

立法會
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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 19 November 2019, at 2:30 pm
in Conference Room 1 of the Legislative Council Complex

Members present : Hon Jimmy NG Wing-ka, BBS, JP (Chairman)
Hon Alvin YEUNG (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon CHU Hoi-dick
Hon SHIU Ka-fai, JP
Hon YUNG Hoi-yan, JP
Hon CHAN Chun-ying, JP
Hon LAU Kwok-fan, MH

Members attending : Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Holden CHOW Ho-ding

**Public officers
attending**

: Agenda item III

Commerce and Economic Development Bureau

Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic Development

Miss Eliza LEE, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Ms Vivian SUM, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)¹

Mr Eddie MAK, JP
Commissioner for Economic and Trade Affairs, USA

Mr Laurie LO, JP
Permanent Representative of the Hong Kong Special
Administrative Region of China to the World Trade
Organization

Mr Eddie CHEUNG, JP
Special Representative for Hong Kong Economic and
Trade Affairs to the European Union

Mr Raymond FAN, JP
Director, Hong Kong Economic and Trade Affairs,
Sydney

Miss Shirley YUNG, JP
Principal Hong Kong Economic and Trade
Representative, Tokyo

Mr Ivanhoe CHANG
Director, Hong Kong Economic and Trade Affairs, San
Francisco

Mr LEE Sheung-yuen
Director, Hong Kong Economic and Trade Affairs,
Bangkok

Mr LAW Kin-wai

Director-General, Hong Kong Economic and Trade
Affairs, Jakarta and Acting Director, Hong Kong
Economic and Trade Affairs, Singapore

Ms Joanne CHU

Director, Hong Kong Economic and Trade Affairs,
New York

Ms Emily MO

Director, Hong Kong Economic and Trade Affairs,
Toronto

Mr Bill LI

Director, Hong Kong Economic and Trade Affairs,
Berlin

Constitutional and Mainland Affairs Bureau

Ms Elizabeth TAI, JP

Deputy Secretary for Constitutional and Mainland
Affairs 2

Mr John LEUNG, JP

Director, Beijing Office

Mr Sidney CHAN, JP

Director, Hong Kong Economic and Trade Affairs,
Guangdong

Mr Vincent FUNG

Director, Hong Kong Economic and Trade Affairs,
Wuhan

Miss Victoria TANG

Director, Hong Kong Economic and Trade Affairs,
Shanghai

Miss LI Wan-in

Director, Hong Kong Economic and Trade Affairs,
Chengdu

Mr Larry CHU
Acting Director, Hong Kong Economic, Trade and
Cultural Office (Taiwan)

Agenda item IV

Innovation and Technology Bureau

Dr David CHUNG, JP
Under Secretary for Innovation and Technology

Mr Ricky CHONG
Principal Assistant Secretary for Innovation and
Technology (1)

Innovation and Technology Commission

Ms Rebecca PUN, JP
Commissioner for Innovation and Technology

Mr Ivan LEE, JP
Deputy Commissioner for Innovation and Technology

**Attendance by
invitation**

: Agenda item IV

Research and Development Centres

Dr Lawrence CHEUNG
Chief Executive Officer
Automotive Platforms and Application Systems R&D
Centre, Hong Kong Productivity Council

Mr Hugh CHOW
Chief Executive Officer
Hong Kong Applied Science and Technology Research
Institute

Mr Edwin KEH
Chief Executive Officer
Hong Kong Research Institute of Textiles and Apparel

Mr Simon WONG
Chief Executive Officer
Logistics and Supply Chain MultiTech R&D Centre

Mr Daniel YU
Chief Executive Officer
Nano and Advanced Materials Institute

Clerk in attendance : Mr Desmond LAM
Chief Council Secretary (1)3

Staff in attendance : Mr Joey LO
Senior Council Secretary (1)8

Mr Terence LAM
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Miss Zoe YIP
Clerical Assistant (1)3

Action

I. Information paper issued since last meeting

(LC Paper No. CB(1)123/19-20(01) -- Information paper on the financial position of the Applied Research Fund for the period from 1 March to 31 May 2019)

Members noted the above paper issued since the last meeting.

II. Date of next meeting and items for discussion

(LC Paper No. CB(1)135/19-20(01) -- List of outstanding items for discussion

LC Paper No. CB(1)135/19-20(02) -- List of follow-up actions)

2. Members noted that the next regular Panel meeting would be held on 17 December 2019 at 2:30 pm to discuss the following items proposed by the

Administration –

- (a) Progress of development of Trade Single Window; and
- (b) Progress of the implementation of the Professional Services Advancement Support Scheme.

3. Members also noted that a joint meeting would be held on 6 December 2019 at 10:45 am with the Panel on Economic Development, the Panel on Financial Affairs and the Panel on Information Technology and Broadcasting to discuss the economic impact of the recent social incidents and changes to external environment on Hong Kong (item 1 on the List of outstanding items for discussion ("the List")).

Work plan and list of outstanding items for discussion for 2019-2020 session

4. The Chairman informed members that he and the Deputy Chairman had met with the Administration on 31 October 2019 to discuss the work plan of the Panel in the 2019-2020 session. Members also noted that the List had incorporated the items proposed for discussion in the 2019-2020 session, including those items suggested by members at the meeting on 18 October 2019.

III. Report on the work of the overseas Hong Kong Economic and Trade Offices and the Offices of the Government of the Hong Kong Special Administrative Region in the Mainland and Taiwan in 2018-2019

(LC Paper No. CB(1)135/19-20(03) -- Administration's paper on "Report on the Work of the Overseas Hong Kong Economic and Trade Offices" provided by the Commerce and Economic Development Bureau

LC Paper No. CB(1)135/19-20(04) -- Administration's paper on "Report on the Work of The HKSAR Government's Offices in the Mainland and Taiwan" provided by the Constitutional and Mainland Affairs Bureau

LC Paper No. CB(1)135/19-20(05) -- Paper on the work of the overseas Hong Kong Economic and Trade Offices and the Offices of the Government of the Hong Kong Special Administrative Region in the Mainland and Taiwan prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

5. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on the work of the overseas Hong Kong Economic and Trade Offices ("ETOs") and the Offices of the Government of the Hong Kong Special Administrative Region ("HKSARG") in the Mainland and Taiwan since the last report in November 2018. SCED said that the past year's work of the overseas ETOs and HKSARG's Offices in the Mainland and Taiwan was very challenging given the global economic uncertainties arising from trade protectionism and the trade conflict between China and the United States ("the US"). The work of overseas ETOs included (a) explaining Hong Kong's situation in relation to the controversies arising from the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 ("the Bill"); (b) maintaining and enhancing relationships with overseas governments; (c) promoting investments; and (d) contacting with local people. Details of the work of the overseas ETOs as well as HKSARG's Offices in the Mainland and Taiwan were set out in the Administration's papers (LC Paper Nos. CB(1)135/19-20(03) and (04)). As agreed by the Chairman, SCED invited the heads of four overseas ETOs and the Beijing Office ("BJO") to brief the Panel on their work.

6. Commissioner for Economic and Trade Affairs, USA ("C, USA") reported on the latest economic and political developments in the US. As regards Hong Kong-US relations, the controversies and protests arising from the Bill in Hong Kong had aroused concerns in various sectors in the US. Business communities in the US generally held that the instability of Hong Kong society would add uncertainty to its business environment and investment outlook. In June 2019, some US congressional members reintroduced the Hong Kong Human Rights and Democracy Act of 2019 ("Hong Kong Act").

7. C, USA also advised the Panel that the Washington ETO had taken every opportunity to explain to various sectors, including representatives of the US federal government (in particular the officials responsible for Hong Kong affairs in the Department of State, Department of Commerce and Office of the US Trade

Representative, etc.), members of the US Congress and their staffers (in particular members and staffers of the Senate and House committees/sub-committees for foreign affairs, and the Congressional-Executive Commission on China ("CECC")) and members of the US-China Economic and Security Review Commission ("USCC") the latest situation in Hong Kong. The Washington ETO had made clear that Hong Kong and the US had mutually beneficial bilateral relations, and that any change to current US policy towards Hong Kong could have adverse impact on the people and business-trade interests of both places.

8. C, USA added that it was anticipated that the US' political environment in the coming year would be largely affected by the US presidential and congressional elections to be held in November 2020. The three ETOs in the US would continue to maintain close working relationships with interlocutors and monitor the US Government's policy direction as well as the US political and economic landscape.

9. Special Representative for Hong Kong Economic and Trade Affairs to the European Union briefed members on the latest economic and political developments of the European Union ("the EU"), including the development of Brexit and the policy directions of the new President-elect of the European Commission. Regarding the controversies arising from the Bill, the EU had closely monitored the situation in Hong Kong since June 2019. In view of the EU's concerns over Hong Kong's situation, the Brussels ETO met with relevant Members of the European Parliament in July, September and October 2019, and the Members of the French National Assembly in September 2019 to update them on the latest situation in Hong Kong. The Brussels ETO also met with working counterparts in the relevant ministries of Belgium, France, Italy and the Netherlands and explained the same to them. Besides, the Brussels ETO and Berlin ETO had been providing updates on Hong Kong's situation to the European business communities during various business events.

10. Director, Hong Kong Economic and Trade Affairs, Sydney ("D(SY)") briefed members that following the signing of a Free Trade Agreement ("FTA") between Hong Kong and Australia ("HK-Australia FTA") on 26 March 2019, the Australian Government had been proceeding with its domestic ratification procedures to bring HK-Australia FTA into force, hopefully by the end of 2019. Since 2009, the Mainland had been Australia's largest trading partner in the world, accounting for nearly 25% of Australia's total trade. Australia and New Zealand enterprises were generally interested in participating in the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") and the Belt and Road Initiative. D(SY) said that HK-Australia FTA could attract Australia investors from entering the Greater Bay Area and tapping into the Mainland market through Hong Kong. D(SY) also informed members that during the last six months, the number of Australians visiting Hong Kong had

been dropping by about 5% monthly. The Sydney ETO would, in collaboration with the Hong Kong Tourism Board ("HKTB"), step up the overseas promotional work to rebuild confidence and interest in Hong Kong when the situation in Hong Kong gradually returned to normal.

11. Director-General, Hong Kong Economic and Trade Affairs, Jakarta and Acting Director, Hong Kong Economic and Trade Affairs, Singapore briefed members on the work of the three ETOs in the Association of Southeast Asian Nations ("ASEAN"). Last year, the bilateral economic and trade relations between Hong Kong and ASEAN remained close. It was expected that, subject to domestic ratification by individual ASEAN members, the FTA and Investment Agreement between Hong Kong and ASEAN could be fully effective for all the 10 ASEAN member states by end 2019. The three ETOs in ASEAN would keep on enhancing Hong Kong's presence in ASEAN and promoting Hong Kong's advantages with a view to developing stronger bilateral economic and trade relations between Hong Kong and ASEAN and encouraging more exchanges on various fronts. ASEAN countries were following the developments of the Bill, including the controversies caused by the proposal and the ensuing protests and clashes. The three ETOs in ASEAN had been updating local key stakeholders and interlocutors on the developments of the situation of Hong Kong and providing them with relevant information.

12. Director, Beijing Office ("D, BJO") briefed members on the work of the five Mainland Offices viz. BJO, the Chengdu ETO, the Guangdong ETO, the Shanghai ETO and the Wuhan ETO. The five Mainland Offices were responsible for strengthening communication and liaison between Hong Kong and the Mainland, including enhancing government-to-government ("G2G") cooperation, promoting Hong Kong's trade and commercial relations with Mainland provinces and municipalities, fostering exchange and cooperation between the two places, facilitating investment, promoting Hong Kong, and providing support to the Hong Kong people and enterprises in the Mainland. The five Mainland Offices had strengthened their connection and communication with the Mainland authorities to understand the latest development of the Mainland's policies, laws and regulations relating to economic and trade matters (e.g. the Belt and Road Initiative, the development of the Greater Bay Area and the "Foreign Investment Law" which would take effect from 1 January 2020) and to assess the impact of such policies on Hong Kong. D, BJO added that due to the social unrest in Hong Kong, the Mainland people and enterprises had reduced their interest to travel or pursue development in Hong Kong. The five Mainland Offices would continue to foster exchanges and cooperation between the two places and explain to different sectors the latest situation of Hong Kong at appropriate juncture.

Discussion

Work in explaining the Hong Kong's situation in relation to the recent social unrest

13. Mr CHAN Chun-ying noted that the overseas ETOs had been explaining to government officials, foreign politicians and businessmen of the countries under their purviews the latest situation of Hong Kong in relation to the controversies arising from the Bill during the past few months. Since the kinds of concerns the communities of different countries would have with the controversies and protests arising from the Bill might vary (such as some might worry about the personal safety of their nationals travelling or studying in Hong Kong, whereas some others might focus on the conflicts between Hong Kong Police and the protestors), Mr CHAN asked whether the Commerce and Economic Development Bureau had coordinated a standardized key information updates on Hong Kong's situation to be disseminated by all overseas ETOs and HKSARG's Offices in the Mainland and Taiwan.

14. Mr YIU Si-wing added that the Administration should allocate sufficient resources to prepare a series of promotional materials for use by the overseas ETOs and HKSARG's Offices in the Mainland and Taiwan, and to provide them with a uniform and coordinated set of government positions and lines-to-take on major issues and policies. Ms Elizabeth QUAT also added that the Administration should not overlook the importance of online advertising. She suggested that the Administration should consider providing a central online platform with useful materials and references on the genuine latest situation of Hong Kong in different languages so that Hong Kong residents could help sharing such materials with their friends and relatives residing overseas via social media channels.

15. SCED responded that as the level of concerns over the controversies arising from the Bill varied among different countries, the Administration had long maintained two-way communications with the overseas ETOs through electronic means such as e-mails and video conferences to exchange daily news and updated information. The overseas ETOs adopted appropriate strategies in expanding their networks having regard to the political and economic situations of different countries under their purviews. The overseas ETOs also rendered support for the visits of the Chief Executive ("CE") and Principal Officials of HKSARG, including providing latest information on the visiting countries and arranging meetings with local key interlocutors.

16. SCED also said that relevant government information including press releases, responses and clarifications, news, photos and videos were published and

uploaded onto the dedicated website of the Information Services Department. The overseas ETOs and relevant organizations (e.g. HKTb and the Hong Kong Trade Development Council) would also disseminate updates via their social media channels. Moreover, the overseas ETOs adopted a target-oriented approach in explaining Hong Kong's situation to the communities and various sectors of overseas countries by making use of their long-established local networks which included local government officials, legislators, business communities and organizations, the media and think-tanks. By maintaining close liaisons with their local networks, the overseas ETOs could respond to the respective concerns of different stakeholders. The overseas ETOs would, where necessary, invite and provide assistance for local key interlocutors to visit Hong Kong, thereby strengthening mutual cooperation and exchanges. He also added that Hong Kong had freedoms of the press and speech where people could freely express their own opinions. The Administration would, as usual, stay proactive in explaining to the relevant parties the genuine latest situation of Hong Kong, despite the fact that different overseas governments and political parties had their own stance towards Hong Kong affairs and it was possible that some of them were more readily to take opinions expressed by like-minded people or political parties.

Advice on travelling to Hong Kong

17. Mr CHAN Chun-ying and Mr YIU Si-wing noted that so far 40 countries had issued advice on travelling to Hong Kong which they considered would inevitably affect the willingness of tourists and business travellers to visit Hong Kong. Mr CHAN asked whether the Administration had formulated any strategies in persuading these countries to remove travel alerts once the situation of Hong Kong gradually returned to normal so that the work of the overseas ETOs on investment promotion would not be shadowed. Mr YIU suggested that the overseas ETOs should collaborate with HKTb's worldwide offices in promoting inbound tourism once social unrest in Hong Kong had subsided.

18. SCED said that fostering close relation and liaison with local authorities at G2G level was part and parcel of the responsibilities of the overseas ETOs. Depending on the development of Hong Kong's situation, the overseas ETOs would continue their work to strengthen investment promotion to overseas stakeholders, explaining to them that Hong Kong's core values remained unchanged so as to restore their understanding of and confidence in Hong Kong as soon as possible.

Tackling fake news in the social media

19. Mr LAU Kwok-fan and Ms Elizabeth QUAT raised concerns about the spreading of fake information on Hong Kong's situation in the social media over

the past few months. They were worried that different sectors of overseas countries or even some Hong Kong residents might have been influenced by misinformation online and false rumors. Sharing Mr LAU's and Ms QUAT's observations, Mr YIU Si-wing added that the tide of fake news and rumors online had affected how people of overseas countries thought about Hong Kong and the Mainland, prompting some US congressional members to reintroduce the Hong Kong Act. Mr LAU urged the overseas ETOs to strengthen their connections with overseas governments, local groups and major stakeholders of overseas countries and proactively counter online misinformation. Mr YIU suggested that the Administration should cooperate with the Embassies of the People's Republic of China ("PRC") and the local Chinese communities in disseminating genuine information as they had strong networks in the respective countries and regions.

20. C, USA said that over the past six months, the controversies arising from the Bill in Hong Kong had aroused concerns among various sectors in the US. The three ETOs in the US had been updating local communities and various sectors through meetings and electronic means on the situation in Hong Kong, with a view to clarifying misunderstandings and mitigating the negative impacts of the social incidents on Hong Kong's international image and on Hong Kong-US bilateral relations. The Washington ETO had so far met with over 200 government officials, congressional members and staffers in the US this year, reiterating to them that HKSARG had spared no effort in implementing the "one country, two systems" principle and safeguarding the rule of law, the business environment and other core values of Hong Kong.

21. SCED reassured members that the overseas ETOs would continue to proactively meet with local government officials, legislators and their staff, business communities and organizations, media and think-tanks, and to maintain good relationships with Hong Kong communities in the countries under their purviews. The overseas ETOs also maintained liaison with the local Embassies of PRC under the "one country, two systems" principle. When organizing senior officials' outbound visits, it was usual for the concerned overseas ETOs to seek from the local Embassy of PRC information about the local economy so that the Administration could formulate appropriate strategies to encourage local enterprises to capitalize on Hong Kong's advantages to tap into the Mainland and other Asian markets under the Belt and Road Initiative and the Greater Bay Area development.

22. Dr CHIANG Lai-wan pointed out that recently, some foreigners had, on a media interview with the FOX News Channel, made incorrect and misleading remarks about Hong Kong's situation. To counteract the negative effects caused by the biased and inaccurate media reports, Dr CHIANG suggested that the Administration should consider publishing news articles and attending radio programs to update readers and audience on accurate and genuine information on

the latest situation of Hong Kong. Given the importance of taking a proactive approach to timely clarify misunderstandings, Dr CHIANG asked whether the relevant government departments and overseas ETOs had been allocated with sufficient resources to carry out relevant explanation work.

23. SCED replied that the Administration had been paying close attention to local media reports of overseas countries on different aspects of Hong Kong affairs, and would take the initiative to request the media to make clarification on reports which were issued based on misinformation. The same applied to the specific case mentioned by Dr CHIANG. In the event that the concerning media was unwilling to publish statements of clarification, the Administration would proactively make such clarifications and upload the statements on HKSARG's relevant webpages. SCED added that being HKSARG's official representatives in countries under their respective purviews, the overseas ETOs would, where appropriate, write to the media to counter misinformation in media reports.

24. In response to Dr CHIANG Lai-wan's enquiry as to whether the Administration had invited legislators of other jurisdictions to visit Hong Kong in the past few months, SCED said that the Administration would continue to make arrangements for visit of key interlocutors, including but not limited to government officials, legislators and members of business sector, to Hong Kong. The Administration would also arrange meetings for Members to meet with the visiting legislators where appropriate.

25. SCED added that the Administration had regularly met with the Consulates-General and foreign chambers of commerce in Hong Kong. The Administration had provided them with written information packs regarding the latest situation of Hong Kong so that they could share the information with their contacts. Besides, the Administration had established an International Business Committee which comprised representatives of all the major foreign chambers of commerce in Hong Kong as members. Under the chairmanship of the Chief Secretary for Administration, the Committee met regularly and provided a forum for discussion between the Administration and international business representatives on matters relating to the business environment and perceptions of Hong Kong.

Fostering relations and liaison between Hong Kong and the United States

26. Mr Dennis KWOK said that during his visit to Washington DC in March 2019, he had the opportunity to meet and exchange views on issues relating to the US-Hong Kong Policy Act and the Bill with the Vice President of the US, Senior Director for Asian Affairs, members of the National Security Council of the White House, and US Senators including Mr Rick SCOTT and Mr Ted CRUZ.

Mr KWOK was told by the relevant parties at the meetings that the Washington ETO had rarely, if not never, contacted them to explain the latest situation of Hong Kong's affairs. In this regard, he was keen to be briefed on the contact points of the Washington ETO with the White House, having regard to the importance of maintaining close communication with the top officials of the White House. Mr KWOK also suggested that the Washington ETO should consider arranging meetings directly with the relevant top officials of the White House to provide updated information on Hong Kong's situation, which he considered should be useful to help maintain the US' confidence in the implementation of the US-Hong Kong Policy Act. Mr KWOK was also disappointed by the CE's decision of not meeting Mr CRUZ during his visit to Hong Kong in October 2019 given the importance of the Hong Kong-US bilateral relations.

27. SCED said that in view of the current Hong Kong-US and China-US relations, it was not surprising to note that the US, at its sole discretion, chose to meet or not to meet a particular group of visitors as a declaration of political stance. Indeed, he was given to understand that some US congressional members had during their visits to Hong Kong selectively met with like-minded politicians to exchange similar political views and inclinations. He also pointed out that the Administration had long maintained liaison with the representatives of the US Government, in particular those responsible for Hong Kong affairs in the White House, Department of State, Department of Commerce and Office of the US Trade Representative, etc., members of the US Congress and their staffers, such as members and staffers of the Senate and House committees/sub-committees for foreign affairs, and CECC. Over the years, senior officials of HKSARG had, during the visits to Washington DC, met with members of the National Security Council and the Council of Economic Advisers of the White House and their staffers to exchange views on subjects of mutual interests. C, USA supplemented that both the Senior Director and Director for Asian Affairs of the National Security Council were the Washington ETO's contact points with the White House.

28. Mr WONG Ting-kwong asked whether the three ETOs in the US could assist in making arrangements for the representatives of different sectors in Hong Kong and Members of the pro-establishment camp to meet with the US Government officials and US congressional members and express views on Hong Kong's current affairs from their side of the political spectrum. Ms Elizabeth QUAT said that many Hong Kong residents had expressed objections to the Hong Kong Act and had reservation on the US' understandings of Hong Kong's actual situation. Noting that Hong Kong residents might not have access to expressing views and concerns to the US Congress, Ms QUAT suggested that the Administration should gauge public views on the related subjects and relay the opinions to the US Government accordingly.

29. On this, Mr Alvin YEUNG was also keen to be briefed on the Administration's assessment of the effectiveness of arranging Members of the pro-establishment camp to meet with the US Government and US congressional members in fostering Hong Kong-US relations.

30. SCED said that the US Government would normally pay less attention to Hong Kong affairs unless there was negative news about Hong Kong's situation. The work in explaining Hong Kong's situation in the US was not easy at all. It was important for ETOs in the US to establish networks and relationships during their daily work with a wide spectrum of local interlocutors who could exert influence on the US Government, US congressional members, think-tanks, businesses and other relevant sectors on matters of mutual interests. SCED added that the Administration had long encouraged exchanges of views at the governmental, legislative and business levels between Hong Kong and its major trading partners. Yet, it was beyond doubt that none of the governments and political parties in the world would unreservedly take the views of the legislature of another jurisdiction. It was also possible that some governments or political parties were more ready to receive parties sharing like-minded interests, political inclinations or views.

31. In response to Mr Alvin YEUNG's enquiry, SCED and C, USA said that to their best knowledge, in addition to Mr Holden CHOW's visit to the US last year to exchange views on Hong Kong's separate customs territory with the officials of the US Department of State, six Members belonging to different political parties attended the Hong Kong-US Legislative Exchange in Montana, the US in August 2019. SCED assured members that the overseas ETOs would as usual receive all the visiting Members and provide them with necessary assistance.

32. C, USA supplemented that apart from meeting with US Government officials, US congressional members and staffers, the Washington ETO assisted during the past year in arranging visits to Hong Kong by committees relating to US-China relations as well as congressional members and staffers. These included a delegation of the congressional US-China Working Group, a delegation of USCC and a congressional delegation organized by the US-Asia Institute in March, May and August 2019 respectively, as well as two delegations of US congressional staffers in March and October 2019 under the Sponsored Visitors Programme.

33. Noting that all previous CEs had visited Washington DC during their terms of office, Mr Alvin YEUNG asked whether CE had any plans to visit Washington DC given the importance of fostering Hong Kong-US relations at G2G level. SCED advised that CE and Principal Officials of HKSARG from time to time visited Hong Kong's major trading partners including the US. However, there

was no scheduled timetable for CE and any of the Principal Officials to visit any particular countries as it would very much depend on the actual situations of the countries concerned. SCED stressed that the Administration would not rule out the possibility of arranging visits by CE to the US within the current-term Government.

34. Mr CHUNG Kwok-pan said that although the Washington ETO had in the past year met with over 200 government officials and congressional members/staffers in the US to explain to them the latest situation of Hong Kong, the US Congress could still pass the Hong Kong Act within a short period of time without giving rise to much controversy among its members. Mr CHUNG asked whether the Administration would consider reviewing its strategy in the lobbying work with the US Congress, say by putting extra effort to lobby those congressional members who had a close relationship with the Mainland and/or Hong Kong. Mr Holden CHOW suggested that the Administration should strengthen its liaison with US congressional members having less interest in Hong Kong affairs as the passage of the Hong Kong Act would also have negative effects on the US' interests.

35. C, USA said that the Washington ETO had met with about 80 US government officials and 130 US congressional members/staffers in the year to explain to them that any unilateral change of the US economic and trade policy towards Hong Kong would have a negative impact on the relations between the two sides and the US' own interests. C, USA further advised that in addition to meeting with the chairmen, ranking members, members and staffers of the Senate and House committees/sub-committees for foreign affairs, and CECC, the Washington ETO had met with other congressional members and staffers, and explained to them the implications of the Hong Kong Act.

36. SCED added that it was not the first time that the US congressional members had introduced the Hong Kong Act. Yet, the situation this time was much more complicated owing to the recent China-US relations. Against such background, US congressional members might tend to support the Hong Kong Act because of their political inclinations and considerations, making it very difficult for the Washington ETO to persuade US congressional members to change their stance. The overseas ETOs would continue to foster relations and liaison with foreign politicians and explain to them Hong Kong's latest developments.

37. Noting that the Hong Kong Act might be passed by the US Senate on 20 November 2019 the earliest, Mr Holden CHOW asked whether the Hong Kong Act, if passed by the Senate, had to be signed by the US President before it took effect.

38. C, USA replied that the Hong Kong Act had been passed by the US House of Representatives on 15 October 2019. Several US Senators had recently initiated the hotline procedure and it was expected that the US Senate might pass the Hong Kong Act within a short period of time. However, as the respective versions of the Hong Kong Act which the two chambers of the Congress examined were not identical, the bill might need to be sent to a Conference Committee to be formed by the two chambers of the Congress for reconciliation unless the two chambers could resolve the differences. Only after the two chambers had passed the bill in an identical form, the Hong Kong Act could be presented to the US President for signature.

(*Post-meeting note:* The US President signed the Hong Kong Act into law on 27 November 2019.)

Prohibition on Face Covering Regulation

39. Mr CHAN Chi-chuen was disappointed that shortly after the Court of First Instance's delivery of a judgment holding that the Prohibition on Face Covering Regulation (Cap. 241K) made under the Emergency Regulations Ordinance (Cap. 241) were contrary to the Basic Law, the Legislative Affairs Commission of the Standing Committee of the National People's Congress ("NPCSC") and the Hong Kong and Macao Affairs Office of the State Council had openly criticized the Court's decision, giving an impression that NPCSC might invoke its power to interpret the Basic Law. Holding that such comments would prompt the international community to question the implementation of "one country, two systems" and the independence of the judicial system in Hong Kong, Mr CHAN asked how the overseas ETOs would persuade foreign investors and the international community that Hong Kong's core values had remained unchanged. Mr CHAN also queried whether the overseas ETOs had reflected to the relevant bureaux in a timely manner the criticisms of the US congressional members on HKSARG's introduction of Cap. 241K as stated in paragraph 13 of the Administration's paper regarding the work of the overseas ETOs tabled at the meeting.

40. SCED responded that the Administration noted the views and concerns of the foreign politicians and businessmen on the Bill. The overseas ETOs had been actively disseminating messages including Hong Kong's latest situation in a bid to clarify any misunderstandings. Following CE's announcement of the withdrawal of the Bill, foreign politicians and the business communities generally welcomed the Government's decision.

41. SCED added that as the legal proceedings in relation to the judicial review of Cap. 241K were in progress, it was inappropriate for him to make any comments on the issue. Generally speaking, the Mainland authorities could

always express their views on Hong Kong affairs under the "one country, two systems" principle. It was indeed unnecessary for other countries to further comment on the Mainland authorities' views and the other countries' impressions had no implications on the implementation of "one country, two systems" in Hong Kong.

Work of the Offices of the Government of the Hong Kong Special Administrative Region in the Mainland

42. Mr LAU Kwok-fan noted that the Central Government had promulgated a total of 24 policy measures for the development of the Greater Bay Area in March and November 2019. He asked whether HKSARG's Offices in the Mainland would set up hotlines for Hong Kong people and enterprises in the Mainland to make enquiries on the latest policy measures so that they could fully enjoy the facilitation measures when residing, studying and working there.

43. Director, Hong Kong Economic and Trade Affairs, Guangdong ("D(GD)") replied that the Guangdong ETO endeavoured to provide support to Hong Kong enterprises in developing business in the five provinces/regions under its purview. The Guangdong ETO disseminated information on the Mainland's business environment, development opportunities and policies to the Hong Kong enterprises through e-mails, Guangdong ETO newsletters and website, official WeChat platform, seminars and a new media platform on the "Nanfang Hao".

44. Mr LAU Kwok-fan also expressed concern about the possibility of Hong Kong's leading positions in various aspects being replaced by other cities in the Greater Bay Area due to the recent social unrest in Hong Kong. He urged the Administration to strengthen liaison with the Mainland authorities in taking forward the development of the Greater Bay Area and to roll out promotional work and other effective measures to restore confidence in Hong Kong as soon as possible.

45. Mr Christopher CHEUNG supported the Guangdong ETO's continued promotion of Hong Kong's financial services, innovation and technology ("I&T") and professional services in the Mainland under the development of the Greater Bay Area and the Belt and Road Initiative. He sought details of two new initiatives, namely (a) the establishment of a cross-boundary wealth management scheme (as one of the 16 measures promulgated by the Central Government for the development of the Greater Bay Area on 6 November 2019); and (b) the mutual access of financial services in the Greater Bay Area (as announced in the 2019 Policy Address), and called on the Administration to follow up with the Mainland authorities proactively to strive for early implementation of concrete policies. Mr CHEUNG also asked whether the Administration had any specific measures to secure confidence of Mainland enterprises and investors in choosing

Hong Kong for fund raising despite the recent social unrest in Hong Kong.

46. D(GD) replied that following the promulgation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in February 2019 and 24 policy measures by the Central Government for the development of the Greater Bay Area in March and November 2019, the relevant policy bureaux and departments of HKSARG had closely liaised and followed up with the relevant central ministries and the Guangdong Provincial Government to formulate concrete measures and details of implementation. The Guangdong ETO would continue to reflect views of the business sector and stakeholders on a timely basis, with a view to enhancing HKSARG's efforts to take forward the development of the Greater Bay Area.

47. SCED added that Hong Kong and the Mainland had close trade and economic ties. The Administration would endeavour to discuss with the Mainland authorities to help industries with the required policy innovation and breakthrough in the process of expanding opportunities. The Administration would make good use of CE's membership of the Leading Group for the Development of the Guangdong-Hong Kong Macao Greater Bay Area, capitalize on Hong Kong's strengths to serve the country's needs, and explore and identify the economic, social and livelihood opportunities.

Development of financial technology

48. Mr CHAN Chun-ying welcomed the promotion in London and Frankfurt of Hong Kong's advantages in financial technology ("fintech") during the past year. Given that the recent social incidents in Hong Kong had brought relatively less impact on Hong Kong's financial services industry, Mr CHAN expressed support for the London ETO to continue to focus on promoting Hong Kong's fintech and asked whether the other overseas ETOs would also promote the same in countries under their respective purviews in the coming year.

49. SCED advised members that depending on the economic developments of the countries under their respective purviews, different overseas ETOs might have different target industries in its investment promotion work. The overseas ETOs in Europe would continue to actively liaise with major research and development ("R&D") institutions, financial institutions, talents and relevant stakeholders to promote Hong Kong's latest measures in promoting the development of fintech.

IV. Progress report on Research and Development Centres and extension of operation of the Centres beyond 2020-2021

(LC Paper No. CB(1)135/19-20(06) -- Administration's paper on "Four-Year Progress Report on Research & Development ("R&D") Centres and Funding Proposal to Extend the Operation of the R&D Centres"

LC Paper No. CB(1)135/19-20(07) -- Paper on the R&D Centres prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

50. At the invitation of the Chairman, Under Secretary for Innovation and Technology ("US for IT") introduced the operation of the five R&D Centres (i.e. Automotive Platforms and Application Systems R&D Centre, Hong Kong Applied Science and Technology Research Institute ("ASTRI"), Hong Kong Research Institute of Textiles and Apparel, Logistics and Supply Chain MultiTech R&D Centre, and Nano and Advanced Materials Institute) under the purview of the Innovation and Technology Commission ("ITC") between 2015-2016 and 2018-2019, and sought the Panel's support for the funding proposal of HK\$1,015.1 million to extend the operation of four of the R&D Centres (except ASTRI as its operating expenditure was funded separately by the Government). The Panel also received a video presentation on the subject at the meeting. Details were set out in the Administration's paper (LC Paper No. CB(1)135/19-20(06)).

51. The Chairman drew members' attention to Rule 83A of the Rules of Procedure which provided that members should not speak on a matter in which they had a direct or indirect pecuniary interest, except where they disclosed the nature of that interest. He then declared that he was a member of the Board of Directors of the Hong Kong Science and Technology Parks Corporation.

Discussion

Direction of future development

52. Dr CHIANG Lai-wan expressed support for the funding proposal. Noting the direction of future development of the R&D Centres remained largely unchanged since their establishment in 2006, Dr CHIANG opined that it was a high time for the Administration to review and consolidate their development plans, with

a view to (a) expanding the scope of R&D development and undertaking more innovation-oriented and value-added projects; (b) opening up a career path in R&D for Hong Kong's youth; (c) exploring further scope of cooperation with I&T professionals from the Mainland on R&D projects in order to develop the vast Mainland market; and (d) enhancing the performance of the R&D Centres by raising the level of commercialization income against the amount of R&D investment. Dr CHIANG also suggested that major stakeholders of relevant industries and representatives from relevant groups/organizations be invited to attend a future Panel meeting and give views on the related issues, including the I&T development and the re-industrialization policy in Hong Kong. The Chairman had directed the Clerk to follow up on Dr CHIANG's suggestion with the Administration.

(Post-meeting note: Members noted in the meeting on 17 December 2019 that item no. 10 "Innovation and technology development and the re-industrialization policy in Hong Kong" had been added to the List (LC Paper No. CB(1)245/19-20(01)) for further arrangement with the Administration.)

53. Commissioner for Innovation and Technology ("CIT") said that the Administration attached great importance to R&D development which would provide training and employment opportunities for young people in Hong Kong and bring tremendous benefits to Hong Kong's economy. As such, the Administration had been encouraging the R&D Centres to conduct R&D in collaboration with the various industries of Hong Kong, and had seen an increasing number of such projects. Regarding the expansion of the scope of R&D projects, the R&D Centres had been maintaining close liaison with the industries to update themselves with the latest trends in R&D development (such as disruptive technologies). CIT added that the Administration set no limits on the scope of R&D undertaken by the R&D Centres, and the R&D outcomes developed could be applied across different industries. Meanwhile, the Administration would encourage the R&D Centres to continue their efforts to disseminate R&D outcomes to the industries, and promote trials of R&D outcomes in the public sector to facilitate commercialization of R&D deliverables.

54. Mr WONG Ting-kwong expressed support for the funding proposal to further the contributions of the R&D Centres to Hong Kong's economy. He was of the view that the R&D Centres should foster greater cooperation with Mainland R&D partners, particularly with partners in Shenzhen.

55. CIT said that there were no geographical boundaries in the realm of R&D. The R&D Centres had been actively engaging in R&D cooperation with various Mainland and overseas institutions and industries.

Performance of the Research and Development Centres

56. Mr YIU Si-wing enquired about the number of R&D projects undertaken by the four Innovation and Technology Fund ("ITF")-funded R&D Centres since their inception which were successful in achieving commercialization of the relevant R&D deliverables, and whether such R&D deliverables were recognized, awarded or adopted by international institutions. He also enquired about the reasons for the significant increase in the proposed additional funding commitment of HK\$1,015.1 million for four years of operation from 2021 to 2025, as compared with the approved funding commitment of HK\$1,696.6 million for 15 years of operation from 2006 to 2021, and the expected performance of the four R&D Centres for the four years from 2021 to 2025.

57. CIT said that the R&D Centres had achieved significant improvement in terms of commercialization of R&D results in recent years, as reflected by 72 licensing agreements signed by the five R&D Centres in 2018-2019 and a total of 259 from 2015-2016 to 2018-2019. From 2015-2016 to 2018-2019, the total commercialization income (including contract service income, licensing fees and royalties) received by the R&D Centres was HK\$186.89 million, averaging HK\$46.7 million per year, representing a 57% increase as compared to the average annual commercialization income of HK\$29.7 million from 2011-2012 to 2014-2015. The R&D Centres had also received many local and international awards for their R&D achievements. As the R&D Centres were anticipated to undertake more R&D projects in the coming years, their R&D expenditure was expected to rise further. The Administration would continue to monitor closely the operation and performance of the R&D Centres.

58. In response to Mr YIU Si-wing's further enquiry, CIT said that between 2015-2016 and 2018-2019, the total operating expenditure of the five R&D Centres was HK\$1,152.8 million, averaging HK\$288.2 million per year. This represented an increase of 26% as compared to the average annual operating expenditure of HK\$228.6 million from 2011-2012 to 2014-2015. During the said period, the performance of the R&D Centres was satisfactory with remarkable increase in the number of new projects undertaken, level of industry participation and commercialization income. US for IT added that with the kicking in of the boosting effect of the enhanced tax deduction for qualifying R&D expenditures, it was anticipated that the number of collaborative projects between the R&D Centres and private companies would increase further.

59. At the request of Mr YIU Si-wing, the Administration undertook to provide the following information in respect of the proposed funding commitment of HK\$1,015.1 million to extend the operation of four R&D Centres for four years up to 31 March 2025:

- (a) the operating expenditure of each of the four R&D Centres between 2015-2016 and 2018-2019 as compared to their estimated operating expenditure from 2021-2022 to 2024-2025;
- (b) the level of industry income of each of the four R&D Centres between 2015-2016 and 2018-2019 as compared to their estimated level of industry income from 2021-2022 to 2024-2025;
- (c) the number of new and on-going R&D projects and the relevant project cost as well as the R&D expenditure of each of the four R&D Centres between 2015-2016 and 2018-2019 as compared to their estimated number of new and on-going R&D projects and the relevant project cost as well as the R&D expenditure from 2021-2022 to 2024-2025; and
- (d) the commercialization income of each of the four R&D Centres between 2015-2016 and 2018-2019 as compared to their estimated commercialization income from 2021-2022 to 2024-2025.

(Post-meeting note: The information provided by the Administration was circulated to members on 10 January 2020 (LC Paper No. CB(1)327/19-20(01)).)

Other issues

60. Noting the waves of vandalism amidst the recent protests arising from the Bill, Mr WONG Ting-kwong enquired whether the R&D Centres had suffered any damages due to the vandalistic activities. CIT said that among the five R&D Centres, only ASTRI which was located in the Hong Kong Science Park had suffered a certain level of damages. Chief Executive Officer, ASTRI reported that the main entrance of the building where ASTRI was located was damaged by some vandals in the midnight of 13 November 2019. No R&D facility was damaged in the incident and the damage to the main entrance did not cause serious hindrance to ASTRI's operation.

61. The Chairman relayed a case involving a local private company looking to apply for R&D funding through a partnership research programme under ITF, but was deterred from submitting the application by certain unequal agreement terms in respect of the use of intellectual property ("IP") right and benefits sharing imposed by the collaborating university concerned. He suggested that the Administration might consider imposing certain conditions on the benefits sharing entitlement of the R&D institutions concerned, such as setting a ceiling of 2% of the collaborating

company's annual turnover or some profit-linked benefits sharing arrangements.

62. CIT noted the Chairman's suggestion and said that ITC administered a number of R&D funding schemes under ITF. For projects which involved industry participation, the research institutions concerned were free to discuss the IP and benefits sharing arrangements with the industry sponsors/partners. She invited the Chairman to provide more information on the said case to ITC for follow-up. CIT added that ITC also administered the Research and Development Cash Rebate Scheme aiming to encourage more R&D investment in the private sector and facilitate stronger collaboration between private companies and local public research institutions. Under the Scheme, a company could receive a cash rebate equivalent to 40% of its expenditure on the R&D project.

Summing up

63. The Chairman concluded that the Panel supported in principle the Administration's funding proposal to extend the operation of the four R&D Centres beyond 31 March 2021 for four years up to 31 March 2025.

V. Any other business

64. There being no other business, the meeting ended at 4:53 pm.