of the Panel. The Panel received an annual briefing on the work of ETOs overseas and in the Mainland ("the Mainland Offices"), and the Hong Kong Economic, Trade and Cultural Office in Taiwan ("HKETCO") on efforts in advancing Hong Kong's economic interests in key markets. The Panel was also updated on InvestHK's key activities in investment promotion in 2013 and the way forward for 2014.

Trade relations between Hong Kong and Taiwan

15. The Panel was briefed on the latest developments of trade co-operation between Hong Kong and Taiwan. Seeing huge potential for the further development of economic and trade ties between Hong Kong and Taiwan, members urged the HKETCO to continue deepen co-operation

and exchanges with Taiwan in trade, investment, culture, tourism, professional services and other areas of mutual interests.

16. On tourism, members called on the Administration to leverage on the commissioning of the Kai Tak Cruise Terminal and step up co-operation with Taiwan tourism authorities in promoting cruise tourism so as to strengthen Hong Kong's position as one of Asia's cruise hub. Members were pleased to note that the Hong Kong Tourism Board and the Taiwan tourism authorities have announced further collaboration in promoting cruise tourism.

17. Members also called for further co-operation between various industries of Hong Kong and Taiwan, including promoting mutual recognition of testing and certification results as well as promoting Hong Kong's legal services in the areas of arbitration, intellectual property ("IP") and company law to Taiwan businesses and to strive for the recognition of Hong Kong legal qualifications to enable Hong Kong legal practitioners to practise in Taiwan. Worried that the growing Cross-Straits direct trade between the Mainland and Taiwan would impact Hong Kong's intermediary role, members urged the Administration to actively explore the feasibility of establishing a comprehensive framework for economic and trade co-operation between Hong Kong, the Mainland and Taiwan, thereby facilitating the direct export of products manufactured by Hong Kong enterprises in the Mainland to Taiwan. The Administration advised that Hong Kong remained an important entrepot for Cross-Straits indirect trade and undertook to continue to actively follow up with the Taiwan side with a view to starting substantive discussions on forging a co-operative arrangement as early as possible.

Strengthening Hong Kong's Global ETO Network

18. The ETOs were urged to continue step up the promotion of Hong Kong through close cooperation with the TID, the InvestHK and the Hong Kong Trade Development Council while maintaining a clear division of work to avoid any overlap in functions. Some members were of the view that the ETOs should have dedicated manpower to play a more active role in enhancing Hong Kong's cultural co-operation and exchanges with their host countries, and that the ETOs should be retitled to better reflect their cultural promotion role. The Administration advised that although the title of the ETOs did not bear out their role on the cultural front, promotion of cultural exchanges between Hong Kong and the regions under their respective coverage was an on-going focus of ETO's work.

Overseas ETOs

19. With Hong Kong forging a closer tie with Asia-Pacific Economic Cooperation and in the light of the commencement of the formal FTA negotiations between Hong Kong and the ASEAN, some members consider setting up more ETOs in ASEAN member nations of strategic importance to tap the business opportunities there and to provide better assistance to Hong Kong people living and doing business in these countries. Some members also saw immense business opportunities in the BRIC countries of Brazil, Russia, and India. They urged the Administration to proactively and systematically explore business opportunities in these markets as well as other emerging markets such as Central America. In view of the substantial capital outlay in setting up full-scale ETOs, some members suggested that ETOs of a smaller scale or sub-offices could be a way forward, such as setting up an ETO sub-office in South America under the management oversight of the Washington ETO. If considered necessary, the Panel would support the Administration's request for additional resources to increase the number of overseas ETOs to maintain an extensive global network and develop new trade links in emerging markets. The Administration undertook to review the geographical coverage of the existing ETOs and assess the need for new ETOs having regard to Hong Kong's economic and trade relations with the concerned markets to suitably deploy or increase resources to strengthen the ETO network.

ETOs in the Mainland

20. Members generally supported strengthening the ETO network in the Mainland to enhance the homeland relationship between Hong Kong and the Mainland. The Panel supported the establishment of the Wuhan ETO and the creation of a permanent Administrative Officer Staff Grade C ("AOSGC") post to head the Wuhan ETO. Members were keen to ensure that a mechanism and objective criteria were in place for determining the choice of the ETO location.

21. The Panel continued to push for more assistance to Hong Kong residents and enterprises in the Mainland, particularly those in distress and involved in business, trade and labour disputes. Members were pleased to note that apart from making referrals to the relevant Mainland authorities, the Mainland Offices have followed up with the relevant authorities on some assistance cases where appropriate. The ETOs were urged to continue proactively publicize their services and further strengthen liaison with Hong Kong residents and groups in the Mainland, disseminating pertinent information on Mainland's latest policies, regulations and business environment to Hong Kong residents and business community

there and relaying their views and concerns to the relevant Mainland authorities.

22. Concern was raised about the impact of changes of ETOs' heads every few years on the continuity of ETOs' work, particularly in building up long-term relationship and liaison network with the Mainland authorities. The Administration advised that the civil service had well-established arrangements to ensure smooth transition in personnel to maintain effective operation of the ETOs when there were staff changes.

Promotion of inward investment

23. The Panel attached great importance to the promotion of inward investment and had been keeping a close watch on relevant policies to ensure that Hong Kong stays competitive in attracting foreign direct investment to drive economic growth, spur innovation, and create jobs. In the face of increasing competition from neighbouring economies' aggressive policies to attract foreign investment, members urged the Administration to consider offering incentives, such as tax concessions, to attract multinational companies and start-up entrepreneurs in priority sectors where Hong Kong had a competitive edge to set up and expand their operations in Hong Kong such that the jobs thus created would match Hong Kong's talent pool. The Administration advised that InvestHK had been promoting various funding schemes to attract overseas young entrepreneurs and start-ups in the innovation and technology ("I&T") and creative industries to set up companies in Hong Kong.

24. While affirming InvestHK's sector-focused and market-oriented approach to attract and retain foreign direct investment in key markets and in target sectors (such as financial services, I&T and creative industries), some members suggested to focus more efforts on the pharmaceutical industry given Hong Kong's strengths in testing and certification services. InvestHK was advised to accord priority to attracting overseas and Mainland pharmaceutical companies to set up manufacturing and processing operations in Hong Kong and have their products produced and tested in Hong Kong for export to overseas markets. Given the vast geographical spread under their purview and the tedious process in dealing with individual potential investors, some members were concerned that the overseas investment promotion units ("IPUs") might not have sufficient manpower to effectively take forward the investment promotion work. They advised InvestHK to draw support from the private sector to strengthen its investment promotion work. The Administration informed that with the expansion of the staff team of the IPU in Singapore ETO and the setting up of an IPU in the new Wuhan ETO, InvestHK had added

bandwidth to reach out to more companies.

25. The Panel called upon InvestHK to strengthen its ongoing aftercare support services for overseas enterprises established in Hong Kong to facilitate their business expansion and upgrading. Some members reiterated that InvestHK should keep close track of the development of newly established companies in Hong Kong and collect follow-up information, such as the subsequent business expansion and additional number of job created, during their initial three to five years of operation in Hong Kong. The Administration was also advised to address the shortage of international school places which had discouraged overseas companies from setting up their business operations in Hong Kong. The Administration advised that measures had been taken to address the international business community's concern about the supply of international school places.

Promotion of innovation and technology

26. Members supported the improvement measures proposed by the Administration following the first phase of a comprehensive review of the Innovation and Technology Fund ("ITF") to waive the 10% industry sponsorship requirement for projects initiated by Government bureaux/departments and statutory bodies under the Innovation and Technology Support Programme ("ITSP") and to raise the funding ceiling for Public Sector Trial Scheme projects from 30% to 50% of the actual cost of the original research and development ("R&D") project.

27. Members also welcomed the new initiatives announced in the 2014-2015 Budget Speech to enhance the application and commercialization of R&D results. Members noted that a new Enterprise Support Scheme ("ESS") would be set up to replace the Small Entrepreneur Research Assistance Programme ("SERAP") to encourage more private sector investment in R&D. Fund recoupment of the approved grant was no longer required and the scope of funding of the ITF would be extended to provide stronger support for downstream R&D and commercialization activities.

28. While agreeing with the need to ensure proper use of public funds, members considered that too much emphasis on industry contribution might hinder the development of new R&D initiatives. Members were concerned that for the avoidance of criticisms of transfer of benefits to certain large companies, the Administration might impose over-stringent requirements for assessing the applications and in monitoring the funded companies, which would discourage companies from applying. To

maximise the benefits of the ITF, members called on the Administration to adopt new thinking in keeping the ITF mechanism as simple as possible to minimize constraints posed on projects. Members also called on the Administration to consider allowing existing cases of SERAP to convert to ESS as far as possible, and to set aside a certain percentage of ITF resources to support R&D projects initiated by young entrepreneurs to encourage new inventions.

29. Members also advised the Administration to clearly spell out the IP ownership right and benefit-sharing arrangements between designated research institutions and the collaborating private companies for ITF-funded projects to ensure fairness and transparency in the Fund's operation. Given the limited life span of a new technology, the Administration should open up the IP rights of platform projects under ITSP held by local research institutions for use by the industry in an open, transparent and non-exclusive manner to facilitate the realization and commercialization of the relevant technologies.

30. On the new technopreneurship grant to support the six designated universities in setting up technology start-ups, members were concerned that the annual funding cap of \$1.2 million for a maximum period of three years might not be conducive to encourage universities to undertake more entrepreneurial activities and commercialise their IP. To build an effective and sustainable technology start-up ecosystem, members called on the Administration to consider formulating relevant financial policies and legislation to facilitate investments from angel investors, venture capitalist firms or crowdfunding in financing the start-ups at various stages. The Administration noted members' suggestions for reference in the on-going comprehensive review of the ITF.

31. The Panel passed a motion supporting the expeditious establishment of the Innovation and Technology Bureau ("ITB") to spearhead the development of I&T as well as coordinate relevant efforts within the Government. Some members considered that as technology and creativity were closely intertwined and that a sound IP regime and robust IP trading would complement the development of I&T industries in Hong Kong, the portfolios relating to broadcasting, creative industries, IP and communications should come under the purview of the new ITB.

Promotion of Research and Development

32. The Panel received an update on the operation of the R&D Centres in 2013-2014 and affirmed the positive role of the centres in driving and coordinating applied R&D in their respective focus areas and promoting

commercialization of R&D results. The Panel also supported the extension of the operation of the Hong Kong Research Institute of Textiles and Apparel and the Hong Kong Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies up to 2016-2017 to align with that of the other R&D Centres.

33. Members were pleased to note that the R&D Centres had been actively promoting the use of R&D results in the public sector that would benefit the community. Collaborative projects were undertaken in partnership with local or international enterprises and research institutes. Members called on the R&D Centres to pursue more R&D projects that would facilitate technology upgrading or help enhanced efficiency in the industries of their focus areas so as to help local SMEs share the benefits of the commercialization of the R&D projects and technology transfer. The R&D Centres were also advised to further reach out and forge closer ties with the industry to raise awareness of their work, and to develop more demand-led and industry-driven R&D projects relevant to the needs of industry users.

34. Some members noted with concern that the industry was not very keen on collaborating with the R&D Centres in conducting R&D projects. They called on the Administration to further streamline the ITF funding mechanism to address the industry's concerns about the over-stringent requirements and cumbersome procedures. These members opined that while performance evaluation and operation review were necessary to ensure proper use of public funds, the Administration should avoid micro managing the operation of the R&D Centres, or taking short-term monetary income as the sole performance indicator for R&D Centres. Members also requested the Administration to proactively explore the need for setting up new R&D Centres in other focus areas. The Administration advised that it would critically evaluate the operation of the R&D Centres in around 2015 (by that time they had operated for nearly 10 years) and put forward recommendations in respect of their future operation having regard to the outcome of the review.

35. On the development of human capital to underpin the sustained development of R&D and I&T, members called on the Administration to put more emphasis on nurturing local R&D talents and attracting overseas talents to work in Hong Kong so as to further strengthen Hong Kong's R&D capabilities. In particular, members highlighted the need to provide more job opportunities to attract university graduates with science and technology background to consider pursuing R&D as a life-long career.

36. Members were dissatisfied that Hong Kong's gross expenditure on R&D as a ratio to Gross Domestic Product at below 0.8% was low by international standard and when compared to other economies in the region. The Administration was urged to provide more land resources and incentives in the form of tax concession or rebate for R&D expenditure to promote I&T and stimulate private sector R&D investment. Members also called upon the Administration to actively promote the R&D Cash Rebate Scheme to SMEs and further increase the level of cash rebate from 30% to 50% to enhance attractiveness of the scheme.

Research and Development of Chinese medicines

37. The Panel supported the allocation of \$23 million under the ITF for the Hong Kong Institute of Biotechnology ("HKIB") to set up a Good Manufacturing Practice ("GMP") product development and technical support platform for traditional oral solid proprietary Chinese medicines ("pCm"). While the proposed expansion of the HKIB's GMP production facilities could serve the short-term needs of the industry, members considered that more GMP hardware facilities should be set up to bring in competition among service providers and provide more choices for more SME pCm manufacturers in procuring contract manufacturing services for their products. The Administration advised that it would closely monitor the industry demand for GMP manufacturing service when considering whether more GMP facilities operated by non-profit making operators should be set up.

38. As most of the pCm manufacturers were SMEs that lacked the requisite capital and technical expertise to support the building of GMP facilities and their subsequent operation, a majority of members advocated that the GMP requirements should not be made mandatory and the adoption of GMP standards should be on a voluntary basis so as to provide room for SMEs' survival in the industry. The Administration advised that while the 2010-2011 Policy Address had announced that a timetable for mandatory compliance with GMP would be worked out to ensure safety of pCm as well as to keep up with the international standard, there was currently no specific implementation timetable. The Administration would continue to listen to the views of the industry before deciding on the way forward and provide necessary assistance to enable pCm manufacturers become GMP compliant.

39. Some members were concerned that the existing requirements that all pCm must be registered under the Chinese Medicine Ordinance (Cap. 549) before they could be imported, manufactured or sold in Hong Kong would hinder the introduction of new pCm products into the market.

These members requested the Administration to consider providing a small volume exemption for not yet registered pCm similar to the small volume exemption scheme under the Nutrition Labelling Scheme. Some members pointed out that the existing IP laws in Hong Kong in respect of patents and trademarks could not offer adequate legal protection for traditional Chinese medicines ("CM"), and called for a sound IP protection system for traditional CM to encourage R&D investment.

Development of the testing and certification industry

40. The Panel was briefed on the major work progress of the Hong Kong Council for Testing and Certification ("HKCTC"). The Panel is pleased to note that efforts to develop Hong Kong's testing and certification industry was making headway, with growing recognition by Mainland authorities of testing results conducted by Hong Kong-accredited testing organisations. The scope of testing services for the purpose of certification that could be undertaken by Hong Kong testing laboratories was being expanded from food to other areas of voluntary product certification on a pilot basis in Guangdong starting from January 2014. Members also supported the conversion of the supernumerary post of Secretary-General (Testing and Certification) at AOSGC rank to the permanent establishment of the Innovation and Technology Commission ("ITC") with effect from 1 April 2014 to provide long-term manpower support for the development of the Hong Kong's testing and certification industry.

41. Given the great potential market demand, some members were keen to have the testing and certification services for textile products included in the further liberalization measures under the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"). Members also urged the Administration to step up its efforts to seek wider recognition of Hong Kong's testing and certification results in the international and regional arena, in particular the Mainland, and to strive for further expansion of the scope of testing services in future supplements to CEPA.

42. On the trade of information and communication technologies, members highlighted the need for a long-term plan for promoting the development of ISO 27001-based certification services for information security management. They called on the Administration to provide incentives for organizations to adopt the ISO 27001 certification or other certification initiatives developed by the HKCTC and to step up promotion of potential service users' awareness on the application and advantages of ISO 27001. Members were pleased to note that the HKCTC would work

with the Office of the Government Chief Information Officer to foster the development of ISO 27001 certification service.

43. In light of the strong potential market demand, the HKCTC was advised to formulate a more coordinated strategy to promote software testing services in Hong Kong in collaboration with the Hong Kong Productivity Council ("HKPC") with reference to its cooperation with the Zhuhai Southern Software Testing Center in establishing a third-party professional software and network testing platform. The Administration advised that the HKCTC had been keeping a close watch on the development potential of third-party software testing services in Hong Kong and would make reference to HKPC's experience when mapping out the relevant development plan.

Promotion of intellectual property trading

44. The Panel was updated on the progress of the Working Group on IP Trading chaired by the Secretary for Commerce and Economic Development. The Panel supported in principle the proposed creation of a three-year supernumerary post of Assistant Director of Intellectual Property (DL2) in the IPD with effect from 1 April 2014 to head a new dedicated team to implement the Original Grant Patent ("OGP") system and strengthen the promotion of Hong Kong as an IP trading hub.

45. The Panel also supported the proposed redevelopment of the IPD's information technology systems to further improve operational efficiency and better meet changing customer needs. While welcoming better customer experience for e-users, members called on the IPD to carefully address the privacy and system security issues of the new system. Some members questioned the long lead time required for the design and development of the system and were concerned that the new system would be technologically out of date by the time the project was completed in 2017.

46. Members called on the Administration to leverage on Hong Kong's advantages as an international financial centre and the gateway to China to develop IP trading platforms in collaboration with the neighbouring countries and cities, in particular the Mainland. The Administration was urged to introduce the OGP system as soon as practicable, and to explore the possibilities of mutual recognition of patents between Hong Kong and the Mainland and other jurisdictions. Members noted that subject to the progress of implementation work and preparation of new legislation, the Administration tentatively aimed to launch the OGP system in 2016-2017 at the earliest. The IPD was making headway and had reached a

cooperation arrangement with the State Intellectual Property Office ("SIPO") in December 2013 for technical assistance in carrying out substantive examination for the OGP system as well as manpower training and development assistance in building up indigenous examination capability. The Administration would also explore with the SIPO the possibilities of mutual facilitation of patent applications between Hong Kong and the Mainland.

47. To underpin Hong Kong's positioning in IP trading, Members suggested that relevant statistical information on IP trading-related activities should be collected to analyse the competitive edge of Hong Kong against its potential competitors in the region. A concrete two to five years' work plan with specific policies and support measures should be drawn up to drive the promotion of Hong Kong as an IP trading hub and to complement Hong Kong's efforts to become a regional I&T hub. The Administration undertook to report to the Panel the findings of the statistical survey on IP trading commissioned by the IPD and provide a comparison with the relevant statistics of other jurisdictions in the region as appropriate.

48. Members considered that a sound IP protection regime and the promotion of IP trading could encourage innovation and creativity, complement the development of I&T in Hong Kong, facilitate technology transfer, and promote commercialization of R&D results and branding development. The IPD was advised to enhance communication with the I&T sector and strengthen cooperation with the ITC on matters relating to the implementation of the OGP system and promotion of IP trading in Hong Kong.

49. On IP arbitration and mediation, the Panel noted the IPD's collaboration with the Hong Kong International Arbitration Centre ("HKIAC") to promote the use of mediation to resolve IP disputes. Some members were concerned that the Government's support in this regard was inadequate and called for additional resources to support the work of the HKIAC in promoting Hong Kong as an international arbitration and mediation service centre in the Asia Pacific region. Members also suggested that more international arbitration conferences be hosted to demonstrate Hong Kong's capability in dispute resolution.

Treatment of parody under the copyright regime

50. The Panel was briefed on the outcome of the Administration's consultation on the treatment on parody under the copyright regime conducted from July to November 2013 and looked into the proposed

directions for taking the matter forward. A special meeting was held to receive views from deputations/individuals on the matter. While members and deputations/individuals have diverse views on the scope of special treatment under the copyright regime, there is a broad consensus that a fair balance should be struck between protecting the legitimate interests of copyright owners and other public interests, such as reasonable use of copyright works and freedom of expression.

51. As Hong Kong's copyright regime had lagged behind technological development and would undermine efforts to develop Hong Kong's cultural and creative industries and IP trading, the Panel called for an early update of the copyright regime in the digital environment to align with international standards and keep pace with technological developments. The Administration assured that it would take forward the relevant legislative exercise expeditiously with a view to concluding the efforts started since 2006 to update Hong Kong's copyright regime

Development of industries

52. The Panel was of the view that Hong Kong's development strategy should go beyond the financial services industry and should aim at broadening Hong Kong's economic base through diversification of industries for sustainable economic growth. Members called for more concrete policies to encourage and support the industrial sector in relocating the high value-added industries back to Hong Kong so as to capitalize on the brand effect of "Made in Hong Kong" and capture the vast opportunities in the Mainland and overseas markets for Hong Kong products. In particular, support measures should be introduced to further grow the fashion industry, beauty industry and traditional CM industry in Hong Kong that had great development potential.

53. Members noted that the Economic Development Commission would identify industries that would present opportunities for Hong Kong's further economic growth, and recommend the overall strategy and policy to further the growth of these industries.

Meetings held

54. From October 2013 to end June 2014, the Panel held a total of 11 meetings. The Panel has scheduled another meeting in July 2014 to discuss trade relations between the Mainland and Hong Kong and the implementation of CEPA.

Council Business Division 1
Legislative Council Secretariat
2 July 2014

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 2013 - 2014 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 MA Fung-kwok, SBS, JP Hon Charles Peter MOK, JP Hon Dennis KWOK Hon SIN Chung-kai, SBS, JP Hon Martin LIAO Cheung-kong, SBS, JP Ir Dr Hon LO Wai-kwok, BBS, MH, JP Hon CHUNG Kwok-pan (Total : 14 members)
Clerk	Ms Annette LAM
Legal Adviser	Ms Wendy KAN