

**立法會**  
**Legislative Council**

LC Paper No. CB(1)557/00-01  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/TI/1

**Panel on Trade and Industry**

**Minutes of meeting**  
**held on Monday, 11 December 2000, at 4:30 pm**  
**in Conference Room A of the Legislative Council Building**

**Members present** : Hon Kenneth TING Woo-shou, JP (Chairman)  
Hon HUI Cheung-ching (Deputy Chairman)  
Dr Hon LUI Ming-wah, JP  
Hon NG Leung-sing  
Prof Hon NG Ching-fai  
Hon Mrs Selina CHOW LIANG Shuk-ye, JP  
Hon CHAN Kam-lam  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon SIN Chung-kai  
Hon CHOY So-yuk  
Hon Henry WU King-cheong, BBS

**Member absent** : Hon CHEUNG Man-kwong

**Public officers attending** : **For Item IV**

Mr Francis HO, JP  
Commissioner for Innovation and Technology

Ms Wendy CHEUNG  
Assistant Commissioner for Innovation and Technology  
(Funding Schemes)

**For Item V & VI**

Miss Yvonne CHOI  
Deputy Secretary for Commerce and Industry (1)

Miss Anita CHAN  
Principal Assistant Secretary for Commerce and Industry (C)

Mr Edward YAU  
Deputy Director-General of Trade and Industry

**Attendance by invitation : For Item IV**

Walden Technology Management (HK) Ltd.

Mr K O CHIA  
Executive Director

AsiaTech Ventures Ltd.

Mr Hanson CHEAH  
President

Softech Investment Management Co. Ltd.

Mr Johnny CHAN  
Chief Executive Officer

**Clerk in attendance** : Mr Andy LAU  
Chief Assistant Secretary (1)2

**Staff in attendance** : Ms Queenie YU  
Senior Assistant Secretary (1)6

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**I Confirmation of minutes of previous meeting**  
(LC Paper No. CB(1)212/00-01)

The minutes of the Panel meeting held on 16 October 2000 were confirmed.

**II Information paper issued since last meeting**

2. Members noted that no information paper had been issued since last meeting.

### **III Date of the next meeting and items for discussion**

(LC Paper No. CB(1)276/00-01(01) - List of outstanding items for discussion)

3. Members noted that the next Panel meeting would be held on Monday, 8 January 2001 at 4:30 pm in Conference Room A of the Legislative Council Building and agreed to discuss the following items -

- (a) Retention of a supernumerary AOSGC post in Invest Hong Kong for 2 years;
- (b) Future arrangement for provision of Government Electronic Data Interchange services; and
- (c) Electronic Data Interchange Facilitation (Cargo Manifests and Dutiable Commodities) Bill.

4. The Chairman informed members that according to the Administration's letter, the Secretary for Commerce and Industry had already provided a reply to the question asked by Dr LUI Ming-wah in relation to the Silicon Harbour at the Legislative Council meeting on 15 November 2000. The Administration therefore suggested that the issue of "Silicon Harbour" be deleted from the list of outstanding items for discussion.

5. Members accepted the Administration's suggestion.

### **IV Update on the Applied Research Fund (ARF)**

(LC Paper No. CB(1)276/00-01(02))

6. At the Chairman's invitation, the Commissioner for Innovation and Technology (CIT) briefed members on the latest development of ARF, details of which were set out in the information paper provided by the Administration (LC Paper CB(1) 276/00-01(02)).

#### Effectiveness of ARF

7. Pointing out that it was a well-intentioned move for the Government to set up ARF to provide funding support to technology ventures and research and development (R&D) activities, Dr LUI Ming-wah expressed concern about the unsatisfactory performance of some investment projects. He commented that as ARF was spread out across a wide range of investment projects, resources could not be concentrated on specific technology areas, rendering it incapable of accomplishing its aim to promote technology and R&D activities. Citing the practice of Taiwan as an example, he held the view that ARF should only concentrate on the development of a particular technology area at one time.

8. In response, CIT advised that a long period of observation would be needed to assess whether the operation of ARF could accomplish its aim. Conclusion could only be drawn from a comprehensive analysis on the overall investment portfolio. He pointed out that even in the Silicon Valley, experience had shown that there were just a handful of successful cases among all the development projects. He explained that as the local technology industries still needed time to catch up both in terms of foundation and development, their revolutionary and innovative ideas could not compare to those of other places such as the Silicon Valley. While the estimated value of enterprises in the Silicon Valley could surge hundreds or thousands of times, he believed that similar situations would hardly exist in Hong Kong. As to the lack of focus of investment projects, he referred members to Annex B of the paper, which set out the sectoral distribution of funded projects. He advised that since the appointment of fund managers to manage ARF according to the operation of the market, the fund had been invested in technology projects covering information technology, electronics and communications, which Hong Kong was familiar with and had an advantage over others. He believed that the existing sectoral distribution would not be subject to any drastic changes in the next 18 months.

9. Referring to paragraph 13 of the paper, which mentioned that the public mission of ARF was not for maximizing investment returns on its investment but promoting innovation, Mr NG Leung-sing enquired about the considerations given to the relationship and interaction between the former and the latter. CIT replied that in the worst scenario, the poor climate in R&D activities in technology would render ARF unable to achieve anything in maximizing investment returns and promoting technology researches despite the investment of its entire capital of \$750 million. On the contrary, the most desirable situation was to kick start a healthy cycle with ARF sponsoring and promoting technology-based start-up companies, so that these companies could develop and expand their own business, as well as making further use of the capital market to raise funds. In so doing, more investment opportunities could be offered to the public on the one hand and more technology-based start-up companies would be encouraged to engage in the development of technology researches on the other. Ultimately, the Administration hoped to hand over the operation of ARF to the venture capital industry and risk funds while the Administration itself would gradually withdraw from the scene.

10. Dr LUI Ming-wah commented that the two objectives, namely “maximizing investment returns” and “promoting innovation”, would contradict each other when being translated into policy. In response, CIT advised that the Finance Committee (FC) also recognized both the risky nature of promoting technology entrepreneurship and the public mission of ARF, whose major premise was the overall well-being of the society and the economy, rather than the financial returns of individual investment projects. As such, FC agreed to dispense with the minimum target return rate of 5% when approving a further capital injection to ARF in March 1998.

11. Mr NG Leung-sing further pointed out that according to paragraph 13 of the paper, all the projects managed by the fund managers totalled at 245% of the investment at cost. He enquired about the basis of the valuation. In reply, Mr K O CHIA of Walden Technology Management (HK) Ltd. (Walden) said that international standard practice was adopted in calculating the increase in the value of each company. He advised that as each investee company engaged in different capital raising activities at different stages, asset valuation was to find out the difference of a company's real asset value at the time of its latest capital injection activity and the preceding one. Mrs Sophie LEUNG clarified that when valuating the actual assets of a company, its market capitalization as reflected in the amount of capital injection undertaken by genuine buyers in the market during a capital raising activity should be taken into account. She pointed out that such capital raising activities were different from speculating in the stock market.

12. Mr NG Leung-sing worried that taking the change in the market value of a company as the sole basis for valuating its asset value might only spur short term speculative activities and give rise to false market expectations. This was not adding value to the enterprise through technological development and innovation. He enquired how the Administration would lead the enterprises engaging in emerging technologies towards the long-term goal of making profitable business. CIT responded that the development of technology in Hong Kong should be matched by a thriving capital market. He further pointed out that instead of simply investing in the prevailing dotcoms, ARF targeted at companies supported by solid business development such as speech recognition technology, software development and semi-conductor. He stressed that it was important to maintain a balanced investment portfolio for the funds and choose sound and reliable investment projects.

13. Mr Henry WU was concerned about the uneven distribution of funds among the four fund managers currently appointed by ARF. For example, HSBC Private Equity Management Ltd. (HSBC) was allocated with \$50 million out of ARF's total capital of \$750 million and had invested \$46.5 million in a single telecommunications project. As for the remaining fund managers, the amount of funds involved in their investment projects were relatively smaller although they received larger amounts of allocations. In response, CIT advised that initially, the Administration had appointed three fund managers, namely AsiaTech Ventures Ltd. (AsiaTech), Walden and HSBC. The Administration later made a gentleman's agreement with HSBC to freeze the \$250 million already entrusted and the company was not to use the funds to take on any new investments. The funds thus released were entrusted to Softech Investment Management Co. Ltd. (Softech). In reply to Mr WU's question on when the Administration would terminate its relationship with HSBC, CIT said that that the relationship between HSBC and the Administration regarding ARF would be officially terminated after the sale of the investment project through listing or resale. The recouped funding would then be re-allocated to the remaining fund managers.

14. Mr CHAN Kam-lam asked whether the reasons for freezing the ARF allocated to HSBC was due to the company's financial or management problems. In response, CIT advised that HSBC's credibility was beyond doubt. He however stressed that ARF was public money and hence public accountability should not be ignored. The termination of HSBC's appointment was due to the differences in expectations between the company and the Administration concerning the management, monitoring and evaluation of the performance of the funds. He held the view that an early termination of their relationship was a proper move in the interest of both parties.

15. Mr CHAN further enquired if the Administration would consider appointing one or two more fund managers, which he thought might enhance the performance of the existing fund managers. In response, CIT pointed out that the appointment of only three fund managers was a decision made by the Board of Directors of ARF (the Board) after thorough consideration. If more fund managers were to be engaged, the funds allocated to each manager would be reduced correspondingly, rendering them incapable of undertaking projects that require substantial investment. Besides, there would be practical difficulties for the Board to monitor the fund managers. He reiterated that the Government had weighed various factors, which included monitoring, competitiveness and resources, before coming to the conclusion that it was most appropriate to limit the number of fund managers to three.

16. Pointing out that the total capital of ARF was \$750 million as stated in the paper, Mr Henry WU queried why the funds allocated to the four fund managers totalled at \$850 million. CIT explained that the situation was basically attributed to the flow of funds. As the funds were invested at different times, there would be accrued interest income or recoup of funds for project acquisition, resulting in the total investment funds accrued to exceed \$750 million. He however clarified that the total amount of investments made by ARF would not exceed \$750 million at any one time.

17. Mr Henry WU was also concerned that only 18 investment projects were approved out of the 1 488 business proposals received by the fund managers. CIT responded that the Board had to consider if individual proposals were worthy of their support and pointed out that in general, the quality of the proposals received varied a great deal. The fund managers scrutinized the proposals from the angle of risk management and the assessment criteria they adopted were more stringent than those of the Small Enterprises Research Assistance Programme (SERAP) administered by the Administration. In approving funding applications, SERAP adopted criteria that would accept higher risk and focused on encouraging small enterprises ventures. Generally speaking, out of 10 SERAP-sponsored projects, only two could succeed. On the contrary, as a ceiling was imposed on the total capital of ARF, the adoption of prudent assessment criteria could facilitate the effective distribution of funds to the more worthwhile investment projects. Furthermore, the poor investment climate prevailing worldwide since April also affected the fund managers' assessment of the proposals received.

18. Mr Johnny CHAN of Softech Investment Management Co. Ltd. pointed out that despite the poor investment climate, Softech had screened a considerable number of proposals after being entrusted with the management of ARF in late March this year. He informed members that Softech screened 187 proposals in the first quarter and none of them received their support; in the second quarter, 97 proposals were screened and one of them was approved. While agreeing to CIT's analysis, he further pointed out that the investment climate had improved recently and Softech was expected to invest in one or two projects in the next few months. Mr Hanson CHEAH of AsiaTech Ventures Ltd. added that in deciding to inject capital to a particular project, the fund manager had to assist the company concerned in upgrading its market management knowledge and tapping human resources in addition to providing funding support. As such, only a few projects with quality and development potential could receive funding support. He also pointed out that although the mission of ARF was to support technology ventures and R&D activities, the fund managers could not abandon commercial assessment criteria such as profitability. In reply to the Chairman's question on the percentage of the projects receiving funding support, Mr Hanson CHEAH said that the percentage was 5% to 8% on average but the number varied each quarter. Mr K O CHIA advised that about 1% to 2% of the projects were supported by Walden. He agreed to the assessment criteria adopted by the two fund managers in screening proposals, as well as sharing their views that it took time, efforts and money to nurture start-up companies in pursuing technology-related projects.

#### Supervising fund managers and promoting ARF

19. Paragraph 11 of the paper mentioned that two investments had not performed well and ARF sold its equity in one company at nominal value in August while another investee company was liquidated in September with the investment by ARF being written off, which meant a total loss of \$36 million. In this connection, Mr HUI Cheung-ching enquired about the exact amount of the nominal value and whether the Administration would track down the party to be held liable. Mr Hanson CHEAH clarified that the Government sold the said company to one of its shareholder for \$1 in August. As to the other company, he pointed out that negative asset was not the cause of its liquidation. In fact, the business of the company had gradually shrunk to naught. CIT responded that the Administration would hold the fund manager liable if unethical misconduct was involved, otherwise it would accept the fund manager's professional judgement and the investment returns, be it a loss or gain. Mr HUI opined that the Administration should make regular reports and comments on the progress of the investment projects undertaken by the fund managers. CIT replied that the fund managers who were responsible for the two projects registering losses had also briefed the Board on the reasons for their failure in detail.

20. Responding to Mrs Sophie LEUNG's further question on whether the Government, as an investor, made regular assessments on the investment projects together with the fund managers so as to terminate the projects which did not

perform well or inject additional capital to projects with development potential, CIT advised that one of the major responsibilities of the Applied Research Council (ARC) was to make monthly assessments on the progress of the three fund managers' investment projects. He stressed that the Administration had to strike a balance between respecting the ways the fund managers managed the funds according to their professional knowledge and ensuring the proper use of ARF. Mrs LEUNG clarified that the regular assessments to which she referred should be made by ARC after receiving the fund managers' briefings on their investment projects, rather than an intervening third party.

21. Pointing out that if unsatisfactory investment projects would ultimately be resold by the Administration to interested buyers at a very low price, Ms CHOY So-yuk worried that such an unaccountable practice might lead to abuse. For example, the shareholders of a company might hold back deliberately the company's development potential to give themselves an opportunity for buying the shares of the company later at a low price. In response, CIT pointed out that the Administration had taken legal actions in respect of the two cases which incurred losses and was awaiting the outcome. As to the unsatisfactory projects, the Administration would audit the operations of the enterprises concerned and hence the chances of abuse were remote.

22. Mr Hanson CHEAH supplemented that as all the projects invested by the fund managers had also attracted the investments of other institutional investors such as members of the Hong Kong Venture Capital Association Ltd, he opined that abuse could hardly take place. He advised that the two investment projects which incurred losses enabled the fund managers to better understand the volatility of the investment environment and realize that enterprises very often failed to initiate a timely restructuring to adapt to the actual changes in the market. He also pointed out that the non-compliance of the provisions stipulated in the written agreement by some shareholders was another reason for the failure. Ms CHOY enquired about the measures to prevent the recurrence of such cases. CIT opined that as Hong Kong already had a mature capital market and a sound legal system, the Administration attached great importance to the overall quality of the management of ARF. He advised that so far ARC found the expertise and judgement of the fund managers reliable. Regarding the non-compliance of the agreement by shareholders as mentioned by Mr Hanson CHEAH, it was difficult for the Administration to formulate preventive measures against such uncommon individual cases.

23. Dr LUI Ming-wah was also concerned about the unsatisfactory performance of most of the 27 investment projects processed by the former Director-General of Industry. In response, CIT pointed out that at that time the projects had been vetted and approved by civil servants. Whilst admitting that unsatisfactory investment returns were resulted from the lack of expertise and skills in commercial management, he pointed out that after the review, the Administration had already entrusted the management of ARF to fund managers, who had made more effective investment decisions.



24. Mrs Sophie LEUNG enquired whether regular public forums would be held for the three fund managers to explain to and promote technology ventures and R&D activities among interested investors in the market, so as to tie in with the public mission of ARF stated in paragraph 13 of the paper. In reply, CIT advised that the Administration had arranged regular forums. For example, the incubation programmes administered by the Hong Kong Industrial Technology Centre Corporation (HKITCC) would invite fund managers to brief incubatees on the operation of the fund and the application criteria etc. Moreover, the Administration planned to arrange a seminar in January next year for successful SERAP applicants and fund managers to exchange their views. He also pointed out that the three fund managers had actively participated in various seminars in the market to promote ARF.

Admin 25. At members' request, CIT agreed to submit quarterly written reports to facilitate members' understanding of the progress of ARF.

## **V Support for manufacturing industry** (LC Paper No. CB(1)276/00-01(03))

### Hong Kong's manufacturing industry

26. Mrs Sophie LEUNG advised that she raised this topic to arouse the genuine concern of the community for the forgotten manufacturing industry. She commented that the Administration's paper had not elaborated on the important role played by the manufacturing industry in Hong Kong's overall economy. She said that Hong Kong's overall economic performance would have been very different but for the contributions of the manufacturing industry, especially in the export trade. She requested the Administration to provide concrete statistics on the contributions of the manufacturing industry to Hong Kong's overall economy.

27. In response, Deputy Secretary for Commerce and Industry (1) (DS(CI)1) emphasized that the Administration had always recognized the importance of the manufacturing industry to Hong Kong's economy. She pointed out that at present, the output value of the industry accounted for 6% of Hong Kong's Gross Domestic Product (GDP). However, as mentioned in paragraph 3 of the paper, many of the manufacturing-related activities were classified as producer services. Therefore, their contributions had not been fully reflected as the manufacturing sector's contributions to Hong Kong's GDP. She further pointed out that in fact, some labour and land-intensive, and low value-added manufacturing processes had been relocated to the Pearl River Delta Area since 1980, thus elevating the local manufacturing industry onto another level dominated by manufacturing-related services and activities. She also referred to paragraph 4 of the paper, which mentioned that according to the Economic Study of Hong Kong's Producer Service Sector and its Role in Supporting Manufacturing carried out by the University of Hong Kong, the share of manufacturing-related services in Hong Kong's real GDP had increased from 42.7% in 1980 to 50% in

1997. While emphasizing that all the aforesaid statistics had indicated the substantial contributions of the manufacturing industry to Hong Kong's economy, DS(CI)1 nevertheless undertook that the Administration would consider providing concrete statistics on the contributions of the manufacturing industry at members' request.

Admin

28. Mrs LEUNG further requested the Administration to assess the impact on Hong Kong's economy had there been no manufacturing industry. In response, DS(CI)1 advised that she would examine the issue jointly with the Government Economist. However, she emphasized that the Administration never denied the value of the industry. On the contrary, the Government had always been committed to assisting the local manufacturing industry in enhancing its competitiveness in the market. She pointed out that the paper also mentioned about the major areas where Government support was provided to industries, namely the business environment, infrastructure, technology upgrading, manpower and market expansion. She welcomed suggestions from members as to any further support the Administration could provide for the manufacturing industry.

Admin

29. Mrs LEUNG reiterated that the Administration had to promote the contributions of the manufacturing industry to Hong Kong's economy in a more proactive and open manner. In particular, the impact which Hong Kong would suffer had there been no manufacturing industry had to be stated clearly. She commented that the industry had been making contributions in a low profile way during the past 30 or 40 years to assist Hong Kong in entering the world market. Taking the clothing industry as an example, she opined that with over US\$80 billion foreign exchange revenue brought to Hong Kong every year, the industry had made undeniable contributions to the local economy. She strongly believed that if the manufacturing industry no longer existed, many trades would be affected and the impact would also be far-reaching. DS(CI)1 undertook that the Administration would consider further promoting the contributions of the manufacturing industry to Hong Kong's economy.

Admin

#### Funding support

30. Regarding the Patent Application Grant and the Hong Kong Awards for Industry mentioned in paragraphs 16 and 24 respectively, Mrs Selina CHOW considered that both awards were aiming at encouraging product research and innovation. However, she pointed out that a product which had won the two awards recently was rejected in another manufacturing-related Government tender. She commented that the Administration should provide practical assistance to the winners to match appropriate manufacturing firms in producing the prize-winning products in order to fully achieve the objectives of the award schemes. She enquired about how the Administration would establish relations between "inventors" and "manufacturers" at present or in the near future so that the prize-winning products could finally be put on the market.

Admin

31. In response, DS(CI)1 advised that the Administration was operating different industrial funding and award schemes for different objectives. For example, there were funding schemes which aimed at enhancing productivity, upgrading technology and encouraging innovation and researches, and award schemes which aimed at acknowledging contributory ideas or innovative inventions. Regarding the tender applications submitted by the prize-winning companies to other organizations in relation to the prize-winning products, as far as she knew, the Administration had not arranged for the referral of the companies' information to other relevant organizations. She considered that whether a product was worth producing was a business decision. The Administration had to be careful when deciding whether it was appropriate to offer particular assistance in promoting the products of a certain company. Mrs CHOW was of the view that industrial awards given out by the Administration were different from general arts or academic awards. In the former case, the practicality of the products must be taken into account. At members' request, DS(CI)1 undertook to submit a paper elaborating on the follow-up actions taken/to be taken by the Administration to promote the commercialization of inventions.

32. According to the paper, the Administration's HK\$5 billion Innovation and Technology Fund (ITF) was launched to provide funding support to projects contributing to innovation and technology upgrading in industries, as well as those essential to the upgrading and development of the industry. In this connection, Miss CHOY So-yuk enquired whether inventors in the Mainland who had registered their products in Hong Kong were eligible to apply for ITF or other funds. She believed that if the answer was in the affirmative, many inventors in the Mainland would be attracted to Hong Kong, which would help facilitate the development of local industries. DS(CI)1 responded that to her belief, ITF was targeted at local companies or people, rather than those outside Hong Kong. Miss CHOY suggested that the Administration should consider allowing people outside Hong Kong to participate in funding schemes in the form of joint venture.

#### Support to small and medium enterprises

33. Regarding the representativeness of the Small and Medium Enterprises Committee (SMEC) mentioned in paragraph 19(a) of the paper, Mr NG Leung-sing pointed out that there were as many as 290 000 SMEs and enquired whether SMEs would be allowed to join SMEC on their own initiative, and whether the Administration would consider establishing a more flexible mechanism to enhance the representativeness of SMEC.

34. DS(CI)1 replied that some individuals who were interested in joining SMEC had approached the Administration. Their requests had also been referred to the Chief Executive (CE)'s Office for consideration. She further pointed out that SMEC, which aimed at helping SMEs enhance their long-term development capability, would solicit talents who were familiar with various aspects of the operation of SMEs, including people who had knowledge in

finance and manpower training. Members of SMEC were appointed by CE and its membership would be announced shortly. She emphasized that besides consulting SMEC, the Administration would also listen extensively to the opinions of various sectors. Mr NG welcomed the Administration's consideration of allowing individual persons to join SMEC on their own initiative. He hoped that the Administration would convey this message more clearly to SMEs so that people who were interested could have a chance to make a wider range of suggestions to SMEs.

#### Human resources development

35. Mr HUI Cheung-ching asked whether the manufacturing industry had been replaced by manufacturing-related service industries. DS(CI)1 clarified that this was not true. In fact, many manufacturing-related activities, including product design, financing and quality management, were still carried out in Hong Kong. For statistical purposes, however, the contributions of these activities were not reflected as the contributions of the manufacturing industry to GDP. Rather, they were incorporated as producer services. Dr LUI Ming-wah disagreed with the explanation made by DS(CI)1. He considered that there was no ambiguity in the definition of manufacturing industry. On behalf of Mrs Selina CHOW, the Chairman asked whether the Administration could separate the data of manufacturing activities and relevant services for statistical purposes. DS(CI)1 replied that the proposed practice might cause technical problems in actual operation.

36. Dr LUI Ming-wah further mentioned that the share of manufacturing industry in GDP dropped from 24.5% in the 1980s to 6% at present, while the number of workers employed in the industry also fell from 950 000 to less than 200 000 at present. He was worried that the contraction of manufacturing industry would further affect the employment opportunities for low-skilled workers. With regard to the present unemployment rate of 4.8% in Hong Kong, he enquired how the Administration would increase the job opportunities for low-skilled workers in the manufacturing industry.

37. DS(CI)1 responded that the Administration was providing various kinds of training courses through different training organizations such as the Employees Retraining Board, Vocational Training Council and Apprenticeship Scheme to assist low-skilled workers in switching to other industries. She pointed out that while it took time to alleviate the local unemployment problem, the unemployment rate had been declining from the peak a year ago. Dr LUI enquired whether the manufacturing industry could create a large number of job opportunities for low-skilled workers. In response, DS(CI)1 pointed out that the manufacturing industry could provide different kinds of job opportunities, including those relating to high value-added processes and activities. The Administration was committed to assisting low-skilled workers in finding suitable jobs in a wider scope of the manufacturing industry.

Admin

38. Regarding the Admission of Talents Scheme (ATS) mentioned in the paper, Mr CHAN Kam-lam advised that many people from the industrial sector considered the admission requirements too high, which in general failed to meet the practical needs of the industrial sector. He hoped that the Government would review the Scheme. DS(CI)1 replied that the Administration also heard the views of many members of the community on ATS. The Security Bureau was reviewing the Scheme to see whether it was necessary to revise the existing application requirements for ATS. In response to members' enquiry on the proposed completion date of the review, DS(CI)1 undertook to provide members with the relevant information after the meeting.

39. Mr CHAN pointed out that the industry further suggested the Government should consider extending ATS to cover the admission of inward investors in the context of the review. DS(CI)1 responded that the Administration had always welcomed people outside Hong Kong to invest in the territory. As far as she knew, the Administration had not imposed any special restrictions on inward investors at present.

#### **VI Measures to assist Hong Kong businessmen in operating businesses in the Mainland**

(LC Paper No. CB(1)276/00-01(04))

40. As there was insufficient time for discussion, members agreed that this item be deferred to the next meeting.

#### **VII Any other business**

41. There being no other business, the meeting ended at 6:30 pm.

Legislative Council Secretariat

7 February 2001