

Special Meeting of Finance Committee on 19 April 2024

Speaking Notes for

Secretary for Commerce and Economic Development

Chairman, I am going to briefly introduce the key tasks under the Commerce and Economic Development Bureau (CEDB) in the current financial year. My introduction mainly covers four areas. First, it is to complement the National 14th Five-Year Plan (the Plan) in enhancing Hong Kong's status as an international trade centre. The second and third focuses are respectively about our work in promoting participation in and contribution to the Belt and Road (B&R) Initiative and the support for Hong Kong to develop into a regional intellectual property (IP) trading centre, which are also related to the Plan. Fourthly, I will mention other measures to create stronger impetus for Hong Kong's economic development.

I. International Trade Centre

2. To reinforce Hong Kong's status as an international trade centre, we will continue to expand Hong Kong's economic and trade network, especially in strengthening our economic and trade relations with emerging markets like the Association of Southeast Asian Nations and the Middle East, including the establishment of Hong Kong Overseas Economic and Trade Offices (ETOs) and consultant offices in emerging markets, as well as forging free trade agreements (FTAs) and investment agreements (IAs) with economies of good potentials.

3. In light of the enormous economic potential of countries along

the B&R, the Financial Secretary announced in the 2024-25 Budget that the HKSAR Government was planning to establish ETOs in Riyadh and Kuala Lumpur, and we are vigorously following up on the details. At the same time, Invest Hong Kong (InvestHK) will also set up consultant offices respectively in Cairo, the capital of Egypt, and Izmir, the third largest city in Türkiye within 2024-25 to bring in capital and enterprises from high-potential emerging countries in the Middle East and North Africa. Furthermore, the Hong Kong Trade Development Council (HKTDC) will also set up consultant offices in Dhaka, the capital city of Bangladesh, and Phnom Penh, the capital city of Cambodia, in 2024-25 to strengthen trade promotion in emerging countries.

4. In the past six months, we have signed IAs respectively with Türkiye and Bahrain. Hong Kong has so far signed eight FTAs with 20 economies and 24 IAs with 33 economies. We will continue to actively take forward our work on this front, including the negotiations of an FTA with Peru and IAs with Saudi Arabia and Bangladesh.

5. In line with the trend of Mainland manufacturing enterprises extending their production supply chains abroad, it is the goal of the HKSAR Government to develop Hong Kong into a multinational supply chain management centre. Hong Kong has the capacity to offer full-fledged and comprehensive professional support services (such as consulting services, trade financing and corporate training) to Mainland enterprises to meet their overseas business needs. To attract Mainland manufacturing enterprises to establish in Hong Kong, CEDB, in coordination with “Team Hong Kong” organisations, including InvestHK, will strengthen the support work and work together to study

implementation details.

6. Starting from 2022-23, an additional recurrent provision of around \$90 million in phases has been allocated to InvestHK to strengthen its work and Hong Kong's investment promotion network in the Mainland and overseas. In 2023, InvestHK assisted 382 companies to set up or expand their businesses in Hong Kong, an increase of 27% compared with 2022. The Mainland was the main place of origin with 136 companies. The United Kingdom, the United States, Singapore and Australia ranked second to fifth respectively, with a total number of 122 companies. They have brought in direct investment of over \$61.6 billion and created more than 4 100 jobs for Hong Kong. The result of 2023 well exceeded the performance indicator¹ as set out in the 2022 Policy Address on a pro-rata basis. InvestHK will continue to work hard to achieve its targets.

7. According to the understanding of the HKSAR Government, members of the Regional Comprehensive Economic Partnership (RCEP) have yet to conclude discussions on the procedures for accession of new members. Trade with RCEP members, all of whom are important trading partners of Hong Kong, amount to around 70% of our total merchandise trade and approximately 40% of our total trade in services. Hong Kong has all it takes to join RCEP and is, through our advantages as a logistics, trade and financial centre, able to further enhance regional supply chains and contribute our unique value to RCEP. We will continue to maintain close liaison with the trade and economic departments of RCEP members, and carry out lobbying work

¹ That is, to attract at least a total of 1 130 companies to set up or expand their operations in Hong Kong from 2023 to 2025.

through various platforms and fora, with a view to actively striving for early accession to RCEP upon the conclusion of RCEP members' discussions on the procedures for the accession of new members.

II. Promote Participation in and Contribution to the Belt and Road Initiative

8. Hong Kong will continue to give full play to our role as the functional platform for the B&R Initiative, proactively supporting and dovetailing our work with the latest strategies of our country in the next golden decade of the Initiative. The Government will organise the 9th Belt and Road Summit this year and will launch the inaugural "Belt and Road Festival" at the same time, with a view to furthering Hong Kong's collaboration with B&R countries in a wide range of areas. The Belt and Road Office (BRO) will also organise a number of outbound missions, including a joint mission with the Ministry of Commerce next month to go-global with Mainland enterprises, thereby also assisting Hong Kong enterprises and professionals to tap more overseas business opportunities. Furthermore, the BRO plans to continue to organise visits for enterprises of B&R countries in Hong Kong to visit the Mainland using Hong Kong as the service base. It will also continue to organise interface sessions and promote Hong Kong's participation in and contribution to the B&R Initiative through diversified channels.

III. Regional Intellectual Property Trading Centre

9. On regional IP trading centre, the average number of standard patent registrations granted by the Intellectual Property Department

(IPD) in the past three years exceeded 10 000 each year, showing an enormous market potential on IP trading in Hong Kong. The HKSAR Government will continue to protect IP rights and promote IP trading, leveraging our advantages in legal, taxation and professional services to develop Hong Kong into a regional IP trading centre.

10. In particular, we have just introduced a bill into the Legislative Council (LegCo) on 10 April 2024 to amend the Inland Revenue Ordinance to implement the “patent box” tax incentive, which will substantially reduce the tax rate for qualifying profits derived from IP (mainly includes patents) to 5%, with a view to encouraging enterprises to devote more resources to R&D and transform the R&D outcomes to products and services with market potential, thereby promoting more IP commercialisation and trading activities. We hope to have the support of the LegCo so that this initiative, which was first announced in the 2023-24 Budget, can be implemented as soon as possible.

11. We will also support scientific researchers and innovators to make use of the IP regime to protect their inventions, and guide them in launching their technologies to the market. Through our country’s participation in a dedicated programme of the World Intellectual Property Organization, more than 100 Technology and Innovation Support Centres (TISCs) have been established on the Mainland. We will actively prepare for the establishment of a TISC in Hong Kong, thus enabling Hong Kong to better integrate into overall national development. In this regard, the 2024-25 Budget has set aside \$45 million to support the Hong Kong Productivity Council in establishing this centre and maintaining its operation in the first three years. It is

anticipated that the TISC will commence operation next year the earliest.

12. On nurturing patent talents, following the announcement in the 2023 Policy Address that the IPD would take the lead in discussing with stakeholders to plan for the introduction of regulatory arrangements for local patent agent services, the 2024-25 Budget has announced that the Government will allocate an additional funding of about \$12 million in total to the IPD over the next three years to implement this measure, with a view to enhancing the professionalism of patent services and supporting the development of the original grant patent (OGP) system. To put into effect the measure of enhancing the substantive examination capability under the OGP system announced in the 2022 Policy Address, the Government will also continue to strengthen and expand IPD's patent examiner team, with a view to acquiring institutional autonomy in conducting substantive patent examination in 2030.

IV. Stronger Impetus for Hong Kong's Economic Development

13. Small and medium enterprises (SMEs) make significant contributions to Hong Kong's economy. The Government has been providing support measures like the SME Financing Guarantee Scheme (SFGS) and the Dedicated Fund on Branding, Upgrading and Domestic Sales (i.e. the BUD Fund) to help SMEs address the liquidity issue and enhance their competitiveness. Both schemes are well-received by the business sector. Among others, "Easy BUD" as announced in the 2023-24 Budget has been launched in June 2023 to expedite the vetting of designated applications.

14. Having regard to the latest economic situation of Hong Kong and needs of the trade, the Financial Secretary announced in the 2024-25 Budget that the Government will extend the application period for the 80% and 90% guarantee products under the SFGS for two years to end March 2026; and inject \$500 million into the BUD Fund to sustain its operation and introduce “E-commerce Easy” to assist SMEs in implementing electronic commerce (e-commerce) projects on the Mainland, in view of the vibrant development of the Mainland e-commerce market.

15. In view of the enormous opportunities in the Mainland market, the HKTDC will continue to provide multi-pronged support to help Hong Kong enterprises tap into the domestic sales market, including enhancing the services of its “GoGBA one-stop platform”. The HKTDC has already expanded the “GoGBA Business Support Centres” network to cover all nine Mainland cities in the Guangdong-Hong Kong-Macao Greater Bay Area as announced in the 2022 Policy Address, and will further set up a centre in Futian in the second quarter of 2024.

16. The Chief Executive announced in the 2023 Policy Address that the Government will establish an Advisory Panel on Silver Economy. Currently, relevant experts and I are studying on how to unleash the business potential of the elderly market, and meet the aspirations and needs of the elderly.

17. On the telecommunications front, 5G coverage has now reached

over 90 per cent of the Hong Kong population and achieving coverage of 99 per cent in core business districts. The Government will continue to enhance telecommunications infrastructure to prepare for future development of more advanced mobile communications technology through a series of measures, including the implementation of the proposal announced in the 2022 Policy Address on promoting 5G development by amending the Telecommunications Ordinance and formulating relevant guidelines to allow access for mobile network operators (MNOs) to install mobile communications facilities in reserved space in new or redeveloped specified buildings, as well as the commitments made in the 2023 Policy Address on expediting the expansion of mobile network infrastructure in rural and remote areas through subsidies, proactively co-ordinating with relevant organisations to enhance the 5G network capacity at major public event venue and conducting spectrum auctions within this year to provide a total of 510 MHz spectrum for public mobile communications services. MNOs who acquire the spectrum in these bands will benefit from the measure which was announced in the 2023-24 Budget and took effect in January this year through the amended Inland Revenue Ordinance, allowing full tax deductions for the relevant spectrum utilisation fees so as to provide greater incentives for MNOs to invest in mobile communications services.

Conclusion

18. Chairman, the above are my main points. My colleagues and I will be pleased to answer questions from Members.