

立法會
Legislative Council

LC Paper No. CB(1) 2147/01-02
(These minutes have been seen
by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Monday, 13 May 2002, 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, JP (Deputy Chairman)
Dr Hon LUI Ming-wah, JP
Hon NG Leung-sing, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon CHAN Kam-lam
Hon SIN Chung-kai
Hon CHOY So-yuk
Hon Henry WU King-cheong, BBS
- Non-Panel Member attending** : Hon CHAN Yuen-han, JP
- Members absent** : Hon CHEUNG Man-kwong
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon MA Fung-kwok
- Public officers attending** : **For Item IV**

Mr Joshua LAW
Director-General of Trade and Industry

Mr Eugene FUNG
Assistant Director-General of Trade and Industry

Miss Anita CHAN
Principal Assistant Secretary for Commerce and Industry

Clerk in attendance : Ms Connie SZETO
Chief Assistant Secretary (1)4

Staff in attendance : Mr TSANG Siu-cheung
Senior Assistant Secretary (1)7

I Confirmation of minutes of previous meeting
(LC Paper No. CB(1) 1679/01-02)

The minutes of the meeting held on 11 March 2002 were confirmed.

II Information papers issued since last meeting

2. Members noted that an information paper on the Helping Business Awards Scheme 2001 (LC Paper No. CB(1) 1599/01-02) had been issued since the last meeting.

III Date of the next meeting and items for discussion

(LC Paper No. CB(1) 1670/01-02(01) - List of outstanding items for discussion
LC Paper No. CB(1) 1670/01-02(02) - List of follow-up actions)

3. Members agreed that the next regular meeting would be held on Monday, 10 June 2002, at 4:30 pm to discuss the following items:

- (a) Proposed new Customs Headquarters Tower;
- (b) Consultancy study on environmental technology industry in Hong Kong; and
- (c) Improving the business environment.

4. Members noted that items (a) and (b) were proposed for discussion by the Administration, and item (c) was proposed by Mrs Sophie LEUNG.

5. As regards the issue about monitoring of the Hong Kong Productivity Council (HKPC) and the competition it posed to the industry proposed for discussion by Mr CHEUNG Man-kwong, members agreed to include the item in the list of outstanding items for discussion.

IV Report on the operation of the four funding schemes for small and medium enterprises

(LC Paper Nos. CB(1) 1670/01-02(03) and 1737/01-02)

6. Director-General of Trade and Industry (DGTI) briefed members on the progress of the four funding schemes for small and medium enterprises (SMEs) since they started operation in December 2001 and January 2002. Details were set out in the information paper provided by the Administration.

Beneficiaries and promotion of the funding schemes

7. Referring to the information provided by the Administration, Mrs Selina CHOW pointed out that the beneficiaries of the four funding schemes were mainly SMEs in the manufacturing industries while those in the non-manufacturing sectors, such as the service industry, received relatively less support. For example, under the SME Business Installations and Equipment Loan Guarantee Scheme (BIG), applications submitted by SMEs in the non-manufacturing sectors only accounted for 29% of the total applications. Among these applications, those submitted by the wholesale and retail sectors accounted for merely 1.7%. As non-manufacturing sectors had greater potential for development than that of the manufacturing industry, she expressed concern about the distribution of funding support among SMEs in various industries. She was concerned that the Administration might not undertake sufficient publicity to promote these schemes effectively among the non-manufacturing sectors (e.g. the service, catering and tourism industries). She further advised that in order to allow the SMEs in the tourism industry to benefit from these funding schemes, the Travel Industry Council of Hong Kong had called upon and encouraged enterprises in the industry to submit applications.

8. In response, DGTI advised that the Administration was not in favour of any industries when promoting the four funding schemes. In fact, all funding schemes had received applications from SMEs in the non-manufacturing sectors (e.g. tourism, catering, wholesale and retail industries). He supplemented that the Administration had all along maintained contacts with various trade associations to promote the funding schemes. As to the reasons for the smaller number of applications received from the non-manufacturing sectors, DGTI advised that in general, demand for business installations and equipment from the service, tourism, and wholesale and retail industries was not as high as that of the manufacturing industry. However, SMEs could still apply for funding support under BIG to purchase business installations and equipment such as computer, furniture, etc. to improve the operation of their businesses. He advised that the Administration would actively explore ways to promote the four funding schemes among the non-manufacturing sectors. For those SMEs which were not familiar with the operation of the schemes, the Administration would enhance communication with them and provide detailed explanation.

9. While supporting the four SME funding schemes in principle, Miss CHAN Yuen-han was concerned that the schemes might not meet the

current economic and social development. For example, the service and tourism industries which were identified as the key industries for development had not received much support under the schemes. Moreover, the funding schemes did not support the local community economy such as enhancing the competitiveness of small vendors in the face of market monopoly. She also opined that the Administration should make reference to Macau's experience by setting up organizations similar to the Institute for Tourism Studies and Cultural Institute to promote the development of local tourism industry. Besides, Miss CHAN Yuen-han was worried that due to the lack of communication channels with the Administration, those newly emerged sectors might not be aware of and benefit from the funding schemes.

10. DGTI welcomed Miss CHAN's suggestion and stressed that the Administration would encourage SMEs in various industries to grasp the opportunity for funding support. He reiterated that in the past few months, the Administration had conducted extensive promotion and publicity activities as well as liaised with the trade associations/organizations of various industries and arranged detailed briefing sessions for them regarding the funding schemes. He also undertook to further promote the schemes among the industries. Moreover, DGTI advised that the extensive coverage of the funding schemes could cater for the prevailing economic situation by offering support to various trades and industries. He pointed out that the Trade and Industry Department (TID) would work with relevant departments and organizations to facilitate the development of SMEs in various industries.

Progress of the funding schemes and processing of applications

11. Mr Henry WU considered that the four funding schemes varied in their effectiveness. For example, BIG attracted more applications than expected while the response to the SME Training Fund (STF) and the SME Export Marketing Fund (EMF) was less than satisfactory. For those funding schemes with less than satisfactory response, he opined that the Administration should step up its publicity effort so that more SMEs could benefit.

12. DGTI responded that as the four funding schemes had come into operation for about five months only, and given the unfavourable economic situation last year, the number of applications drawn by the schemes was considered satisfactory. He pointed out that the application figures of all schemes were on a rising trend. The Administration believed that more SMEs could be encouraged to submit applications through enhanced promotion and publicity efforts. The number of applications was expected to increase as the economy improved and as more SMEs actively planned for business expansion.

13. Expressing concern about the applications rejected under the schemes, Mr Henry WU enquired the Administration about the reasons behind.

14. Regarding the 11 applications rejected under BIG, the Assistant Director-General of Trade and Industry (ADGTI) explained that the main reasons were as follows:

- (a) two SMEs which had been established for more than 18 months failed to provide the lending institutions with audited company accounts in respect of their loan applications;
- (b) one SME had already purchased business installations and equipment before submitting its application;
- (c) one SME applied for loan facilities to pay off its debts; and
- (d) seven SMEs had already been approved of the maximum amount of government guarantee of \$1 million per SME.

15. In response to Mr NG Leung-sing's enquiry, DGTI advised that despite the lending institutions' approval, the aforementioned 11 applications failed to secure government guarantee for the reasons given in paragraph 14. He supplemented that individual SMEs which were unable to obtain loan facilities for the purchase of machinery had approached TID for assistance. In order to help these SMEs resolve their financing difficulties, TID had taken the initiative to contact the lending institutions concerned and requested their consideration for providing loan facilities to the SMEs under BIG.

16. On the 151 applications rejected under STF, ADGTI explained that the main reason was that the applicant organizations had failed to produce valid proof of business registration or could not fully meet the definition of SME. Other reasons included the fact that the applicants had already been approved of the maximum amount of funding support, applications were submitted after the commencement of training programmes, applications were for non-training items, etc.

17. As regards the 53 unsuccessful applications under EMF, ADGTI pointed out that the reasons included that the applicants had already been approved of the maximum amount of funding support, the applicant organizations failed to meet SME's definition and to prove that they would participate in the promotion activities concerned.

18. Regarding the SME Development Fund (SDF), ADGTI advised that based on the preliminary assessment of the Vetting Committee, some 170 applications would not be approved. It was because some applications were for support services similar to those already available in the market, the Vetting Committee cast doubts on the effectiveness of the projects concerned, and the capability and involvement of the applicant organizations.

SME Business Installations and Equipment Loan Guarantee Scheme

CIB 19. Referring to the 53 approved cases under BIG which involved loan facilities of over \$2 million each as stated in paragraph 11, Mr CHAN Kam-lam enquired about the sectors and the actual amount of loan facilities approved. DGTI agreed to provide the relevant information after the meeting.

(Post meeting note: The information provided by the Administration on loan facilities of over \$2 million approved under BIG was circulated for members' reference vide LC Paper No. CB(1)1851/01-02 on 28 May.)

20. Responding to Mr CHAN Kam-lam's enquiry about the vetting mechanism of BIG, DGTI advised that applications would at first be vetted by participating lending institutions according to their professional judgement (factors such as business prospects, repayment ability, etc. would be taken into consideration). The Administration would then decide whether guarantee should be provided. He said that it was BIG's major principle that the scheme should be market-driven with both the Administration and the lending institutions sharing the risks.

21. Mr NG Leung-sing expressed concern that some 72% of BIG's applications were for business installations and equipment located in the Mainland. He remarked that the funded SMEs might employ Mainland workers to operate the installations and equipment concerned. To a certain extent, it would affect the employment of local workers. Furthermore, the relocation of business installations and equipment purchased locally for use in Mainland factories might involve tax issues. Mr NG asked whether the Administration had considered the above factors in vetting applications under BIG and whether it would review the criteria to allow installations and equipment purchased for use in Mainland factories.

22. In response, DGTI said that BIG aimed at assisting SMEs in acquiring business installations and equipment to enhance their competitiveness. Even if the installations and equipment were to be used in Mainland factories, as long as they could contribute to the long-term growth of SMEs' businesses, it would ultimately benefit the economic development of Hong Kong. Responding to Mr NG's enquiry about whether BIG would subsidize the costs of transportation, repair and maintenance of the business installations and equipment located in the Mainland, DGTI answered in the negative.

23. Dr LUI Ming-wah opined that SMEs should be encouraged to use the loans on purchasing business installations and equipment in Hong Kong in order to boost local consumption and to create job opportunities for local workers.

24. Miss CHOY So-yuk supported the Administration's arrangement to allow loans obtained under BIG to be spent on purchasing business installations and equipment for use in Mainland factories. She enquired whether the same principle was applicable to factories established in other countries. DGTI

clarified that the loans obtained under BIG for purchase of business installations and equipment were not subject to any geographical restrictions.

SME Export Marketing Fund

25. On Miss CHOY So-yuk's enquiry about the funding support of \$10,000 each SME could obtain under EMF, DGTI advised that the subsidy granted could be used to cover SMEs' expenditure in relation to their participation in marketing activities, including stall rentals, decoration and promotion costs. As for the travelling and accommodation expenses incurred in overseas marketing activities and study missions, they were generally covered by the scheme.

26. In response to Miss CHOY So-yuk's concern on the inadequate support to SMEs of the maximum amount of loan under EMF, DGTI advised that the scheme did not aim at subsidizing SMEs' expenditure on marketing activities. It was intended that with the provision of funding support, SMEs would be encouraged to participate in marketing activities so that they could better understand the export market. As evidenced from the fact that 17% of the applicant enterprises had never taken part in any export marketing activities, he pointed out that EMF could serve to provide an incentive. Given that the four SME funding schemes would be reviewed after one year of operation, he advised that the Administration would examine whether it was necessary to adjust the funding ceiling of EMF.

27. On Miss CHOY So-yuk's suggestion that the approval of EMF applications should be based on whether individual SMEs could succeed in opening up new markets, DGTI opined that it was difficult to adopt this as an objective approval criteria. In addition, interested SMEs might also be deterred from applying for funding support to conduct marketing activities.

28. Mr HUI Cheung-ching declared interest as a member of the Small and Medium Enterprises Committee (SMEC). Noting that 17% of the total applications received under EMF were from SMEs which so far had not participated in any export marketing activities, he found it encouraging and considered the scheme conducive to assist SMEs in opening up new markets. Echoing with Mr HUI's view, DGTI advised that the Administration and SMEC would keep on monitoring closely the implementation of the scheme and actively promote the scheme so that more SMEs would benefit.

SME Training Fund (STF)

29. In view of the significant contribution of STF towards the development of SMEs in various industries, Mrs Selina CHOW suggested that the Administration should step up its effort to promote the scheme among different industries. DGTI advised that STF was mainly market-driven. In other words, individual SMEs would decide whether or not to submit an application according to their own needs and choose the courses and training institutions they preferred.

30. In response to Miss CHOY So-yuk's enquiry about whether the subsidy under STF could be spent to cover the expenses incurred in on-site training conducted by SMEs regarding application of and familiarization with new technologies relevant to the industries, DGTI advised that such expenses met the scheme's requirement in principle. However, he stressed that the outcome would be subject to the details of the applications.

SME Development Fund (SDF)

31. As regards SDF, DGTI informed members that among the 291 applications received during the first round application exercise, 39 were approved so far. In addition, about 50 applications had been approved in principle by the Vetting Committee. TID would hold further discussion with the applicant organizations to fine-tune the proposals before reverting them to the Vetting Committee for consideration. As regards the rumours that only 10% of the applications would be approved under SDF, DGTI advised that such rumours were groundless. Citing the 39 approved applications as examples, DGTI pointed out that the amount of funds being sought was \$43 million, which accounted for 21% of the total funds available under SDF.

IV Any other business

32. In its letter dated 2 May 2002, the Hong Kong Reprographic Rights Licensing Society (HKRRLS) stated its concerns and those of some local and international publishing associations about the lifting of the end-user criminal liability for unauthorized copying of books and journals by reprographic or electronic means. Members considered that the Panel had already heard the views and concerns of relevant organizations on the matter at its special meeting held on 10 January 2002. Since a bills committee would be formed to study the bill concerned upon its introduction to the Legislative Council, members considered it more appropriate for the bills committee to meet with the HKRRLS.

33. There being no other business, the meeting ended at 5:55 pm.