

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2176/08-09  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 13 January 2009, at 4:30 pm**  
**in the Chamber of the Legislative Council Building**

- Members present** : Hon Vincent FANG Kang, SBS, JP (Chairman)  
Hon WONG Ting-kwong, BBS, JP (Deputy Chairman)  
Hon Emily LAU Wai-hing, JP  
Hon Tommy CHEUNG Yu-yan, SBS, JP  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, SBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon CHIM Pui-chung  
Hon Starry LEE Wai-king  
Dr Hon LAM Tai-fai, BBS, JP  
Hon Tanya CHAN  
Dr Hon Samson TAM Wai-ho, JP
- Member attending** : Hon Paul TSE Wai-chun
- Members absent** : Hon Fred LI Wah-ming, SBS, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP  
Hon Timothy FOK Tsun-ting, GBS, JP
- Public officers attending** : Agenda Item IV  
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 Belinda KWAN  
Assistant Director-General of Trade and Industry  
(Industries Support)

Agenda Item V

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)

Agenda Item VI

Mr Gregory SO, JP  
Under Secretary for Commerce and Economic  
Development

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

Mr Simon Kennedy GALPIN  
Acting Director-General of Investment Promotion

Ms Loretta LEE  
Acting Associate Director-General of Investment  
Promotion (3)

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

**Staff in attendance :** Ms Annette LAM  
Senior Council Secretary (1)<sup>3</sup>

Ms Debbie SIU  
Legislative Assistant (1)<sup>6</sup>

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**I. Confirmation of minutes of meeting**

(LC Paper No. CB(1)506/08-09 -- Minutes of special meeting held on 27 October 2008)

The minutes of the special meeting held on 27 October 2008 were confirmed.

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

(LC Paper No. CB(1)458/08-09(01) -- Submission from a member of the public enquiring about and seeking assistance over the provisional anti-dumping duty recently imposed by the European Union on imports of certain candles, tapers and the like originating in the People's Republic of China

LC Paper No. CB(1)458/08-09(02) -- Trade and Industry Department's response to the submission from a member of the public as set out in LC Paper No. CB(1)458/08-09(01))

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

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

(LC Paper No. CB(1)520/08-09(01) -- List of outstanding items for discussion

LC Paper No. CB(1)520/08-09(02) -- List of follow-up actions)

3. Members agreed that the next Panel meeting would be held on Tuesday, 17 February 2009 at 2:30 pm in Conference Room A to discuss the following items proposed by the Administration:

- (a) Subsidiary legislation for implementing the electronic Road Cargo System"; and
- (b) HKSAR's participation in the World Exposition 2010 Shanghai China.

*(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, the discussion of the item "Subsidiary legislation for implementing the electronic Road Cargo System" was deferred to the regular Panel meeting to be held in March 2009.)*

**IV. Progress update on the support measures for small and medium enterprises arising from the global financial turmoil**

(LC Paper No. CB(1)520/08-09(03) -- Administration's paper on progress update on the support measures for small and medium enterprises arising from the global financial turmoil

LC Paper No. CB(1)576/08-09(01) -- Administration's supplementary note on progress update on the support measures for small and medium enterprises arising from the global financial turmoil

LC Paper No. CB(1)520/08-09(04) -- Hon LAM Tai-fai's question on risk ratings assigned to emerging markets by the Hong Kong Export Credit Insurance Corporation at the Council meeting on 3 December 2008 and the Administration's reply

LC Paper No. CB(1)520/08-09(05) -- Hon Jeffrey LAM Kin-fung's question on tax concessions for small and medium enterprises at the Council meeting on 17 December 2008 and the Administration's reply

LC Paper No. CB(1)536/08-09(01) -- Hon LAM Tai-fai's question on credit risk ratings adopted by Hong Kong Export Credit Insurance Corporation at the Council meeting on 7 January 2009 and the Administration's reply)

Presentation by the Administration

4. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the implementation progress of the support measures for small and medium enterprises (SMEs), namely the SME Loan Guarantee Scheme (SGS) and the Special Loan Guarantee Scheme (SpGS). SCED advised that since the implementation of the SpGS on 15 December 2008, the number of participating lending institutions (PLIs) had increased from 18 to 32. As at 12 January 2009, over 1 000 loan applications had been received under the two schemes, with an approved loan amount of \$1.9 billion.

Meanwhile, the Trade and Industry Department (TID) and five major chambers of commerce would organize a large-scale seminar on 15 January 2009 at the Hong Kong Convention and Exhibition Centre to brief SMEs on the support measures provided by the Government and industry support organizations. Speakers at the seminar included representatives from the Hong Kong Export Credit Insurance Corporation, Hong Kong Trade Development Council, Hong Kong Productivity Council, TID and some PLIs. Enquiry counters would also be set up by PLIs to answer questions from SMEs.

### Discussion

#### *Seminar on Measures in Support of SMEs*

5. Mr Andrew LEUNG welcomed the arrangement of holding a seminar in response to his suggestion to the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) on 2 January 2009. Sharing a similar view, Mr WONG Ting-kwong said that initial feedback from the industry on the upcoming seminar had been promising, and he expected quite a large turnout. Mr Tommy CHEUNG suggested that, in view of the short notice given, the Administration should step up promotional effort of the upcoming seminar, say by means of newspaper advertisements.

6. In response, SCED advised that invitations to the seminar had been issued to the five major chambers of commerce as well as industry associations representing the SMEs, including the catering industry. The venue could accommodate 500 persons which should be sufficient for the industry representatives. In this connection, the Chairman opined that the Administration should give sufficient notice to the Panel in future, so that members could help inform those industry associations which were not affiliated with the five major chambers of commerce. SCED apologized for the short notice as the seminar was put together within a very short timeframe. She nevertheless agreed to inform the Panel at an earlier date of similar seminars in future.

#### *Reasons for rejection of loan application*

7. Mr Andrew LEUNG enquired about the main reasons for rejection of loan applications. Sharing a similar concern, Mr Paul TSE enquired about the high withdrawal rate under the SGS. SCED advised that the reasons for rejection of applications under the two schemes had been described in the Administration's supplementary note (LC Paper No. CB(1)576/08-09(01)). Apart from failing to provide sufficient documents to facilitate assessment, the main reasons for rejection were the SME's lack of a sound financial status and a reasonable prospect. On the other hand, the number of applications withdrawn by the applicants might be due to multiple applications to different PLIs at the outset. SCED stressed that under the PLIs' lending policy, SMEs would not be discriminated against on the basis of their industry. All the SMEs would be assessed on their individual merits and operating position. Assistant Director-General of Trade and Industry (Industries Support) (ADGTI(IS)) added that many withdrawal cases under the SGS was due to

switching of applicants to the SpGS.

8. Ms Emily LAU expressed dissatisfaction over the readability of the two different sets of statistics provided, and requested the Administration to provide a clear and uniform set of data in future to facilitate discussion. In response, ADGTI(IS) advised that LC Paper No. CB(1)520/08-09(03) provided the breakdown of the 72 applications approved by TID by industries as at 5 January 2009, whilst LC Paper No. CB(1)576/08-09(01) provided, in response to members' request, the total number of loan applications received and rejected by PLIs up to 4 January 2009. SCED added that the two different sets of data were aimed at facilitating members' understanding of the full picture.

9. Sharing a similar concern with Ms Emily LAU, Dr LAM Tai-fai sought clarification on the latest figures of the number of loans approved and the total loan amounts granted under the two schemes respectively. He also enquired about the reasons for the slow progress. In response, SCED advised that as at 12 January 2009, TID had received around 1 000 loan applications under the two schemes. Amongst them, 495 applications were approved under the SGS with a total loan amount of \$ 1.22 billion, whereas 223 applications were approved under the SpGS with a total loan amount of \$ 664 million, with another 168 applications being processed by TID.

10. Ms Emily LAU opined that the number of applications approved had fallen far short of the target number of 40 000 SMEs which were expected to benefit from the SpGS. She expressed disappointment that out of the some 4 000 applications received, only 718 loans had been approved so far. SCED replied that the number of applications had continued to climb and assured members that the scheme would assist as many SMEs as possible.

11. Ms Tanya CHAN enquired about the "other reasons" for rejection of the applications as stated in the Administration's paper, as well as the number of SMEs which had gone out of business before PLIs had completed the processing of their applications. In response, ADGTI(IS) advised that information on the "other reasons" were not readily available but such reasons did not constitute a majority, as only 8 out of a total of 221 applications under the SGS were rejected under this category. ADGTI(IS) advised that there had been no cases of SMEs going bankrupt during the processing of their applications by TID.

12. Mr WONG Ting-kwong noted that under both SGS and SpGS, over half of the applications were rejected by PLIs for the reason that the applicants' financial status was too weak, even though 70% of the credit risk had already been borne by the Administration. He expressed grave concern for the survival of such SMEs amidst the financial turmoil. In response, SCED advised that an enterprise's operating and financial status hinged on a number of reasons, such as the overall economic environment and the enterprise's management capability. The SpGS was particularly designed to help SMEs tide over their liquidity problems.

13. Mr Paul TSE noted that as at 5 January 2009, only one application from the

hotel and tourism sector was approved under the SpGS. He enquired about the number of applications in the pipeline. Noting that PLIs were allowed to provide credit facilities under the SpGS to existing customers whose original unused credit line outside the scheme had been cut for one reason or another, he expressed concern that PLIs would make use of the SpGS to replace the ongoing credit facilities for their customers. This would shift the credit risks from the PLIs to the Government without benefitting those SMEs in genuine financial need.

14. In response, SCED advised that the Administration had been keeping a close watch on the operating environment of the tourism sector. The overall market situation remained healthy. Figures obtained from the industry had shown that the situation in both inbound and outbound tourism remained satisfactory over the past few months. Although there was a slight decline in the number of long haul outbound journeys, the number of travellers on short haul outbound journeys had remained stable. ADGTI(IS) added that the number of applications approved under the SpGS was expected to rise steadily. The figure had risen from 72 as at 5 January 2009 to over 200 as at 12 January 2009.

#### *Interest rates charged to SMEs*

15. Mr Andrew LEUNG enquired about the interest rates charged to the SMEs under the two schemes, particularly in the tourism and catering sectors, where purportedly higher interest rates would be charged. In response, SCED advised that a rough survey had revealed that in over 63% and 70% of the loans approved under the SGS and SpGS respectively, the overall interest rates charged ranged from prime rate (P) to P+2, while there were individual cases being charged a uniform rate of up to 10%.

16. Mr Tommy CHEUNG expressed doubts about the low interest rates charged as described by the Administration, and said that many SMEs in the catering sector, even for those with a sound financial standing, had been charged an interest rate as high as P+3% to P+5% under the two schemes. He expressed concern that some PLIs had been misled by some industry players into believing that the operating situation of the whole industry was worse than they might refrain from providing credit facilities to the SMEs. He maintained that a ceiling on interest rate should be set for the schemes. He also expressed concern over the progress of the SpGS as the total loan amount fell far short of the Government's commitment of \$100 billion.

17. SCED stressed that the Administration's data on interest rates charged were based on actual figures, thus reflecting the true picture. There would inevitably be individual cases in which higher interest rates were charged. As 70% of the default risk had already been borne by the Administration, the reduction of credit risk as a result of the guarantee provided would be suitably reflected in the interest rates. In the absence of a guarantee, PLIs might charge even higher interest rates or simply refrain from providing the credit facilities. With a major portion of the approved loans charging relatively low interest rates, it was difficult for the Administration to intervene in the matter by setting an interest rate ceiling.

Nevertheless, the Administration and the Hong Kong Monetary Authority would continue to ensure the liquidity of the capital market. Whilst the Administration's stance was that as many loan applications should be approved as possible, it was not suitable to set a target on the number of applications to be approved. She maintained that more time should be given before the full effect of the schemes was realized.

*Business operating environment*

18. Mr Ronny TONG opined that the figures provided by the Administration were of little help to members' understanding of the effectiveness of the loan schemes in stimulating the local economy and addressing SME's pressing liquidity problems in the wake of the financial crisis. To provide a clearer perspective on the benefits brought by the schemes, he suggested that more information on the use of the loans approved, the latest unemployment figures, consumption indices, as well as figures on import and export trades should be provided for members' consideration. He also opined that with only \$1.9 billion of the loan amount, i.e. about 2% out of the \$100 billion to be approved, there was much room for improvement in the progress of implementation of the SpGS.

19. In response, SCED advised that the present market situation remained buoyant, but the outlook was uncertain, with consumption and the labour market likely to be weak after the Lunar New Year. Looking forward, the Task Force on Economic Challenges had already identified four major sectors which would be hardest hit in the year ahead, namely financial services, trade and logistics, tourism and consumption-related services, real estate and construction. She maintained that the Administration was fully aware of the business operating environment of the SMEs, and was actively taking steps to improve the situation. SCED clarified that the schemes were not aimed at stimulating the economy but to help as many local enterprises as possible to tide over their liquidity problem, noting that the latter constituted the lifeblood of the economy. Other support measures, such as new enhanced measures by the Hong Kong Export Credit Insurance Corporation, were introduced to assist the SMEs. The Administration would further introduce measures to support enterprises in the Pearl River Delta region in collaboration with the Mainland authorities. SCED added that reports on the overall economic situation were regularly compiled by the Government and publicized in the Government website.

20. The Chairman expressed concern over the outlook for retail sales in the coming months, as well as the small amount of total loan approved under the schemes. Moreover, he was concerned that the figures provided might not reflect the actual situation as some SMEs might make multiple applications to different PLIs.

21. In response, SCED advised that the Administration was fully aware of the liquidity problems which many SMEs were facing, and would strive to facilitate their applications for loans. To this end, the Government had pledged to provide a total loan guarantee of up to \$100 billion in support of enterprises in obtaining

credit facilities from PLIs under the SpGS. She stressed that there had been a large increase in the loans approved since 5 January 2009, and it was too early to judge the effectiveness of the scheme. At the Chairman's request, SCED agreed to provide an update on the number of loan applications received/approved/being processed/rejected under the SGS and SpGS before the Chinese New Year. In response to the Chairman's further enquiry, SCED clarified that there was no predetermined loan quotas for individual PLIs under the schemes.

*(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)690/08-09(01) on 29 January 2009.)*

22. The Chairman proposed and SCED agreed that the item of "progress update on the support measures for small and medium enterprises arising from the global financial turmoil" be included in the agenda for the next regular meeting to be held in February 2009.

**V. Enhancement of economic and trade co-operation between Hong Kong and Taiwan**

(LC Paper No. CB(1)520/08-09(06) -- Administration's paper on enhancement of economic and trade co-operation between Hong Kong and Taiwan

LC Paper No. CB(1)520/08-09(07) -- Hon Miriam LAU Kin-yee's question on impact of "Three Direct Links" on the air and maritime transport, logistics and tourism sectors at the Council meeting on 26 November 2008 and the Administration's reply

LC Paper No. CB(1)520/08-09(08) -- Hon Paul TSE's question on entry arrangements for visitors from Mainland and Taiwan at the Council meeting on 10 December 2008 and the Administration's reply)

Briefing by the Administration

23. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on measures and initiatives to enhance co-operation between Hong Kong and Taiwan in the promotion of trade, investment and tourism. Details of the initiatives were set out in the Administration's paper (LC Paper No. CB(1)520/08-09(06)).

Discussion*Enhancing cooperation between Hong Kong and Taiwan*

24. Ms Emily LAU supported the Administration's initiatives to promote closer economic and trade co-operation between Hong Kong and Taiwan. Noting from the Administration's paper that Taiwan was Hong Kong's second largest visitor source and the fourth largest trading partner in 2007 with a total trade value exceeding HK\$258 billion, Ms LAU opined that more should be done to tap the vast business potential of the Taiwan market and step up co-operation in trade, investment, tourism as well as to promote cultural exchanges between Hong Kong and Taiwan. In this connection, she suggested that the Panel should undertake a visit to Taiwan in order to give members a better understanding of various promotion initiatives in fostering economic and trade development and co-operation between the two places. Referring to the suggestion by Mr WOO Chi-Keung, Mayor of Taichung City in Taiwan, to allow Taiwan visitors to apply for entry visas upon arrival in Hong Kong, Ms LAU asked if the Administration would consider relaxing the visa arrangements for visitors from Taiwan to facilitate their visit to Hong Kong.

25. In response, SCED said that the Government recognized the business potential of Taiwan and the importance of long term development of trade and economic relationship between the two places. In this connection, the Hong Kong Trade Development Council (HKTDC) had set up a Taipei Office in late 2008 to promote Hong Kong as a business platform and a springboard for Taiwanese enterprises to expand their Mainland and international markets. The Invest Hong Kong (InvestHK) would also actively step up its effort to attract inward direct investment (IDI) from Taiwan. On tourism promotion, SCED said that the Hong Kong Tourism Board had been gearing up its efforts in Taiwan by promoting new tourist attractions, developing more "multi-destination" itineraries, and MICE (Meetings, Incentives, Conventions and Exhibitions) tourism so as to attract more visitors and to broaden visitor sources. On visa arrangements, she said that further to the iPermit introduced by the Immigration Department in 2002 which allowed Taiwan visitors to apply visa online and receive instant confirmation of their entry permits through authorized airlines or airlines' agents before departure, two new measures were implemented with effect from 1 January 2009 to further facilitate Taiwan visitors to Hong Kong. These included lifting the restriction that only two iPermits could be applied within 30 days, and extending the period of stay in Hong Kong from 14 days to 30 days for holders of iPermits and Multiple Entry Permits. SCED said that these facilitation measures offered greater convenience to Taiwan visitors on business and leisure travels and help attract more Taiwan visitors to Hong Kong. She said that the application procedure for iPermit was simple, and the entry permits were confirmed before departure. As most of the Airlines and jurisdictions required a valid visa for boarding the plane and entry, iPermit would offer greater convenience and better guarantee to visitors than having to apply for entry visas upon arrival in Hong Kong.

26. Ms Emily LAU noted that a "Forum on the Economic Co-operation and Development for the Mainland, Taiwan and Hong Kong" (the Forum) organized by the Economic Analysis and Business Facilitation Unit of the Financial Secretary's Office had been held on 29 October 2008 in which a number of distinguished economists and financial services professionals from the Mainland, Taiwan and Hong Kong were invited to discuss the unique comparative advantages of the three places and the direction for further economic integration. She enquired about the summary findings of the Forum. In response, SCED said that the Forum had not only provided the opportunity for economists from the three places to exchange views but had also enhanced Hong Kong participants' understanding of the economic development of the two sides across the Taiwan Straits, and facilitated discussions of related policy proposals. She undertook to provide relevant information materials, speeches presented at the forum, and personal profile of speakers for members' reference.

*(Post-meeting note: The information provided by the Administration was circulated to members vide LC paper No. CB(1)629/08-09 on 19 January 2009.)*

*Hong Kong-Taiwan Business Co-operation Committee*

27. Mr WONG Ting-kwong noted that a Hong Kong-Taiwan Business Co-operation Committee (Committee) would be set up to facilitate direct communication between enterprises in Hong Kong and Taiwan and to foster closer co-operation in trade, investment and tourism. He enquired about the composition and appointment mechanism of the Committee, its source of funding, as well as the progress made so far.

28. In reply, the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCED(CIT)) advised that the Committee would be a non-governmental committee under the auspices of the HKTDC, with a similar set up from Taiwan, to provide a platform for direct dialogue between business enterprises in the two places. Similar to bilateral committees set up under the HKTDC with other major trading partners such as the United States, the European Union and Japan, both Hong Kong and Taiwan would make nominations to the Committee. The Committee would comprise representatives of the industrial and business sectors, and the size of the Committee would depend on its functional and operational needs. In general, business leaders committed to public service and who were familiar with trade, industry, commerce and tourism matters with Taiwan would be invited by the HKTDC to sit on the Committee. The Chairman of the Committee would be appointed by the Chief Executive. There would be no Government officials on the Committee though they might attend its meetings or activities as advisors. The HKTDC would serve as the Committee's secretariat with the operational cost mainly funded by the HKTDC. Subject to the finalization of the Committee's membership on both sides, it was hoped that the Committee would be established early this year.

*The Hong Kong Trade Development Council's Taipei Office*

29. Referring to the list of key promotion activities of the HKTDC's Taipei Office (Annex to the Administration's paper No. CB(1)520/08-09(06)), Ms Starry LEE sought elaboration on the future work focus and priority areas/sectors targeted for promotion. In reply, SCED said that efforts would be made by the HKTDC and other relevant agencies to explore new business opportunities and enhance co-operation in a wide range of areas, such as trade, finance, commerce, investment, tourism, service industries as well as tapping investment from Taiwan enterprises, promoting technology co-operation and cultural exchanges. The bilateral Hong Kong-Taiwan Business Co-operation Committee, when established, would help to formulate strategies, identify priority areas and set the direction for development. Ms Starry LEE suggested that as public money was involved and for public accountability, the Administration should monitor the effectiveness of the trade promotion activities undertaken by the HKTDC's Taipei Office and regularly update the Panel on progress made in areas of trade, investment and tourism. SCED noted the request for follow-up.

Admin

30. Noting that a Taiwan consultant had been hired by InvestHK since May 2006 to cater specifically for the Taiwan market, the Chairman expressed concern whether the consultant's work would overlap with that of the HKTDC's Taipei Office which had commenced operation in late 2008. He enquired whether the consultant's work would be subsumed under the HKTDC for cost savings. In reply, SCED highlighted that InvestHK and other public/Government bodies, such as the HKTDC and the Hong Kong Economic and Trade Offices (ETOs), though all engaged in promoting Hong Kong in the same countries/cities, had distinct functional differences. These three agencies had worked in close collaboration making concerted efforts to promote Hong Kong to the Mainland and overseas countries, and would continue to do so as appropriate.

*Impact of Three Direct Links on Hong Kong*

31. Mr WONG Ting-kwong referred to the cross-strait agreements on direct air, maritime and postal links (the "Three Direct Links") signed between the Mainland and Taiwan authorities in November 2008 and expressed concern about the impact of the "Three Direct Links" on the air and maritime transport, logistics and tourism sectors in Hong Kong. He questioned whether Hong Kong's intermediary role and position as the gateway for Taiwan enterprises to move into the Mainland market would be undermined.

32. In reply, SCED highlighted that while there was a view that the role of Hong Kong might lose out under the "Three Direct Links", it was important to note that stable and harmonious cross-strait relations would help promote economic activities among the Mainland, Taiwan and Hong Kong, and benefit regional economic integration in the long run. Hong Kong's unique advantages such as the Closer Economic Partnership Arrangement with the Mainland, a simple tax regime and low tax rate were still major attractions to Taiwan businesses. Many Taiwan companies had set up their regional headquarters, regional offices and local offices

in Hong Kong to expand their Mainland and international markets through the Hong Kong platform. The Administration would continue to provide a favourable environment for Hong Kong, as part of the Greater China, to seize market opportunities, enhance its competitiveness, and strengthen its position as an international financial, trading and maritime centre in the region.

33. In view of the improved cross-straits relations, the Chairman enquired whether Government-led trade delegations to Taiwan would be organized to promote trade between Hong Kong and Taiwan. In response, SCED advised that as part of the policy to promote Hong Kong film industry in the South East Asia, a delegation of the film industry to Taiwan had recently been organized by the Television and Entertainment Licensing Authority in collaboration with the HKTDC. She anticipated that promotion activities and delegations led by the Government or private sector, would grow progressively in areas of trade, investment and tourism as well as cultural exchanges between the Hong Kong and Taiwan. The establishment of the Committee would also provide an effective platform and institutional support to spearhead closer co-operation and foster further economic integration between the two places.

Summing up

34. Referring to members' concern about the impact of the "Three Direct Links" on Hong Kong's economy, particularly in the air and maritime transport, logistics and tourism sectors, the Chairman requested the Administration to update the Panel on any progress and development.

**VI. Annual report on investment promotion**

(LC Paper No. CB(1)520/08-09(09) -- Administration's paper on promotion of inward investment

LC Paper No. CB(1)520/08-09(10) -- Paper on promotion of inward investment prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

35. At the invitation of the Chairman, the Under Secretary for Commerce and Economic Development (USCED) briefed members on the outline of the Administration's paper (LC Paper No. CB(1)520/08-09(09)). The Acting Director-General of Investment Promotion (DGIP(Atg)) elaborated on the details of the work of Invest Hong Kong (InvestHK) in promoting inward investment and the progress and achievements made. He highlighted that InvestHK had assisted 257 Mainland and overseas enterprises to establish operations in Hong Kong in 2008. Looking forward, the global economic crisis would definitely have an adverse impact on world's foreign direct investment (FDI) levels. Nevertheless, InvestHK would continue to focus on improving the environment for new and existing

investors.

Discussion

*Coordination between Government/public bodies*

36. Ms Starry LEE opined that whilst other Government/public bodies such as the HKTDC and the ETOs were also responsible for promoting Hong Kong to the Mainland and overseas countries, consideration should be given to coordinating the work of different bodies for cost savings and avoid possible overlapping of resources. The Chairman shared a similar concern and advised that the review of the strategy for promotion of inward investment in 2007 was carried out in response to his concern over the issue.

37. USCED responded that 15 out of 18 overseas countries surveyed, trade and investment promotion work were handled by separate Government/public bodies which complemented one another. Nevertheless, he advised that the Administration would continue to look into the possibility of sharing resources amongst the various Government/public bodies where possible. Deputy Secretary for Commerce and Economic Development (Commerce and Industry)1 (DSCED(CI)1) added that different Government/public bodies had different scope of responsibilities. HKTDC was the global marketing arm for Hong Kong-based manufacturers and traders, whereas InvestHK was set up to attract FDI to Hong Kong. On the other hand, ETOs were the official overseas representatives of the HKSAR Government. Through liaising mainly with overseas Government bodies, ETOs were tasked to promote the economic and trade links between Hong Kong and the overseas cities. Although they had different scopes of responsibilities and overseas counterparts, the various Government/public bodies maintained a long-term working relationship in promoting Hong Kong overseas. In response to the Chairman's enquiry, DSCED(CI)1 advised that the Berlin ETO would be ready to commence operation within two months, pending completion of the formalities by the German Government.

*Budget of InvestHK*

38. The Chairman expected a tough year ahead for InvestHK and enquired about the forecast of adjustment in its budget in the wake of the global financial crisis. Ms Emily LAU shared a similar concern over the repercussions of the global financial crisis in terms of possible delay or reduction in the scale of potential investors' planned operations. She called on the Administration to be vigilant and keep a close watch on such developments, and report to the Panel the progress of projects targeted for completion in 2009 by InvestHK.

Admin

39. USCED advised that the Administration would monitor the situation closely and make suitable adjustments where necessary. InvestHK would strengthen marketing effort on investment promotion amidst the global economic crisis. The Administration remained confident that the target of 250 investment projects to be completed could be met. DGIP(Atg) added that for the year ahead,

a substantial part of the budget of InvestHK would be used for marketing activities, particularly direct marketing to individual companies to raise their awareness of Hong Kong as an ideal business hub. DSCED(CI)1 supplemented that there was no plan to reduce the budget of InvestHK in the coming year. In response to the Chairman's enquiry, she advised that there was no bonus system for rewarding the staff or part-time consultants of InvestHK who had exceeded their targets in attracting FDI.

*Support services*

40. Mr WONG Ting-kwong enquired about the aftercare support services to companies that had already established a presence in Hong Kong. He opined that Hong Kong should leverage on its relationships with and knowledge of the Mainland by providing investment advice to the overseas investors.

41. DGIP(Atg) advised that aftercare support services involved assistance for expatriate staff and families e.g. visa facilitation, with the aim of retaining foreign investment and encouraging their companies to further expand their operation in Hong Kong. InvestHK would strengthen its aftercare support services with a view to positioning the Department as Government's help desk for the overseas, Mainland and Taiwanese business communities. USCED added that InvestHK had been serving as a two-way platform for business between the Mainland and the rest of the world, and had placed particular focus on efforts to encourage Mainland enterprises to set up operations in Hong Kong and to use Hong Kong as a springboard to expand internationally.

**VII. Any other business**

42. There being no other business, the meeting ended at 6:45 pm.