LCQ1: Governance and management of RTHK

Following is a question by the Hon Yung Hoi-yan and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (March 24):

Question:

Last month, the Commerce and Economic Development Bureau (CEDB) released the Review Report submitted by a dedicated team to review the governance and management of Radio Television Hong Kong (RTHK). Regarding the governance and management of RTHK, will the Government inform this Council:

(1) of the details of RTHK's plan for implementing the recommendations made in the Review Report in respect of its mechanisms for editorial management and complaints handling, performance measurement and evaluation, as well as management of its workforce (including the implementation priority and schedule of the various recommendations);

(2) whether the CEDB has comprehensively reviewed its role and performance in monitoring RTHK, and if any senior staff of the CEDB and RTHK should be held responsible for RTHK's previous governance and management problems; how the CEDB will strengthen its role in monitoring RTHK in future; and

(3) how the CEDB will, in the coming three years, instruct the Director of Broadcasting to lead RTHK to strictly comply with (i) the Charter of Radio Television Hong Kong (the Charter) (in particular to fulfill the following purposes of RTHK as the public service broadcaster as stipulated in paragraph 4 of the Charter: providing accurate and impartial news, information, perspectives and analyses; promoting the public's understanding of "one country, two systems" and its implementation in Hong Kong; and engendering a sense of citizenship and national identity through programmes that contribute to the understanding of the community and nation), (ii) the Communications Authority's code of practice on programme standards, and (iii) RTHK's internal Producers' Guidelines; whether the CEDB has plans to update the Charter in order to reflect the latest situation of Hong Kong (including the National Security Law for Hong Kong having been implemented in Hong Kong)?

Reply:

President,

Our consolidated reply to the Hon Yung Hoi-yan's question is as follows:

The roles of Radio Television Hong Kong (RTHK) are clearly defined in the Charter of Radio Television Hong Kong (the Charter). RTHK is both a government department and the only public service broadcaster in Hong Kong.

The Charter specifies RTHK's relationship with the Commerce and Economic Development Bureau (CEDB) and the RTHK Board of Advisors (BoA), as well as the role of the Communications Authority (CA) in regulating RTHK's programme contents. The three parties will discharge their respective functions and responsibilities.

The CEDB has been overseeing whether RTHK, as a government department, complies with all applicable government rules and regulations, including those on financial control, human resources management and procurement matters. The BoA advises the Director of Broadcasting (D of B) on all matters pertaining to editorial principles, programming standards and quality of RTHK programming, and receive reports on complaints against such matters. In addition, RTHK must ensure that all of its programmes comply with the relevant codes of practices issued by the CA for regulating the standards of programmes broadcast by broadcasting licensees. The CA adopts consistent standards and procedures in handling complaints about programmes of commercial as well as public service broadcasters in accordance with the established mechanism.

The management and individual RTHK programmes have been a cause of public concern in recent years. RTHK's programmes have been subject to complaints repeatedly and ruled by the CA to have breached the relevant codes of practices in the past two years. In light of the above, the CEDB established a dedicated team to review the governance and management of RTHK in the middle of last year. The Governance and Management of Radio Television Hong Kong Review Report (the Review Report) was released on February 19 this year and passed to RTHK for follow up. The CEDB and the D of B also briefed and discussed with Legislative Council (LegCo) members about the Review Report at the LegCo Panel on Information Technology and Broadcasting.

As regards the follow up work, the CEDB has requested RTHK to study in detail and implement the recommendations of the Review Report by drawing up priority improvement measures, an action plan and a timetable so as to fully implement the recommendations, and to seek advice from the BoA and other stakeholders in a timely manner. RTHK has already commenced the implementation work, which includes enhancing editorial management, devising a clearer editorial process and improving the complaint handling mechanism. On the recommendation of enhancing editorial governance, RTHK has introduced a new editorial management mechanism under which the D of B and RTHK's senior management would hold editorial meetings so as to ensure the programmes comply with the requirements stipulated in the Charter and the Producers' Guidelines. Other recommendations will be implemented progressively.

The roles and functions of RTHK are clearly stipulated in the Charter. The Charter has also specified RTHK's public purposes and mission, including promoting the public's understanding of "one country, two systems" and its implementation in Hong Kong, and engendering a sense of citizenship and national identity. To enhance the public's sense of national identity and their understanding of national security, RTHK has recently produced a new programme chronicling the modern history of China over the past 100 years. Since the promulgation of the Hong Kong National Security Law, RTHK has introduced programmes to explain its provisions. In the coming year, RTHK will produce programmes on life in the Greater Bay Area, Lingnan culture as well as scenery of our country to further cultivate the sense of national identity and improve the understanding of our national culture.

RTHK and its staff, as the whole society, have to abide by all Hong Kong laws. In this connection, it is not necessary to make changes to the Charter arising from new legislation.

LCQ8: Wetland Buffer Area

Following is a question by the Hon Lau Kwok-fan and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (March 24):

Question:

In early years the Government demarcated and designated a strip of land of about 500 metres in width covering about 1 000 hectares along the boundary of the Deep Bay Wetland Conservation Area (WCA) as a Wetland Buffer Area (WBA). No development project may commence in WBA unless an ecological impact assessment has been conducted with the assessment outcome being that the development project will not cause any insurmountable adverse impacts. There have been comments that as the freshwater fish farming industry has declined in recent years, quite a number of fish ponds in WBA have been left deserted at present. In view of this, the Government should conduct a re-planning of WBA to unleash the development potential of the lands concerned and optimise the utilisation of land resources. In this connection, will the Government inform this Council:

(1) whether, since the Study on the Ecological Value of Fish Ponds in the Deep Bay Area was completed in 1997, the Government has conducted studies on the ecological value of the fish ponds in that area and conducted reviews of the policies on the protection of WCA and WBA; if so, of the details; if not, the reasons for that, and whether it will conduct such studies and reviews; if so, of the timetable and details; if not, the reasons for that;

(2) whether it will reduce the coverage of WBA to release those lands therein with relatively low ecological value for housing or other development uses; if so, of the details; if not, the reasons for that; and

(3) given that at present, certain sites in WBA, albeit having been successfully rezoned as residential sites, may be used only for low-density residential developments due to the plot ratio restriction, resulting in underutilisation of land resources, whether the Government will consider raising the plot ratio of the residential sites in WBA from the current

figure of 0.2 to 0.4 to 2 to 3, with a view to increasing housing supply and at the same time encouraging, through providing incentives, developers to revitalise, with a new mindset, the fish ponds surrounding development projects in WBA, so as to strike a balance between development and conservation?

Reply:

President,

The importance of the wetland ecosystems in the Mai Po Marshes, Inner Deep Bay and adjacent areas (Deep Bay Area) was established as early as in early 1990s. The Deep Bay Area was listed as a Wetland of International Importance under the Ramsar Convention in 1995. Its main habitats include fish ponds, mudflats, mangroves and gei wais (tidal shrimp ponds). These wetlands serve as the main places for migratory birds to spend the winter or stop over, and provide foraging and roosting habitats for various species of waterbirds.

To ensure against any adverse impacts from large-scale developments on the wetland ecosystem of the Deep Bay Area, the Town Planning Board (TPB) laid down in 1993 the TPB Planning Guidelines No. 12 (Planning Guidelines) to regulate developments within the Area. Revisions were subsequently made to the Planning Guidelines in 1994, 1999 and 2014, and the version currently in force is Planning Guidelines No.12C promulgated in 2014.

After consulting the Environmental Protection Department and the Agriculture, Fisheries and Conservation Department (AFCD) on the various parts of the Hon Lau's question, my reply is as follows:

(1) The Government completed the Study on the Ecological Value of Fish Ponds in the Deep Bay Area (the Study) in 1997. The Study confirmed the unique importance of the fish pond system in the area in providing foraging and roosting habitats for various species of waterbirds. In view of the recommendations of the Study, revisions were made to the Planning Guidelines in 1999, delineating the Wetland Conservation Area (WCA) and the Wetland Buffer Area (WBA). Adjoining fish ponds in the Deep Bay Area were designated as WCA. Except for developments required to support the conservation of the ecological value of the area, all existing fish ponds are to be conserved. In addition, an area of about 500 metres wide along the landward boundary of the WCA was designated as the WBA, the intention of which is to protect the ecological integrity of the wetland within the WCA and ensure against disturbance on the WCA caused by developments in the vicinity. Following the ecological field survey of Hoo Hok Wai, the TPB further designated Hoo Hok Wai as part of the WCA and WBA, as well as updated the Planning Guidelines in 2014.

For the purposes of understanding the conditions and changes of the wetland habitats, the AFCD has been conducting the Waterbird Monitoring Programme at the Ramsar Site and the Deep Bay Area every year since 1997, as well as the Baseline Ecological Monitoring Project in such areas every year since 2001. According to the long-term ecological monitoring undertaken by the AFCD in the Deep Bay Area, no substantial ecological changes have been found in the Area. Against this background, the Government has no intention to review the existing WCA at this stage.

(2) and (3) As regards the WBA, its nature is to buffer the negative disturbances of developments on the wetlands in the WCA, but not to prohibit development at all. In fact, over 40 per cent (i.e. around 513 hectares) of land in the WBA falls within land-use zones that allow residential developments according to the outline zoning plan, including "Other Specified Uses (Comprehensive Development to include Wetland Restoration Area)", "Comprehensive Development Area", "Residential (Group B)", "Residential (Group C)", "Residential (Group D)" and "Village Type Development". For any new development/redevelopment project in the WBA, an ecological impact assessment report showing that such development would not have any environmental interference to the WCA must be submitted. At present, the plot ratio restrictions for the WBA range generally from 0.2 to 0.4 according to the relevant outline zoning plan, but the existing planning mechanism does provide a channel for application to the TPB for relaxing the plot ratio restrictions for residential developments in the areas concerned. The TPB has also been considering planning applications on the basis of individual merits. As a matter of fact, in some of the zones with current developments and developments with planning permissions, plot ratios may range from 1.5 to 3.

Having said the above, in view of the ever changing planning circumstances and social needs, the Government will review the Planning Guidelines relating to the WBA on the premise of balancing the needs for conservation and increase of housing land supply. The Chief Executive announced in her 2020 Policy Address that the remit of the Steering Group on Streamlining Development Control coordinated by the Development Bureau will be expanded to review more comprehensively the development approval processes for both Government and private projects, and to rationalise the development-related requirements imposed by different bureaux. The review on the WBA is carried out under this framework, and our target is to put forward recommendations on whether and how to revise the Planning Guidelines within this year.

LCQ15: Private land suitable for public housing development

Following is a question by the Hon Wilson Or and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (March 24):

Question:

In the 2019 Policy Address, the Chief Executive (CE) put forward proposals "to adopt a more focused approach for rezoning private land for public housing development, and then exercising public power to resume private land for public purpose, [which] is indeed a breakthrough in thinking", and "to resume private land which is zoned for high-density housing development in [the] statutory outline zoning plans [of various districts] but without any development plans due to various reasons (e.g. fragmented ownership, infrastructural constraints) and assessed to be suitable for public housing development". Furthermore, on October 20, 2019, the Secretary for Development (SDEV) mentioned in his blog entitled "My Blog" that "[a]part from brownfield sites in the New Territories, we will also review the land suitable to be zoned as Comprehensive Development Area or Residential (Group A) development with higher plot ratio … and with relatively low-rise existing structures … and that the owner(s) has no concrete development plan. Based on the information available, around ten land parcels that meet such criteria have been identified … We hope we could make public our preliminary views on which of these sites are suitable for public housing development by the middle of next year". In this connection, will the Government inform this Council:

(1) whether the "private land which is … assessed to be suitable for public housing development" mentioned by CE in the 2019 Policy Address is in fact the "ten land parcels" mentioned by the SDEV in the aforesaid "My Blog"; if so, why the Government did not "make public [its] preliminary views" in the middle of 2020 as pledged;

(2) of the respective locations, areas and existing uses of the sites involved in the "ten land parcels"; among such sites, the number of those which have finally been assessed to be suitable for public housing development; whether the Government will rezone those sites that are considered unsuitable for public housing development for other public uses (e.g. subsidised residential care homes for the elderly);

(3) as CE stated in the 2020 Policy Address that "as proposed in last year's Policy Address, the [Development Bureau] has reviewed private land zoned for high-density housing development but without any specific development plan, and assessed whether any such land is suitable for public housing development. It is expected that the related work will be completed by the end of this year", whether such work was completed at the end of 2020 as planned; if so, of the number of pieces, area and other details of the private lands that have been confirmed to be suitable for public housing development; and

(4) of the number of pieces of private lands, excluding the private lands in the planned new development areas, for which the Government commenced, within the 36 months before and the 12 months after the publication of the 2019 Policy Address, studies on the rezoning of land use for public housing development, and the total area of such lands?

Reply:

President,

My reply to the various parts of the Hon Wilson Or's question is as follows:

(1) to (3) The Chief Executive announced in her 2019 Policy Address to intensify Government-led planning efforts, including invoking the Lands Resumption Ordinance (Cap. 124) (LRO) and other applicable ordinances to resume the private land involved for development of public housing and related facilities. Along this direction, the Government has intensified its efforts to expedite development projects, significantly increasing the extent and pace of land resumption. In just 2019-20 and 2020â€‘21, the Government has resumed around 90 hectares (ha) of land (including around 80 ha of land for New Development Areas (NDA) and public housing development), which is much more than the 20 ha resumed over the immediate past five years. Looking ahead, about 700 ha of land (including more than 600 ha of land for NDA and public housing development) will be resumed from 2021-22, of which around 500 ha of land (including around 400 ha for NDA and public housing development) is expected to be resumed in the next five years (i.e. from 2021-22 to 2025-26).

Following the aforementioned direction to intensify efforts on land resumption, one of the measures announced in the 2019 Policy Address is to review private land which is zoned for high-density housing development in statutory outline zoning plans, but without any development plans yet due to various reasons (e.g. fragmented ownership or infrastructural constraints), and assess their suitability for public housing development.

To this end, the Development Bureau (DEVB) has identified ten land parcels for such review. Specifically, these ten land parcels have been zoned as "Comprehensive Development Area" or "Residential (Group A)" with a higher plot ratio (generally speaking, at 7.5 or above in the urban area and at 5 or above in the New Territories), and with relatively low-rise existing structures (say, only a few storeys).

We would assess whether the land parcels are suitable for high density public housing development taking into account the actual circumstances of each land parcel. Such considerations include the overall planning of the community concerned; community facilities and infrastructure (for example, traffic, water supply and drainage facilities) available in the area; the location, size, development parameters and existing uses of the land parcels; as well as any development plan of the land owner. If the land parcel assessed to be suitable for public housing development involved private land, the Government would resume the relevant land by invoking the LRO in accordance with the existing mechanism.

The DEVB is close to completing the said review and will announce the review results in due course. As the said review may relate to potential resumption of private land and compensation, it is not appropriate to disclose information on the specific locations and details of the relevant land parcels at this stage so as to avoid market speculation and unnecessary concerns of the existing users.

(4) Apart from the rezoning work in relation to NDA, we commenced rezoning for a total of 30 sites involving public housing development within the 36 months before and the 12 months after the announcement of the 2019 Policy Address (i.e. from October 2016 to September 2020). The total area of land involved is about 73.32 ha. The rezoning work may involve both government and private land and the breakdown of each is not readily available at this moment.

LCQ13: BUD Fund

Following is a question by the Hon Chung Kwok-pan and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (March 24):

Question:

The Government launched the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) in 2012 to assist small and medium enterprises (SMEs) (including start-ups) in Hong Kong in grasping economic opportunities and boosting their competitiveness. Also, it injected funds into the Fund in 2018 and 2019 respectively to implement enhancement measures (including raising the cumulative funding ceiling per enterprise, and extending the geographical coverage from initially covering the Mainland only to also covering the Association of Southeast Asian Nations markets and all economies with which Hong Kong had signed Free Trade Agreements). As indicated in the Budget just published, the Government plans to further inject funds into the Fund to implement enhancement measures. In this connection, will the Government inform this Council:

(1) of the number of applications received since the launch of the BUD Fund and, among such applications, the number of those approved and the total amount of funding involved; the total number of enterprises involved in the approved applications, with a tabulated breakdown by enterprise scale and industry type;

(2) of the plans in the coming three years to further assist, through the BUD Fund, Hong Kong's SMEs in grasping economic opportunities; and

(3) given that in recent years, quite a number of Hong Kong enterprises which have set up factories on the Mainland or overseas are planning to relocate their factories back to Hong Kong, whether the Government will relax the application restrictions on the BUD Fund to allow Hong Kong enterprises which have proceeded with their plans for relocating back to Hong Kong to apply for the Fund, so as to promote Hong Kong's re-industrialisation and enhance the "Made in Hong Kong" brand?

Reply:

President,

Having consulted the Innovation and Technology Bureau, our reply is as follows:

(1) The implementation progress of the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) since its launch in 2012 and up to end February 2021 is as follows:

Number of applications received (Note 1)	9 535
Number of applications approved	3 358
Total funding amount approved	$1.72 billion
Number of beneficiaries	2 661 (2 587 are small and medium enterprises (SMEs) (Note 2))
Major beneficiary sectors (according to the number of enterprises)	1. Wholesale and Retail (710) 2. Import and Export Trade (323) 3. Textiles and Clothing (179)

(2) The current-term Government has injected a total of $3.5 billion into the BUD Fund, and launched rounds of enhancement measures, including extending the geographical coverage from the Mainland to the member states of the Association of Southeast Asian Nations (ASEAN), and then further to all 20 economies with which Hong Kong has signed Free Trade Agreements (FTAs) (Note 3); increasing the cumulative funding ceiling per enterprise successively, from $0.5 million to $2 million, and then further to $4 million; and increasing the ratio of initial payment from 25 per cent to up to 75 per cent of the approved government funding. From July 2017 to end February 2021, over 2 300 applications were approved under the BUD Fund, involving a total funding amount of over $1.37 billion approved, benefiting over 2 000 enterprises.

To support enterprises in exploring more diversified markets, the Financial Secretary announced in the 2021-22 Budget a proposal to further inject $1.5 billion into the BUD Fund so as to increase the cumulative funding ceiling per enterprise from $4 million to $6 million; and further extend its geographical coverage to 37 economies with which Hong Kong has signed FTAs and/or Investment Promotion and Protection Agreements (IPPAs) (Note 4). Subject to approval from the Finance Committee of the Legislative Council, the Government plans to extend the geographical coverage of the BUD Fund as follows:

Phase 1 (July 2021)	To include Japan and the Republic of Korea

Phase 2 (Q1 2022)	To include Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden and the United Kingdom
Phase 3 (Q2 2022)	To include Kuwait and the United Arab Emirates

The geographical coverage of the BUD Fund will also be extended to new FTA/IPPA economies as Hong Kong's FTA/IPPA network gradually expands.

(3) All non-listed enterprises registered in Hong Kong under the Business Registration Ordinance (Cap. 310) with substantive business operations in Hong Kong are eligible to apply for funding support under the BUD Fund. In other words, enterprises which are interested in relocating back to Hong Kong from the Mainland or overseas can apply for the BUD Fund to undertake projects to develop brands, upgrade and restructure their business operations and promote sales for developing markets within the geographical coverage of the BUD Fund.

On re-industrialisation, to promote the development of advanced manufacturing industries in Hong Kong that are based on new technologies and smart production, the Government launched the Re-industrialisation Funding Scheme (RFS) in end July 2020 to provide financial support for manufacturers on a 1 (the Government): 2 (enterprises) matching basis for setting up new smart production lines in Hong Kong. The maximum funding per project is one-third of the total approved project expenditure or $15 million, whichever is lower. The applications received under the RFS involve a number of industries, including biotechnology, food processing, construction, environmental protection, printing, medical appliances and nanofiber materials.

Note 1: The figure includes applications that could not be processed due to lack of necessary information and those withdrawn by enterprises.
Note 2: Manufacturing enterprises which employ fewer than 100 persons and non-manufacturing enterprises which employ fewer than 50 persons in Hong Kong are regarded as SMEs.
Note 3: The 20 FTA economies include the Mainland, New Zealand, the four member states of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland), Chile, Macao, the ten member states of the ASEAN (comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Georgia and Australia.
Note 4: The 17 newly added economies include Japan, the Republic of Korea, Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden, the United Kingdom, Kuwait and the United Arab Emirates.

LCQ14: Assisting enterprises in exploring overseas business opportunities

Following is a question by the Hon Jimmy Ng and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (March 24):

Question:

The Chief Executive (CE) indicated in the 2019 Policy Address that the Government would seek the policy support of the relevant Central ministries to provide Hong Kong enterprises intending to develop businesses in the nation's overseas Economic and Trade Co-operation Zones (ETCZs) with the same incentive measures and facilitation policies as those provided to Mainland enterprises. CE subsequently indicated in the 2020 Policy Address that the State Ministry of Commerce supported the Hong Kong SAR Government in encouraging Hong Kong enterprises to develop businesses by leveraging ETCZs, and that both sides had selected five ETCZs set up by the Mainland in Thailand, Malaysia, Cambodia and Indonesia, and priorities would be given to promoting the electronics, toys and electrical appliances industries, etc. on a pilot basis. On assisting enterprises in exploring overseas business opportunities, will the Government inform this Council:

(1) of the details of the aforesaid incentive measures and facilitation policies as well as the latest progress of the relevant work;

(2) of the respective numbers of Hong Kong enterprises (i) whose enquiries have been answered and (ii) which have been offered assistance, by the Government and the Hong Kong Trade Development Council, and the number of enterprises which have succeeded in developing businesses in the aforesaid five ETCZs (with a breakdown by scale of enterprise and type of industry), since the introduction of the incentive measures and facilitation policies;

(3) given that the Department of Commerce of Guangdong Province promulgated the Support Policies of the Guangdong Province for overseas Economic and Trade Co-operation Zones on August 4 last year, of the Government’s specific measures to dovetail with the implementation of the policies;

(4) in order to reduce the costs and risks faced by Hong Kong enterprises in developing businesses in ETCZs, whether the Government will consider establishing an "overseas expansion support fund", strengthening the loan guarantees for the enterprises concerned, and amending sections 39E and 16EC of the Inland Revenue Ordinance (Cap. 112) to enable enterprises to claim tax allowances in respect of the machinery, equipment and intellectual property

rights used in their production processes outside Hong Kong;

(5) of the measures in place to assist the commodities produced by Hong Kong enterprises in ETCZs in being granted preferential treatments in respect of access to the Mainland market, in order to tie in with the economic development strategy of "dual circulation" adopted by the Mainland authorities;

(6) given that the preparatory work of Hong Kong enterprises on developing businesses in ETCZs has inevitably been affected amid the epidemic, of the Government's measures to assist them in taking forward the relevant work; and

(7) whether it will strive for the support from the State Ministry of Commerce to allow Hong Kong enterprises to develop businesses in more ETCZs; if so, of the details?

Reply:

President,

Consolidated reply to various parts of the question is as follows:

Setting up production line(s) in the Mainland’s overseas Economic and Trade Co-operation Zones (ETCZs) is a viable option for Hong Kong enterprises that plan to begin production abroad. The ETCZs are invested, developed and managed by Chinese enterprises, operation of which is generally based on market principles. The admission criteria and conditions for individual ETCZs vary and are subject to negotiations between the respective host countries and concerned Chinese enterprises, as well as prevailing local policies.

The Commerce and Economic Development Bureau (CEDB) has been taking actions along the following directions since the Policy Address of 2019 and 2020 mentioned about the encouragement of Hong Kong enterprises to develop businesses in the ETCZs:

(a) Enhancing Mutual Understanding between Hong Kong Enterprises and the Selected ETCZs

Having considered the views of Hong Kong enterprises and the Ministry of Commerce, five ETCZs in four member states of the Association of Southeast Asian Nations (ASEAN), namely Cambodia, Indonesia, Malaysia and Thailand, have been selected as pilot for encouraging Hong Kong enterprises to make use of them in business development. Due to prevailing travel restrictions, the original plan for organising Hong Kong enterprises to visit the selected ETCZs last year is being deferred till when the COVID-19 epidemic situation stabilises. Before that, the Government plans to invite the management of some of the above ETCZs to meet with Hong Kong enterprises through video conferencing within 2021 so as to enhance mutual understanding. This will facilitate the latter to better understand the investment environment of the relevant ETCZs and their host countries, and the admission criteria and applicable preferential terms of those ETCZs. In turn, the Hong Kong enterprises can conduct analyses of the feasibility and risks of developing businesses in the concerned ETCZs carefully.

In addition, the CEDB supported the Hong Kong Trade Development Council (HKTDC) in launching the Transformation Sandbox Programme in April 2020 to assist small and medium enterprises (SMEs) in their business transformation, including manufacturing and supply chain solutions. With a view to assisting those interested Hong Kong enterprises to invest in the ETCZs or to develop business there, they are provided with related information and support through the Programme so as to enhance their understanding of the ETCZs. As of February 2021, the Programme was joined by around 1 200 SME members.

(b) Working with the Ministry of Commerce to Assist Hong Kong Enterprises in Setting up Businesses in the ETCZs

By virtue of the support rendered by the Ministry of Commerce which the Government greatly appreciates, the Economic and Commercial Office of the Chinese Embassy or Consulate-General where the ETCZs are located would provide assistance to Hong Kong enterprises. Furthermore, relevant local Mainland business chambers are encouraged to contact Hong Kong business chambers and enterprises, or accept Hong Kong enterprises as members. Concerning admission to the ETCZs, the management of the five selected ETCZs welcome discussion with Hong Kong enterprises on admission matters. The CEDB will continue to maintain communication with the Ministry of Commerce regarding provision of assistance to Hong Kong enterprises over admission to the ETCZs, and continue to maintain dialogue with business chambers in Hong Kong on Hong Kong enterprises' latest needs.

(c) Supporting Hong Kong Enterprises to Develop Outside Hong Kong and Assisting them in Accessing the Mainland Market

The Government has entered into Investment Protection and Promotion Agreements (IPPAs) with the four countries where the selected ETCZs are located which will provide protection for investments made by Hong Kong enterprises therein. These four countries are also contracting parties of the Free Trade Agreement (FTA) signed between ASEAN and China. As such, goods produced in the selected ETCZs by Hong Kong enterprises that meet the requirements of the agreement would stand to benefit from applicable preferential treatments when they are imported into the Mainland.

In addition, the Government provides funding support, on a matching basis, under the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) to assist Hong Kong enterprises in exploring the Mainland and other markets with which Hong Kong has signed FTAs (including the above four ASEAN countries where the selected ETCZs are located). Eligible fundable items include setting up production lines and carrying out promotional activities, etc. To support enterprises in exploring more diversified markets, the Financial Secretary announced in the 2021-22 Budget a proposal to further inject $1.5 billion into the BUD Fund so as to increase the cumulative funding ceiling for each enterprise from $4 million to $6 million; and extend its geographical coverage from 20 economies to 37 economies with which Hong Kong has entered into FTAs and/or IPPAs. This should facilitate Hong Kong enterprises in exploring the domestic Mainland market and more overseas markets.

Moreover, different types of insurance services are available in the market to help mitigate the risk faced by Hong Kong enterprises in expanding to overseas markets. In addition to the services provided by private insurance companies, the Hong Kong Export Credit Insurance Corporation, which is a statutory entity, offers export credit insurance services to Hong Kong enterprises for their trade with overseas buyers covering goods produced outside Hong Kong (such as in the Mainland) for exports to other places or for sale at the respective place of production.

In respect of providing depreciation allowance for the use of machinery, as advised by the Financial Services and the Treasury Bureau, in accordance with the established "territorial source" and "tax symmetry" principles, the Inland Revenue Department will not charge profits tax on profits which are derived outside Hong Kong. Similarly, depreciation allowance will not be granted for any machinery and plant solely used in manufacturing activities outside Hong Kong. Section 39E of the Inland Revenue Ordinance (IRO) aims at preventing tax avoidance opportunities arising from machinery or plant leasing arrangements, and similar requirements are also imposed under section 16EC of the IRO in relation to the purchase of intellectual property rights for use outside Hong Kong by other parties.

To assist Hong Kong enterprises expand into the Mainland market (including goods manufactured in the ETCZs), the Government will provide funding for the HKTDC to launch a one-stop "GoGBA" platform alongside the "HKTDC GBA Centre" in Shenzhen to provide multi-faced support. In addition, the HKTDC has set up physical and online outlets of its "Design Gallery" in the Mainland, and has launched a one-stop "ConsignEasy" service to help enterprises tackle logistics, warehousing, taxation and other matters related to domestic sales in the Mainland. To strengthen promotion, the HKTDC will organise online and offline marketing campaigns to underline Hong Kong’s capabilities in design and creativity, as well as organise Hong Kong enterprises for participating in Mainland exhibitions to promote our brands and products. The Government will continue to actively participate in the annual China International Import Expo to promote Hong Kong’s quality products and services.

Regarding the "Support Policies for Guangdong overseas Economic and Trade Co-operation Zone" as promulgated by the Department of Commerce of Guangdong Province on August 4, 2020, the Government is given to understand that it is targeted at specific enterprises in Guangdong Province. That said, it mentioned that efforts would be made to promote complementary integration of advantages enjoyed by Guangdong manufacturing industries with capital sources, modern services sector, international economic and trade networks of Hong Kong and Macao; and enterprises would be jointly organised to visit the ETCZs. The Government will consider participating in relevant activities when the epidemic situation stabilises.