

**立法會**  
**Legislative Council**

LC Paper No. CB(1)507/10-11  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 19 October 2010, at 2:30 pm**  
**in the Chamber of the Legislative Council Building**

- Members present** : Hon WONG Ting-kwong, BBS, JP (Chairman)  
Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)  
Hon Emily LAU Wai-hing, JP  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, GBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon CHIM Pui-chung  
Hon Starry LEE Wai-king, JP  
Hon Paul CHAN Mo-po, MH, JP  
Hon Mrs Regina IP LAU Suk-ye, GBS, JP  
Dr Hon Samson TAM Wai-ho, JP  
Hon Tanya CHAN  
Hon Albert CHAN Wai-yip
- Member attending** : Hon WONG Kwok-hing, MH
- Members absent** : Hon Fred LI Wah-ming, SBS, JP  
Hon Timothy FOK Tsun-ting, GBS, JP  
Hon Tommy CHEUNG Yu-yan, SBS, JP  
Dr Hon LAM Tai-fai, BBS, JP

**Public officers  
attending**

: Agenda item III

Commerce and Economic Development Bureau

Mrs Rita LAU NG Wai-lan, JP  
Secretary for Commerce and Economic  
Development

Miss Yvonne CHOI, JP  
Permanent Secretary for Commerce and Economic  
Development (Commerce, Industry and Tourism)

Miss Elizabeth TSE, JP  
Permanent Secretary for Commerce and Economic  
Development (Communications and Technology)

Ms Linda LAI, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)<sup>1</sup>

Mr Christopher WONG, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)<sup>2</sup>

Ms Linda SO, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)<sup>3</sup>

Ms Maria KWAN, JP  
Director-General of Trade and Industry

Miss Janet WONG, JP  
Commissioner for Innovation and Technology

Constitutional and Mainland Affairs Bureau

Mr Stephen LAM Sui-lung, GBS, JP  
Secretary for Constitutional and Mainland Affairs

Mr Joshua LAW Chi-kong, JP  
Permanent Secretary for Constitutional and  
Mainland Affairs

Mr Howard CHAN Wai-kee, JP  
Deputy Secretary for Constitutional and Mainland  
Affairs (2)

Mr Daniel CHENG Chung-wai  
Deputy Secretary for Constitutional and Mainland  
Affairs (3)

**Clerk in attendance :** Ms YUE Tin-po  
Chief Council Secretary (1)3

**Staff in attendance :** Mr Joey LO  
Council Secretary (1)3

Ms May LEUNG  
Legislative Assistant (1)6

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Action

**I. Information papers issued since last meeting**

(LC Paper No. CB(1)2737/09-10(01) -- Information paper on the  
15th Working Meeting of  
the Hong Kong/Guangdong  
Co-operation Joint  
Conference

LC Paper No. CB(1)2865/09-10(01) -- Information on the financial  
position of the Applied  
Research Fund for the  
period of 1 March 2010 to  
31 May 2010

LC Paper No. CB(1)2920/09-10(01) -- Administration's paper on  
United Nations Sanctions  
(Eritrea) Regulation

LC Paper No. CB(1)2936/09-10(01) -- Information paper on the  
13th Plenary of the Hong  
Kong/Guangdong  
Co-operation Joint  
Conference)

Members noted that the above papers had been issued for the Panel's information.

**II. Date of next meeting and items for discussion**

(LC Paper No. CB(1)17/10-11(01) -- List of outstanding items for discussion

LC Paper No. CB(1)17/10-11(02) -- List of follow-up actions

2. Members agreed that the next regular meeting would be held on 16 November 2010 to discuss the following items:

- (a) Progress report on the comprehensive review of the Research and Development (R&D) Centres; and
- (b) Progress update on the support measures for small and medium enterprises.

3. Ms Emily LAU suggested that the item "Development of the exhibition industry in Hong Kong" be discussed at the next meeting, if possible. The Chairman agreed to explore the suggestion with the Administration.

*(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, an additional agenda item on "creation of a favourable ecological environment to facilitate the realization of research and development results" was subsequently included in the agenda for the meeting on 16 November 2010.)*

**III. Briefing on the Chief Executive's 2010-2011 Policy Address**

(LC Paper No. -- Administration's paper on policy agenda of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau

LC Paper No. -- Administration's paper on the initiatives of the Constitutional and Mainland Affairs Bureau in relation to Mainland and Taiwan co-operation

LC Paper No. -- Speaking note of the Secretary  
CB(1)63/10-11(01) for Commerce and Economic  
*(tabled at the meeting and Development*  
*subsequently issued on 20*  
*October 2010)*

LC Paper No. -- Speaking note of the Secretary  
CB(1)63/10-11(02) for Constitutional and Mainland  
*(tabled at the meeting and Affairs*  
*subsequently issued on 20*  
*October 2010)*

*Other relevant documents*

- (a) Address by the Chief Executive at the Legislative Council meeting on 13 October 2010 - "Sharing Prosperity for a Caring Society" (issued on 13 October 2010); and
- (b) The 2010-2011 Policy Address - "Policy Agenda" (issued on 13 October 2010.)

Briefing by the Secretary for Commerce and Economic Development

4. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the major initiatives relating to the Commerce, Industry and Tourism Branch and Innovation and Technology Commission of the Commerce and Economic Development Bureau under the 2010-2011 Policy Agenda. Details of the policy initiatives were set out in the Administration's paper (LC Paper No. CB(1)17/10-11(03)) and SCED's speaking note (LC Paper No. CB(1)63/10-11(01)).

5. At the invitation of the Chairman, the Secretary for Constitutional and Mainland Affairs (SCMA) briefed members on the major initiatives of the Constitutional and Mainland Affairs Bureau (CMAB) in relation to Mainland and Taiwan co-operation as set out in the 2010-2011 Policy Agenda. Details of the policy initiatives were set out in the Administration's paper (LC Paper No. CB(1)17/10-11(04)) and SCMA's speaking note (LC Paper No. CB(1)63/10-11(02)).

Discussion

*Support for Hong Kong enterprises*

6. Noting that the application period for the Special Loan Guarantee Scheme (SpGS) which had helped many small and medium enterprises (SMEs) tide over the financial crisis would expire on 31 December 2010, Mr Jeffrey LAM enquired whether the SME Loan Guarantee Scheme (SGS) could be strengthened by including features of the SpGS such as revolving credit facilities to help the SMEs. He also enquired whether the scope of the SME Export Marketing Fund (EMF) could cover exhibitions or study tours outside Hong Kong.

7. In response, SCED advised that the SpGS was introduced in 2008 as a time-limited initiative to tackle the credit crunch arising from the global financial crisis. The Government had extended the application period for SpGS for three times. As at 30 September 2010, the Trade and Industry Department (TID) had approved a total guarantee amount of over \$68.3 billion out of the total loan guarantee commitment of \$100 billion under the SpGS. Recently, the economic situation in Hong Kong had shown significant improvement and the problem of credit crunch had been largely relieved. The Government considered it an opportune time to let the credit market gradually resume its normal operation. She cautioned that the risks involved with certain features of the SpGS, in particular the revolving credit facilities, should be carefully considered. In fact, the on-going SGS had already been continuously enhanced to instill greater flexibility for the benefit of the SMEs. In response to Mr Vincent FANG's enquiry, SCED advised that as at 30 September 2010, TID had received 147 default claims under the SpGS. The Administration would keep an eye on the figure which was likely to increase at a later stage given that the maximum guarantee period for the loans was five years.

8. Director-General of Trade and Industry (DGIT) supplemented that the SME Export Marketing Fund (EMF) aimed at helping SMEs expand their businesses outside Hong Kong through participation in export promotion activities. Exhibitions or trade missions outside Hong Kong as well as local exhibition which were export-oriented were covered by EMF. To provide greater flexibility to SMEs, the scope of reimbursable items under the EMF had been expanded to include advertisements placed on printed trade publications targeting export markets and eligible trade websites.

9. Mr WONG Kwok-hing enquired about the number of employment opportunities created as a result of the development of the six industries (namely educational services, medical services, testing and certification,

innovation and technology, cultural and creative industries, and environmental industry). Noting that the Administration had temporarily removed real estate from the investment asset classes under the Capital Investment Entrant Scheme, he suggested the Administration to implement measures on inward investment to encourage the setting up of business in Hong Kong.

10. In response, SCED advised that the value brought to Hong Kong economy by the six industries was not limited to the number of employment opportunities created. It also included the creation of a knowledge-based economy and the added value brought to enterprises, and so on. She added that owing to the robust demand for manpower of the testing and certification service, the number of employment opportunities in the industry had been rising by an average of about 5-10% each year in the past decade. Commissioner for Innovation and Technology (CIT) supplemented that according to the statistics provided by the Census and Statistics Department, the total number of persons engaged in the testing and certification industry in 2009 was about 16 000.

11. In response to Mr Andrew LEUNG's enquiry about the assistance rendered to Hong Kong SMEs in tapping the Mainland domestic market so as to complement the preparation of the National 12<sup>th</sup> Five-Year Plan, SCED advised that the Administration helped SMEs upgrade and restructure and add value to their products and services in terms of innovation and design. TID and the Hong Kong Trade Development Council had both established information centres to provide a comprehensive range of services for SMEs.

Admin

12. SCMA added that the Administration would continue to follow up with the relevant Mainland authorities at different levels on how the HKSAR could complement the preparation of the National 12<sup>th</sup> Five-Year Plan by leveraging on its status as an international centre for financial services, trade and shipping. At Mr LEUNG's request, SCED agreed to provide supplementary information on the assistance given to SMEs in tapping the Mainland domestic market.

Admin

13. Mr Albert CHAN urged the Administration to help Hong Kong's manufacturing industries, such as the jewellery, food, drugs, fashion and watch manufacturing industries in tapping the Mainland domestic market. At Mr CHAN's request, SCED agreed to provide supplementary information on the number of employees hired by the major manufacturing industries in Hong Kong.

*Research and Development Cash Rebate Scheme*

14. Noting that the Research and Development (R&D) Cash Rebate Scheme had only received 128 applications for a total rebate of around \$3.3 million out of a total financial commitment of \$200 million, Dr Samson TAM opined that the Administration should put in more efforts to encourage applications from the industry, such as by relaxing its qualifying criteria to allow more applications from the private sector.

15. In response, CIT advised that the Administration would step up efforts to enhance the promotion of the R&D Cash Rebate Scheme which had only been implemented for about six months. The slower pace in the first half-year might probably be due to the fact that a deadline had not been set for the companies to apply for the cash rebate under ITF projects. Nevertheless, the Administration would monitor the operation of the Scheme closely and report the progress to the Panel on Commerce and Industry on an annual basis.

*Commercialization of R&D deliverables*

16. Mr Samson TAM enquired about the Administration would promote the commercialization of R&D deliverables in Hong Kong. In response, CIT advised that the Innovation and Technology Commission (ITC) had been actively engaging various stakeholders, including the Government, industry, R&D institutions and universities, with a view to matching the demand and supply of the relevant R&D deliverables and to providing a favourable ecological environment to facilitate the realization of innovation and technology R&D results.

*Investment in R&D*

17. Ms Emily LAU urged the Administration to formulate measures to increase R&D spending. SCED responded that although the total R&D investment by the public and private sectors amounted to about 0.73% of the Gross Domestic Product of Hong Kong, there had been an increase of some 50% in private R&D investment since the establishment of the ITC. Billions of dollars had been provided for R&D projects through the Innovation and Technology Fund.

*Partner State Key Laboratories*

18. Dr Samson TAM enquired about the kind of assistance provided by the Administration to the 12 Partner State Key Laboratories (SKLs) in Hong Kong. In response, SCED advised that, the Administration was actively

working on measures to provide support to the SKLs to enhance their capacity. Details would be provided in future.

*Hong Kong-Taiwan cooperation*

19. Dr Samson TAM enquired about cooperation between Hong Kong and Taiwan in the field of innovation technology. In response, SCMA advised that the Administration attached great importance to the Hong Kong-Taiwan cooperation in innovation and technology, as reflected by the visit paid to a large Taiwanese mobile phone manufacturer when the Financial Secretary (FS)'s delegation visited Taiwan in end August 2010. An exchange between Hong Kong and Taiwanese biotechnology experts was being arranged by the Hong Kong Science and Technology Park, with more exchanges in innovation and technology to follow.

20. Mr Vincent FANG enquired about the various initiatives for enhanced cooperation with Taiwan. SCMA responded that to further enhance exchanges between Hong Kong and Taiwan, Hong Kong would set up a multi-functional office in Taipei. Meanwhile, subject to further liaison with the Taiwan authorities, an office would also be set up in Taipei by the Hong Kong Tourism Board to strengthen tourism promotion work in Taiwan. Both places had also agreed to strengthen bilateral co-operation in financial services and regulation, foster closer bilateral trade and economic ties (e.g. updating air services arrangements), and strengthen cooperation and exchanges between the two sides in areas of education, creative arts, cultural arts, health and food safety.

21. SCED added that Taiwan was Hong Kong's fourth largest trading partner with a bilateral trade volume reaching over HK\$230 billion. In 2009, the volume of re-export between the Mainland and Taiwan via Hong Kong amounted to over HK\$163 billion. To enhance its promotion efforts in Taiwan, InvestHK had recently conducted a number of marketing campaigns in Taiwan.

22. Mr Andrew LEUNG suggested the signing of an agreement between Hong Kong and Taiwan similar to the Economic Co-operation Framework Agreement (ECFA) between the Mainland and Taiwan. In response, SCMA advised that the Administration attached great importance to the development of economic relationship between Hong Kong and Taiwan. FS had agreed with the Taiwanese authority to commence a research study of an arrangement with Hong Kong similar to ECFA on his recent visit to Taiwan.

*The National 12<sup>th</sup> Five-Year Plan*

23. Ms Emily LAU expressed concern about the possibility of Hong Kong being marginalized under the National 12<sup>th</sup> Five-Year Plan. She urged the Administration to pursue with the Central Government to strive for defining Hong Kong's role in a clear manner and giving policy support to Hong Kong so that it could fit into the National 12<sup>th</sup> Five-Year Plan.

24. In response, SCMA said that ever since the signing of the Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA) in June 2003, both the Central Government and the HKSAR Government had agreed to pursue further trade liberalization measures through consultation. Under CEPA, Hong Kong companies in a wide range of services industries could benefit from market access measures. Further measures on Mainland-Hong Kong cooperation were expected to further strengthen Hong Kong's role as an international commercial hub. The Framework Agreement on Hong Kong/Guangdong Co-operation (Framework Agreement) signed in April 2010 further enhanced Hong Kong's position as an international financial centre and expedited the development of financial services industries in Guangdong, with Hong Kong taking the lead with its financial systems to be supported by resources and services in the Pearl River Delta (PRD) cities. Based on the foundations which had already been laid in implementing the CEPA since 2003, the Administration assured members that Hong Kong would not be marginalized, and was confident that Hong Kong could have broader scopes in developing its professional, financial and other services in the PRD Region.

Admin

25. Noting that the National 12<sup>th</sup> Five-Year Plan would be finalized by March 2011, members requested the Administration to continue to pursue with the Central Government to strive for defining Hong Kong's role clearly in the National 12<sup>th</sup> Five-Year Plan and report the progress to the Panel.

*Competition Law*

26. Mr Andrew LEUNG enquired about the Competition Bill, SCED advised that the Administration fully understood SMEs' concerns that a competition law might undermine their flexibility in doing business and increase their operating costs. The Administration would continue to explain to the business community the contents of the Bill, and listen carefully to their views.

*Tourism*

27. The Chairman enquired about the various initiatives for the promotion of tourism on Lantau Island. SCED responded that recently, Mainland authorities had given approval to display the "Animated Version of the Riverside Scene at Qingming Festival" at the AsiaWorld-Expo. As regards overall planning, SCED said that a balance had to be struck between tourism development and conservation of natural environment on Lantau Island. "Planning Department had drawn up a Revised Concept Plan for Lantau and had conducted consultation on it. A main development project on Lantau Island was the expansion of Hong Kong Disneyland. The Administration would continue to enhance the existing tourism attractions on Lantau Island and work with various parties including the Islands District Council in boosting tourism development and local economy of Lantau.

**IV. Any other business**

28. There being no other business, the meeting ended at 4:12 pm.

Council Business Division 1  
Legislative Council Secretariat  
24 November 2010