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Panel on Commerce and Industry

**Report of the Subcommittee on Issues Relating to the Stimulation of
Hong Kong's Economy**

Purpose

This paper reports on the deliberations of the Subcommittee on Issues Relating to the Stimulation of Hong Kong's Economy ("the Subcommittee") formed under the Panel on Commerce and Industry ("the Panel").

Background

2. As Hong Kong has been hard-hit by the prolonged Coronavirus Disease 2019 ("COVID-19") pandemic, the overall economy has contracted substantially and the labour market deteriorated sharply. To ride out the economic difficulties, the Chief Executive emphasized in the 2020 Policy Address that the inevitable strategy is to leverage Hong Kong's unique advantages under "One Country, Two Systems" to integrate with the overall national development and to enhance Hong Kong's connections with the world to explore business opportunities. The Hong Kong Special Administrative Region ("HKSAR") Government should plan proactively for the economic revival in the post-pandemic era and give full play of the special role of Hong Kong in stimulating the local economy by complementing the initiatives of the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 to capitalize on the strategy of "domestic and international dual circulation" and tapping into the collaboration opportunities of the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") and the Belt and Road ("B&R") Initiative.

The Subcommittee

3. The Subcommittee was appointed by the Panel on 17 November 2020 to study issues relating to the stimulation of Hong Kong's economy. Hon Jimmy NG Wing-ka and Hon YIU Si-wing were respectively elected as Chairman and Deputy Chairman of the Subcommittee. The terms of reference and membership of the Subcommittee are set out in **Appendices I** and **II** respectively.

4. The Subcommittee held a total of five meetings with the Administration since the commencement of its work on 22 December 2020.

Deliberations of the Subcommittee

5. The Subcommittee has focused its deliberations on the following areas:

- (a) anti-epidemic measures;
- (b) development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area;
- (c) Hong Kong's professional services participation in "domestic circulation";
- (d) Hong Kong's participation in "international circulation";
- (e) development of innovation and technology; and
- (f) policies initiatives in the 2021-2022 Budget to stimulate local economy.

Anti-epidemic measures

6. Noting that the revival of the local economy will premise on the successful containment of the COVID-19 pandemic, members are concerned about the effectiveness of the anti-epidemic measures implemented by the Administration including application of technologies.

"LeaveHomeSafe"

7. As regards members' concerns on whether the "LeaveHomeSafe" mobile app can achieve its intended effectiveness in contact tracing, the

Administration has advised that the "LeaveHomeSafe" mobile app launched in November 2020 provides members of the public with a convenient digital tool for recording the time of visits to different venues and taxi rides during the epidemic. The mobile app will notify a user if he/she is later identified to have visited the same venue that a confirmed patient has visited at about the same time or hired the same taxi that a confirmed patient has taken on the same day. In the unfortunate event of infection, the user's visit records can assist the Centre for Health Protection in epidemiological investigations. With continued efforts to encourage the public to download the mobile app and promote the display of the venue QR code, the Administration considers the "LeaveHomeSafe" an effective tool to facilitate the public to record their visit history to help combat the epidemic.

Electronic COVID-19 vaccination and testing record system

8. To pave way for the re-launch of the economy, members are of the view that the Administration should develop an electronic COVID-19 record system to help venue operators verify vaccination and testing records when a person enters their venues.

9. The Administration has pointed out that it is collaborating with the Hospital Authority to set up a central vaccination and testing record database, through which the public can download their COVID-19 electronic vaccination and testing records in the form of a QR code upon verifying their identity through the "iAM Smart" mobile app. A mobile app is also being developed for free download by users to help verify the authenticity of the QR code on the COVID-19 testing and vaccination records presented by another user on a consent basis, and its application is under Government's consideration.

Vaccination programme

10. On members' concerns about the implementation time frame of the COVID-19 vaccination programme and the priority groups to receive vaccinations, the Administration has advised that the first one million doses of COVID-19 vaccine (Comirnaty) by Fosun Pharma/BioNTech has been scheduled for delivery in end of February 2021. The priority groups to receive vaccination include (i) groups with higher risks of coming into contact with the COVID-19 virus (e.g. healthcare workers); (ii) groups having greater mortality rates upon contracting the disease (e.g. the elderly, chronic patients); and (iii) groups which may easily transmit the virus to the vulnerable or weak if infected (e.g. staff of residential care homes). The Administration will review other target groups which may need to receive vaccination early due to their work nature or other needs.

11. Being aware of the concerns of the public on the safety and efficacy of vaccines, the Administration has advised that it will provide first-hand and accurate information about the vaccines through various public channels to facilitate members of the public to make informed choices.

Relaxing anti-epidemic restrictions

12. Given the availability of vaccines, members have urged the Administration to consider relaxing certain anti-epidemic restrictions based on prescribed conditions to help different industries resume businesses to stimulate local economic activities.

13. The Administration has advised that whether to lift restrictions requires consideration of a basket of factors in a holistic manner, and vaccination is only among one of them. The Administration has explained that the efficacy of vaccine is not 100% and its protection for the community will be affected by the inoculation rate. Nevertheless, the Administration will study the conditions for relaxing the restrictions imposed under various social distancing measures for different trades, having regard to the additional anti-epidemic measures that can be implemented by individual trades, and encourage operators to put in place more stringent health precautionary measures to prepare for the re-opening of businesses.

Resuming cross-border/boundary people flow

14. Members have called on the Administration to liaise with the Mainland and overseas countries/places on the possibility of mutually waiving the compulsory quarantine arrangements for cross-border/boundary travelers who have received vaccination.

15. The Administration has advised that it has been liaising closely with the Guangdong Provincial and Macao Special Administrative Region Governments under the framework of joint prevention and control to discuss the implementation proposal for early resumption of the cross-boundary people flow between Guangdong and Hong Kong and between Hong Kong and Macao, which seeks to allow mutual exemption of compulsory quarantine requirement upon entry to the other side on the basis of the mutual conversion of health codes. The arrangements and implementation timeline would be subject to the development of the epidemic and further deliberations among the three places.

16. The Administration has also advised that it has established an inter-departmental task force led by the Secretary for Commerce and

Economic Development to actively explore with countries that have a relatively stable epidemic situation and close economic and trade relations with Hong Kong on the gradual resumption of cross-border travel. The Administration has approached 11 countries since mid-June 2020 to explore the initiative. Among these countries, Hong Kong and Singapore have reached an in-principle agreement to establish a bilateral Air Travel Bubble. Apart from Singapore, the Governments of Thailand and Japan have also announced the commencement of discussion with Hong Kong on relaxing travel restrictions.

Development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area

17. As GBA development is a key national development strategy, members consider that Hong Kong should take it as an entry point to proactively become a "participant" in "domestic circulation" and a "facilitator" in "international circulation", which will not just provide new impetus for Hong Kong's economic development, but also serve as an important support for economic recovery for Hong Kong after the COVID-19 pandemic.

Domestic sales

18. Members opine that the Administration should support Hong Kong enterprises in promoting domestic sales in GBA, in particular in providing the necessary credit insurance facilities.

19. Understanding the need of Hong Kong enterprises for credit insurance for domestic sales in GBA, the Administration has advised that Hong Kong Trade Development Council ("HKTDC") has engaged the China Export & Credit Insurance Corporation in the B&R Summit to provide information to Hong Kong enterprises on the credit insurance facilities available in the Mainland. Besides, HKTDC has launched a one-stop support platform called "GoGBA" to provide information and useful tools to assist Hong Kong companies to expand into the GBA market, as well as a one-stop "ConsignEasy" service to help Hong Kong companies tackle logistics, warehousing, taxation and other matters related to domestic sales.

Innovation and technology ("I&T")

20. Given the research and development ("R&D") strengths of Hong Kong and the advanced manufacturing capability of Shenzhen, members have urged the Administration to expedite the development of the Hong Kong-Shenzhen I&T Park ("HSITP") in the Lok Ma Chau Loop ("Loop"),

and sought details on the proposed arrangements to lease certain areas in Shenzhen for Hong Kong's institutes and enterprises to establish an early presence in Shenzhen before completion of HSITP.

21. The Administration has advised that it has obtained funding from the Finance Committee of the Legislative Council for site formation and infrastructural facilities for the development of the Loop, as well as the Batch 1 development of HSITP. The HKSAR and Shenzhen Governments have agreed that before the completion of the first batch of buildings in HSITP, the Hong Kong Science and Technology Parks Corporation ("HKSTPC") will lease and manage certain areas of the Shenzhen I&T Zone, so that the institutes and enterprises that are interested in starting their businesses in GBA can first establish a presence there. The HKSAR and Shenzhen Governments will also study the formulation of joint policy for HSITP and the Shenzhen I&T Zone, and explore facilitation and supportive measures in the aspects of R&D resources, capital and people flow, with a view to attracting talent and enterprises from the Mainland and overseas to develop in GBA.

Tourism

22. Members are of the view that the Administration should actively promote the development of tourism in GBA and develop the region into a world-class tourism destination. In this connection, they have called on the Administration to plan ahead for the promotion of tourism and revival of the tourism industry upon resumption of cross-boundary travel. They have suggested that the HKSAR Government should work with other GBA tourism authorities to implement the Culture and Tourism Development Plan for GBA promulgated in December 2020 to develop GBA into an exchange hub for culture of the East and the West and a world-class tourism destination. The HKSAR Government should also make good use of the East Artificial Island of the Hong Kong-Zhuhai-Macao Bridge ("HZMB") located in Zhuhai, and consider simplifying the customs and immigration clearance procedures and implementing specific transport arrangements to facilitate tourists' visit to the Island.

23. The Administration has advised that the HKSAR Government has been collaborating with other GBA tourism authorities through established mechanisms, such as the Tourism Federation of Cities in GBA, for enhancing cooperation in areas such as pursuing more policy support, publicity and promotion, and market regulation. On multi-destination tourism development in GBA, the Hong Kong Tourism Board ("HKTB") will in due course provide marketing and promotion subsidies for Hong Kong travel agents' GBA multi-destination products, produce GBA television

programmes to showcase the tourism resources in the area, arrange overseas tourism trade to visit GBA, and organize promotional activities and setting up booths in various international tourism exhibitions for promoting GBA tourism brand. The HKSAR Government has also provided funding to the Travel Industry Council of Hong Kong for organizing the Hong Kong tourism trade to visit other GBA cities. Moreover, the Governments of HKSAR, Guangdong and Macao have been liaising closely through the Joint Works Committee of the Three Governments of the HZMB to facilitate coordination and cooperation on issues related to HZMB, including the development of the East Artificial Island.

Greater Bay Area Youth Employment Scheme

24. Whilst supporting the launching of the GBA Youth Employment Scheme which aims to encourage Hong Kong young people to seize the opportunities for career development in GBA, members are concerned on how the Administration can ensure that the university graduates employed under the Scheme station in the Mainland cities of GBA for work, and those filling vacancies designated for I&T posts work in the I&T field. They suggest that the Administration should consider designating a minimum number of days of stay in the Mainland for graduates employed under the Scheme.

25. The Administration has advised that before opening the vacancies for eligible young people to apply, it will vet all the vacancies submitted by participating enterprises to ensure compliance of all the requirements of the Scheme. While the Scheme did not specify a minimum number of days of stay in the Mainland for graduates employed under the Scheme, participating enterprises should station the graduates to work in the Mainland cities of GBA for majority of the time during employment. The Administration will require participating enterprises to submit relevant documents for inspection and conduct random checks to ensure compliance with the requirements.

26. Members have called on the Administration to provide more support for the university graduates employed under the Scheme to adapt to the living and working environments in the Mainland. The Administration has advised that as all enterprises participating in the Scheme have businesses in both Hong Kong and Mainland cities of GBA, they have rich experience in helping Hong Kong staff adapt to the living and working environment in the Mainland. Enterprises are also advised to assign experienced staff as mentors to provide graduates with guidance and assist them in adapting to the working environment in GBA and acquiring related knowledge and skills. The HKSAR Government will continue to liaise and follow up with

the Guangdong Provincial Government on the implementation of various facilitation measures for the graduates working in the Mainland.

27. Noting that the Scheme is well received by the commercial sector, members request the Administration to consider increasing the quota of the Scheme. The Administration should also consider setting up a professional development fund for the youth to facilitate them to pursue further studies to attain professional qualifications and promote mutual recognition of professional qualifications between Hong Kong and the Mainland.

Hong Kong's professional services participation in "domestic circulation"

28. Members are briefed on the new liberalization measures implemented through the amended Agreement on Trade in Service under the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") since 1 June 2020 which give Hong Kong's professional services preferential treatment to tap into business opportunities in the Mainland market under the country's "domestic circulation" development pattern.

Guangdong-Hong Kong-Macao Greater Bay Area Legal Professional Examination

29. Members are pleased to note that the GBA Legal Professional Examination would be held on 31 July 2021 with a new examination venue set up in Hong Kong in addition to Shenzhen and Zhuhai; and that Hong Kong legal practitioners responded enthusiastically towards the examination. In this connection, members have enquired about the arrangements for Hong Kong legal practitioners who have passed the GBA Legal Professional Examination to practise in the Mainland.

30. The Administration has advised that Hong Kong legal practitioners who have passed the GBA Legal Professional Examination would be required to complete the intensive training organized by the Guangdong Lawyers' Association and pass the relevant assessment before they would be issued with a lawyer's practice certificate (GBA) by the Mainland authority to practise as lawyers in GBA. To better prepare Hong Kong legal practitioners to practise in the nine Mainland municipalities in GBA, the Administration plans to cooperate with Mainland authorities to provide practical training courses on Mainland laws for those who have passed the GBA Legal Professional Examination.

31. With the application of Hong Kong laws in Qianhai, members have called on the Administration to step up promotion in the member states of the Association of Southeast Asian Nations ("ASEAN") to encourage their

enterprises to partner with Hong Kong enterprises to tap into the Mainland market and adopt Hong Kong laws in Qianhai, which will bring more opportunities for the Hong Kong legal services sector to participate in the development of GBA.

Wealth Management Connect

32. Regarding the implementation of the two-way cross-boundary wealth management connect pilot scheme ("Wealth Management Connect"), members have called on the Administration to (i) allow Hong Kong residents to complete the Mainland investment account opening procedures in Hong Kong without having to go to the Mainland in person; (ii) liaise with the Mainland authorities to establish mechanisms for mutual recognition of professional qualifications between the Mainland and Hong Kong relating to the sales of wealth management products in the banking and securities sectors; and (iii) liaise with the Mainland authorities for an extension of the period of stay (currently for seven days) of Mainland residents in Hong Kong for business exchange in the banking sector.

33. The Administration has advised that Wealth Management Connect allows residents in Hong Kong, Macao and nine Mainland cities of GBA to carry out cross-boundary investment in wealth management products distributed by banks in the area to address the wealth management needs of the residents. At the initial stage of implementation of the scheme, the account opening process should be conducted in person to enable investors to have a better understanding of the operation of the scheme and cross-boundary investment. Subsequent account operation and investment activities can be conducted by remote means. The Hong Kong Monetary Authority is working with the relevant authorities in the Mainland and Macao to step up the preparation for Wealth Management Connect. The HKSAR Government would continue to discuss with the Mainland authorities establishing mechanisms for the expansion of mutual recognition of professional qualifications between the Mainland and Hong Kong. Members' views on extending the period of stay of Mainland residents in Hong Kong for business exchange will also be reflected to the relevant Bureau for consideration.

34. Members have also urged the Administration to liaise with the Mainland authorities to allow Hong Kong banks to make enquiries, through the credit information system of the People's Bank of China, about the credit status of Mainland investors in order to tie in with the implementation of the Southbound Wealth Management Connect which allow Mainland investors

to carry out cross-boundary investment in wealth management products distributed by Hong Kong banks.

Securities sector

35. As regards members' call for the introduction of further liberalization measures under the CEPA framework to facilitate Hong Kong securities brokers to enter the Mainland market, the Administration has advised that according to CEPA, Hong Kong-funded financial institutions (including securities brokers) are allowed to invest in Mainland-Hong Kong joint venture securities companies in the Mainland. From 1 April 2020, the Mainland has removed the restriction on the percentage of foreign investment for securities companies, which should not exceed 51%. Since 18 April 2021, the China Securities Regulatory Commission has also relaxed the shareholding restrictions on securities firms. The definition of principal shareholders has been revised from over 25% to over 5% in shareholding, with net asset requirement revised from over RMB200 million to RMB50 million. The above measures are expected to facilitate Hong Kong's securities sector in setting up securities company in the Mainland. The HKSAR Government would continue to liaise with the Mainland authorities for more liberalization measures under the CEPA framework to facilitate Hong Kong's securities sector to enter the Mainland market.

Hong Kong's participation in "international circulation"

Trade relations

36. Given the negative impact of the trade conflict between China and the United States ("US") on Hong Kong's economy, members have called on the Administration to foster closer economic and trade relations between Hong Kong and overseas countries and urged the overseas Hong Kong Economic and Trade Offices ("ETOs") to step up the liaison with overseas governments and business sectors at the government level, keeping them abreast of Hong Kong's unique advantages under the "One Country, Two Systems" principle, and promoting Hong Kong's status as an international financial and trading hub.

37. The Administration has advised that the HKSAR Government is committed to establishing close economic and trade relations with other economies and forging Free Trade Agreements and Investment Agreements with trading partners. The Free Trade Agreement and the Investment Agreement signed between Hong Kong and the 10 member states of ASEAN came into full effect in February 2021. Hong Kong is also actively seeking accession to the Regional Comprehensive Economic Partnership Agreement

to further promote economic integration in the region. To forge closer economic and trade ties with ASEAN, the Bangkok ETO in Thailand was set up in February 2019. The Dubai ETO in the United Arab Emirates, which will commence operation in 2021, is the first ETO in the Middle East region aiming to further the trade and economic ties and develop business opportunities with Hong Kong's trading partners in the region. Through the ETO network, the HKSAR Government will encourage foreign investors and enterprises to conduct business and invest in Hong Kong. The Administration has added that the Trade and Industry Department ("TID") also maintains regular liaison with the trade through dissemination of useful business information, and visits to different chambers of commerce and trade associations.

Belt & Road

38. Members have enquired about the outcome of the work of the B&R Office under the Commerce and Economic Development Bureau ("CEDB") in supporting Hong Kong's businesses and the professional services sectors in exploring the B&R markets and seizing business opportunities. They are also concerned about the assistance provided by the Administration to Hong Kong enterprises investing in the B&R countries if they encounter difficulties in relation to legal and tax issues. Members have called on the Administration to step up the publicity of the work of the B&R Office to the business sector.

39. As advised by the Administration, the B&R Office is responsible for enhancing policy coordination and stepping up cooperation at government level in respect of the B&R Initiative. CEDB and the Ministry of Commerce ("MoC") have established the Mainland and Hong Kong B&R Task Group under the Mainland and Hong Kong Economic and Trade Cooperation Committee to coordinate B&R related trade and economic cooperation between the Mainland and Hong Kong. Various initiatives on promoting trade and economic cooperation between enterprises of both places under the B&R Initiative are formulated, including co-organizing missions comprising Mainland and Hong Kong enterprises and professionals to "Go Global" en bloc, holding exchange and business matching activities, promoting information sharing and project collaboration, etc.

40. Besides, the HKSAR Government will continue to support Hong Kong enterprises in setting up businesses in the Mainland's overseas Economic and Trade Cooperation Zones ("ETCZs"). Five ETCZs have been preliminarily identified in ASEAN countries which Hong Kong enterprises are familiar with, including those in Thailand, Malaysia, Cambodia and Indonesia (two ETCZs). The HKSAR Government is

exploring with MoC incentives and facilitation measures to encourage Hong Kong enterprises to establish a presence there.

41. The Administration has further advised that CEDB and HKTDC have from time to time organized missions comprising Hong Kong industrial, business and professional services sectors to B&R related countries and regions, with a view to enhancing economic and trade exchanges with local governments and identifying business opportunities therein. The Administration jointly organized the annual B&R Summit with HKTDC last year, attracting over 6 000 government officials, entrepreneurs and professionals from about 80 countries and regions to participate in the event on-line. Over 700 one-on-one business matching sessions were arranged during the Summit to facilitate participants to explore business opportunities. The Administration will continue to enhance the publicity of its work in promoting Hong Kong's participation in the B&R Initiative.

Inward investment

42. On promotion of inward investment, members have enquired about the reasons for the decrease in the number of regional headquarters and regional offices of overseas and Mainland companies in Hong Kong in 2020, as well as the work of Invest Hong Kong ("InvestHK") in promoting inward investment, in particular, how InvestHK will explain to potential and existing investors about the latest social and economic situation of Hong Kong.

43. The Administration has pointed out that COVID-19 has a negative impact on the global economy and international investment sentiment. InvestHK has been dynamically adjusting its investment promotion strategies in response to the latest development. It has enhanced aftercare services for existing investors on the one hand, and leveraged digital platform to reach out to potential investors on the other. In 2020, InvestHK organized over 160 investment promotion events, mainly conducted online. Video conferences and seminars were held to connect with overseas potential investors and explain to them the latest economic situation and business opportunities in Hong Kong. On aftercare services, InvestHK visited over 640 companies set up between 2017 and 2019 under its investment projects to follow up on their operation in Hong Kong. The overseas ETOs have continued to proactively update the political sector and business communities in the host cities/countries on Hong Kong's latest developments and competitive edges, encouraging them to conduct business and invest in Hong Kong.

"Made in Hong Kong"

44. Members are eager to learn about the progress of the Administration's responses to US' new requirement which disallows products made in Hong Kong to use the "Made in Hong Kong" marking when exporting to US.

45. The Administration has advised that the Basic Law confers on Hong Kong the status as a separate customs territory. Using the name "Hong Kong, China", HKSAR participates in the World Trade Organization ("WTO") as a separate member. The "Made in Hong Kong" marking of products made in Hong Kong has been accepted internationally for many years. The marking not only conforms to Hong Kong's status as a separate customs territory and complies with WTO rules, but also provides consumers with clear and accurate information on product origin. The US' unilateral imposition of the new requirement on Hong Kong products is unjustifiable and inconsistent with WTO rules. The HKSAR Government strongly objects to the new requirement, and has officially launched procedures under the WTO Dispute Settlement Mechanism in respect of the US' requirement. The WTO Dispute Settlement Body agreed in February 2021 to Hong Kong's request to establish a panel to consider the dispute.

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

46. Members welcome the Administration's proposal announced in the 2021-2022 Budget to further inject \$1.5 billion into the BUD Fund which assists enterprises in developing brands and conducting export promotion activities. Noting that as at end February of 2021, the BUD Fund received 9 535 applications but only 3 358 applications (i.e. around 35%) were approved, members have questioned about the reasons for the low approval rate.

47. The Administration has advised that among the 9 535 applications received, many applications are subsequently withdrawn by the applicant enterprises. Excluding those withdrawn applications, the approval rate of the BUD Fund is 73%. The BUD Fund aims to support non-listed Hong Kong enterprises to enhance their competitiveness and further business development in markets outside Hong Kong through developing brands, upgrading and restructuring operations and promoting sales. The applicant enterprises are required to draw up a holistic business plan, which usually involves the setting up of a new business entity in a market outside Hong Kong for long term development of their business. On the other hand, the SME Export Marketing Fund ("EMF") provides financial support to

encourage small and medium enterprises ("SMEs") to expand their markets outside Hong Kong through participation in export promotion activities. The application process of EMF is comparatively simpler. Some BUD Fund applicant enterprises may have subsequently withdrawn the applications and switched to applying for EMF instead.

48. Members consider that the Administration should step up the publicity work to enhance enterprises' understanding of the BUD Fund, and provide "one-stop" service to assist enterprises to identify the most suitable funding scheme to apply among various support measures for SMEs. They have called on CEDB to take the lead to coordinate efforts to help SMEs identify funding schemes most suitable to their business needs. Other members have suggested that the Administration should set up a dedicated website to provide consolidated information of all funding schemes available for application by SMEs to enhance their understanding of the schemes.

49. The Administration has advised that the "SME One Fund Fair 2019" and "SME ReachOut: Fund Fair Everywhere 2020" were organized to provide SMEs with details of nearly 50 government funding schemes and support measures for SMEs. The Administration has also consolidated the services of four SME centres (viz. the Support and Consultation Centre for SMEs under TID; the "SME Centre" under HKTDC; the "SME One" under the Hong Kong Productivity Council; and the "TecONE" under HKSTPC) to provide "four-in-one" integrated services since October 2019. Enterprises can obtain funding schemes information at any of the centres.

Development of innovation and technology

Encouraging research and development

50. Noting that R&D is the foundation of I&T, members have enquired about the ratio of gross expenditures on R&D ("GERD") to gross domestic product ("GDP") in Hong Kong. The Administration has pointed out that Hong Kong's GERD has continually been on the rise, from around \$16.7 billion in 2014 to around \$26.3 billion in 2019, representing an increase of 57%. The ratio of GERD to GDP rose from 0.73% in 2014 to 0.92% in 2019. The Innovation and Technology Fund ("ITF") has been a major tool for the HKSAR Government to promote technology upgrading and innovation. The annual expenditure of ITF increases by over seven times from over \$700 million in 2013-2014 to over \$5.3 billion in 2020-2021. The Administration also encourages private companies to invest in R&D projects and technology start-up activities.

51. Members are keen to drive I&T development and have sought details on the Administration's measures and progress in the following areas: (i) reviewing existing legislations and regulations; (ii) opening up government data; (iii) Government to lead changes to procurement arrangements; and (iv) strengthening popular science education.

52. The Administration has advised that: (i) on the review of existing legislations and regulations to develop I&T in Hong Kong, the Policy Innovation and Coordination Office ("PICO") is responsible for policy research and innovation from a holistic and strategic perspective, and the Innovation and Technology Bureau will follow up on the recommendations of PICO on policies and initiatives in relation to I&T; (ii) an open data policy was announced in 2018 to drive bureaux and departments ("B/Ds") to open up more data in machine-readable formats for free use by the public. The Office of the Government Chief Information Officer ("OGCIO") will coordinate the government's opening of data in response to requests made by the public; (iii) a set of pro-innovation procurement policy was launched in 2019. In order to provide start-ups and SMEs with more opportunities to participate in bidding, tenderers' experience is no longer an essential requirement for participating in procurement. Elements of "innovation" have also been included in the assessment criteria of government departments; and (iv) the Smart City Blueprint for Hong Kong 2.0 ("Blueprint 2.0") was released in December 2020 setting out over 130 smart city initiatives to bring convenience to members of the public so that they can better perceive the benefits of I&T in their daily lives. To promote Smart Government, various B/Ds have been taking steps to implement the initiatives in Blueprint 2.0 to expedite their adoption of information technology solutions for improving the quality and efficiency of public services.

Fostering commercialization of research and development outcomes

53. Members have urged the Administration to step up the adoption of technology to enhance operational efficiency and improve public services. The Administration has advised that the Public Sector Trial Scheme, introduced under ITF in 2011, supports technology companies conducting R&D activities in Hong Kong to produce prototypes or samples of their R&D outcomes and/or conduct trials in the public sector for improving their products, so as to assist more local technology companies in realizing and commercializing their R&D outcomes. OGCIO established the Smart Government Innovation Lab ("Smart Lab") in 2019 to promote the wider adoption of I&T in government departments to improve public services. The work of the Smart Lab includes matching business needs nominated by departments with solutions and products suggested by the industry;

arranging thematic workshops and collaborating with relevant departments to arrange proof-of-concept testing for solutions with potentials.

Pooling technology talents

54. Supporting the development of I&T in Hong Kong, members called on the Administration to attract and retain I&T talents to conduct R&D work in Hong Kong. In particular, the Administration should promote the flow of talents between Hong Kong and Shenzhen to deepen the relationship between the two places in I&T cooperation. The Administration has advised that it has been adopting a three-pronged approach in expanding the I&T talent pool in Hong Kong by nurturing, retaining and attracting talents. The major measures and funding schemes are pitched at target groups at different life stages, ranging from nurturing citizens' interest in I&T since young to pooling local and overseas I&T talents.

55. Among the funding schemes, the Research Talent Hub subsidizes eligible companies or organizations to engage up to four graduates in Science, Technology, Engineering and Mathematics ("STEM")-related disciplines from a local university or a well-recognized non-local institution to conduct R&D work. The Technology Talent Admission Scheme provides a fast-track arrangement for eligible companies to admit overseas and Mainland technology talents to undertake R&D work in 13 technology areas in Hong Kong. In order to encourage cross-fertilization of local and non-local talents, the eligible companies have to fulfil the requirement to employ specified number of local technology talents at the same time. The Global STEM Professorship Scheme launched in 2021 supports universities funded by the University Grants Committee in recruiting internationally renowned I&T scholars and their teams to undertake teaching and research work in Hong Kong.

Policies initiatives in the 2021-2022 Budget to stimulate local economy

Issuing consumption vouchers

56. The Financial Secretary has announced in the 2021-2022 Budget the issue of electronic consumption vouchers ("CVs") in instalments with a total value of \$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above. The Consumption Voucher Scheme ("CV Scheme") aims to stimulate the consumer sentiment, enabling the funding under the CVs to circulate in the local economy, so as to boost local consumption to the fullest extent and accelerate economic recovery through the multiplier effect.

57. Members support the Administration in launching the CV Scheme, but seek clarification on the "residing in Hong Kong" requirement in the eligibility criteria of the scheme. The Administration has explained that, under its initial proposal, people who have been absent from Hong Kong for a certain period of time before a specified date not due to specified reasons will not be eligible for the CV Scheme. Specified acceptable reasons for the continuous absence from Hong Kong include residing in Guangdong and Fujian under the Guangdong Scheme and the Fujian Scheme; studying or working outside Hong Kong; and participating in the Working Holiday Schemes etc. during the related period.

58. Regarding members' enquiries on coverage of the CVs, the Administration has advised that it will be as extensive as possible, including consumption at physical and online stores of local businesses in the retail, food and beverage, and services sectors. However, the CVs will not be usable for payments to the Government and public organizations/public utilities having regard to the policy intent of the CV Scheme. In light of concerns about double subsidy, the initial thinking of the Administration is that the CVs will not be usable for spending on public transport covered by the Public Transport Fare Subsidy Scheme, but some members have expressed opposite views.

59. Members have raised concerns about how the selected Stored Value Facility ("SVF") operators can differentiate the payments made with the CVs within each SVF account, and how the Administration could ensure that the SVF operators will provide rebate to consumers or merchants. Members have also expressed that the administrative expenses of \$600 million of the CV Scheme are too high.

60. The Administration has advised that it has been working in full swing with the four selected SVF operators to prepare for the CV Scheme. For Octopus, the public can use their Octopus as usual and arrangement will be in place to link the amount of eligible spending to the amount of CVs disbursed. For the other three SVFs, the related registrants can choose whether to use the CVs or the value in the e-wallet for each transaction. As advised by the Administration, the SVF operators have agreed to rebate the additional income generated from the CV Scheme to consumers or merchants by various means, taking into account their own operational model and commercial arrangements. In respect of the estimated administrative expenses of \$600 million, the Administration has advised that the amount is only a rough estimate which covers the expenses for manpower, setting up relevant computer systems and other ancillary facilities, service fees of the SVF operators and other service agents, etc.

The Administration will strive to reduce the administrative expenses of the CV Scheme as far as possible.

Supporting tourism

61. Members opine that the COVID-19 pandemic has dealt a heavy blow to the tourism industry, bringing it to a standstill. They urge the Administration to provide direct support to businesses and practitioners of the local tourism industry.

62. The Administration has advised that apart from providing support of a cumulative commitment of some \$2.6 billion in total to the tourism industry through the Anti-epidemic Fund, the Travel Agents Incentive Scheme and the Green Lifestyle Local Tour Incentive Scheme, the Administration has announced in the 2021-2022 Budget to earmark \$934 million to enhance tourism resources, including provisions to the Tourism Commission to continue to take forward local cultural, heritage and creative tourism projects and to HKTB to revive tourism industry.

63. Members have called on the Administration to actively explore the establishment of "Travel Bubbles" with other cities/countries and allow the resumption of cruise tourism. The Administration has responded that with a relatively stable epidemic situation, the Administration will endeavour to resume cross-border/boundary travel and tourism activities, including cruise tourism, in a gradual and orderly manner. It will continue to explore the establishment of "Travel Bubbles" with Macao and other economies that have a relatively stable epidemic situation and close economic and trade relations with Hong Kong, while balancing the need to protect public health under the strategy of preventing importation of cases. As the local epidemic situation continues to improve, the Administration will also maintain close communication with the trade for considering resumption of "cruise-to-nowhere" travel in Hong Kong.

Recommendations

64. The Subcommittee recommends that the Administration should:

Anti-epidemic measures

- (a) relax certain anti-epidemic restrictions based on prescribed conditions to help different industries resume businesses;
- (b) liaise with the Mainland and overseas countries/places on the possibility of mutually waiving the compulsory quarantine arrangements for cross-border/boundary travelers;

Development opportunities in the Guangdong-Hong Kong-Macau Greater Bay Area

- (c) support Hong Kong enterprises in promoting domestic sales in GBA, in particular in providing the necessary credit insurance facilities;
- (d) expedite the development of HSITP in the Loop to strengthen I&T cooperation between Hong Kong and other cities in GBA;
- (e) promote the development of tourism in GBA and develop the region into a world-class tourism destination;
- (f) consider increasing the quota of the GBA Youth Employment Scheme and setting up a professional development fund for the youth to facilitate them to pursue further studies to attain professional qualifications;

Hong Kong's professional services participation in "domestic circulation"

- (g) allow Hong Kong residents to complete the Mainland investment account opening procedures in Hong Kong without having to go to the Mainland in person;
- (h) establish mechanisms for the expansion of mutual recognition of professional qualifications between the Mainland and Hong Kong;
- (i) allow Hong Kong banks to make enquiries, through the credit information system of the People's Bank of China, about the credit status of Mainland investors in order to tie in with the implementation of the Southbound Wealth Management Connect;

Hong Kong's participation in "international circulation"

- (j) step up the liaison with overseas governments and business sectors at the government level, keeping them abreast of Hong Kong's unique advantages under the "One Country, Two Systems" principle, and promoting Hong Kong's status as an international financial and trading hub;
- (k) support Hong Kong's businesses and professional services sector in exploring the B&R markets and seizing business opportunities;
- (l) step up the publicity work to enhance enterprises' understanding of the BUD Fund;

Development of innovation and technology

- (m) step up the adoption of technology to enhance operational efficiency of public services;

- (n) attract and retain I&T talents to conduct R&D work in Hong Kong;

Policies initiatives in the 2021-2022 Budget to stimulate local economy

- (o) reduce the administrative expenses of the CV Scheme; and
- (p) actively explore the establishment of "Travel Bubbles" with other cities/countries.

Advice sought

65. Members are invited to note the deliberations and recommendations of the Subcommittee.

Council Business Division 1
Legislative Council Secretariat
14 September 2021

Panel on Commerce and Industry

**Subcommittee on Issues Relating to the Stimulation of
Hong Kong's Economy**

Terms of Reference

To review and study policies relating to the stimulation of Hong Kong's economy, including policy objectives, complementary support measures, policy implementation as well as other related matters, and to make timely recommendations.

Panel on Commerce and Industry

**Subcommittee on Issues Relating to the Stimulation of
Hong Kong's Economy**

Membership List

Chairman	Hon Jimmy NG Wing-ka, BBS, JP
Deputy Chairman	Hon YIU Si-wing, SBS
Members	Hon Jeffrey LAM Kin-fung, GBS, JP Hon WONG Ting-kwong, GBS, JP Hon MA Fung-kwok, GBS, JP Hon Christopher CHEUNG Wah-fung, SBS, JP Ir Dr Hon LO Wai-kwok, GBS, MH, JP Hon CHUNG Kwok-pan Hon SHIU Ka-fai, JP Hon CHAN Chun-ying, JP (since 29 January 2021)
	(Total : 10 members)
Clerk	Mr Boris LAM
Legal Adviser	Ms Doreen WAN