

立法會
Legislative Council

LC Paper No. CB(1)2723/08-09
(These minutes have been seen
by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 21 July 2009, at 2:30 pm
in Conference Room A 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 Timothy FOK Tsun-ting, GBS, 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
Hon Tanya CHAN
Dr Hon Samson TAM Wai-ho, JP
- Members absent** : Hon Fred LI Wah-ming, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Dr Hon LAM Tai-fai, BBS, JP
- Public officers attending** : Agenda Item III

Mr Andrew LAI Chi-wah
Deputy Commissioner for Innovation and Technology

Mr Nicholas CHAN Chun-tak
Assistant Commissioner for Innovation and Technology
(Policy and Development)

Agenda Item IV

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

Miss Vivian LAU Lee-kwan, JP
Acting Director-General of Trade and Industry

Agenda Item V

Miss Yvonne CHOI Ying-pik, JP
Permanent Secretary for Commerce & Economic
Development (Commerce, Industry & Tourism)

Ms Wendy CHEUNG
Principal Assistant Secretary for Commerce &
Economic Development (Commerce & Industry)⁴

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

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

Ms May LEUNG
Legislative Assistant (1)⁶

Action

I. Confirmation of minutes of meetings

(LC Paper No. CB(1)2176/08-09 -- Minutes of meeting held on
13 January 2009

LC Paper No. CB(1)2198/08-09 -- Minutes of meeting held on
17 February 2009

LC Paper No. CB(1)2281/08-09 -- Minutes of meeting held on
21 April 2009

LC Paper No. CB(1)2283/08-09(01) -- List of outstanding items for
discussion

LC Paper No. CB(1)2283/08-09(02) -- List of follow-up actions)

The minutes of the meetings held on 13 January, 17 February and 21 April 2009 were confirmed.

II. Information paper issued since last meeting

(LC Paper No. CB(1)2227/08-09(01) -- Submission from a member of the public lodging a complaint against the Hong Kong Productivity Council)
(Chinese version only)

2. Members noted that the above submission regarding a complaint against the Hong Kong Productivity Council (HKPC) had been issued for the Panel's information. As the complaint against HKPC was being handled by the Complaints Division of the Legislative Council Secretariat and in view of the Panel's terms of reference which mainly monitored and examined Government policies and issues of public concern relating to commerce and industry, members agreed that the complaint should not be dealt with by the Panel. Instead, the submission would be referred to the Complaints Division and the Audit Commission for consideration to follow up.

III. Promoting an innovation and technology culture in Hong Kong

(LC Paper No. CB(1)2283/08-09(03) -- Administration's paper on promoting an innovation and technology culture in Hong Kong)

Presentation by the Administration

3. At the invitation of the Chairman, Deputy Commissioner for Innovation and Technology (DCIT) briefed members on the work of the Innovation and Technology Commission (ITC) in promoting an innovation and technology culture in Hong Kong, details of which were set out in the Administration's paper (LC Paper No. CB(1)2283/08-09(03)).

Discussion

Support for enterprises

4. Mr WONG Ting-kwong opined that investment in innovation and technology was essential to enhance business competitiveness. However, many Hong Kong enterprises believed that there was high risk involved in high-technology investment. In this regard, he urged the Administration to assume a more proactive role in business upgrading by offering support and incentives to enterprises for investment in innovation and technology. This included the establishment of more technology incubation centres, sharing of technological facilities and equipments, and provision of consultancy service on technology and commercialization of research deliverables. He hoped that similar

initiatives could be announced in the forthcoming Chief Executive's Policy Address. Noting that various institutions had been set up to promote the innovation and technology culture, Mr WONG opined that an integrated, one-stop service platform similar to the National Science Council of Taiwan should be set up in Hong Kong.

5. In response, DCIT advised that the Commerce and Economic Development Bureau had been playing a similar coordinating role in promoting innovation and technology through its executive departments, such as the Trade and Industry Department, Innovation and Technology Commission and Create Hong Kong. On the support provided to enterprises, the Administration encouraged and assisted Hong Kong companies to upgrade their technological level and commercialize innovative ideas through the Innovation and Technology Fund (ITF), research and development (R&D) institutions and universities. The Small Entrepreneur Research Assistance Programme (SERAP) under the ITF also provided financial assistance to small and medium enterprises (SMEs) to carry out research and development work. In addition to the infrastructure and services provided by the Hong Kong Science Park and Cyberport to incubate SMEs in innovation and technology, the five R&D Centres also provided services in technology transfer and commercialization of research deliverables to help enterprises move up the value chain.

6. The Chairman said that it was important to solicit the support of the business sector in the development of innovation and technology, so that more research deliverables could be commercialized and put on the market. As a result of the increased market demand, more students would be attracted to study and pursue a career in the field of innovation and technology. In this connection, he considered that effort should be stepped up in the promotion of the Radio Frequency Identification (RFID) technology in order to develop more applications and products using the technology in the business sector.

7. While agreeing that government support and the participation of the private sector were equally important, DCIT advised that the Government was exploring the possibility of new financial or tax incentives to encourage more private investment in research and development as proposed by the Task Force on Economic Challenges. More details regarding initiatives promoting innovation and technology development would be announced in the forthcoming Chief Executive's Policy Address.

Promoting an innovation and technology culture

8. Ms Emily LAU said that while innovation and creativity were intertwined with the freedom of speech and expression, the local business sector, academia and the media had become more prone to exercising self-censorship in their business and work. She opined that the freedom of speech and expression should be upheld so as to enable the innovation and creativity industries to flourish in Hong Kong. In this connection, she was of the view that the one-way mode of seminars co-organized by the Hong Kong Federation of Youth Groups (HKFYG) was not

conducive to stimulating students' creativity. Moreover, the mode of Government support to HKFYG would deprive other voluntary organizations of their opportunities to involve themselves in organizing activities for science and technology.

9. In response, DCIT said that Hong Kong was a free, open and pluralistic society with free flow of information and freedom of speech. The promotion of an innovation and technology culture required the concerted effort of the Government and the various sectors of the community, while creativity amongst students would also be nurtured under the New Senior Secondary academic structure. DCIT further advised that the Government also co-organized other activities with HKFYG. These included, amongst others, a new Centre for Creative Science and Technology in the Hong Kong Science Park to promote youngsters' curiosity in science and technology through interactive and exciting experiences. He stressed that the Administration also collaborated with many other partners in organizing the activities. In fact, over 40 programme partners including universities, professional bodies, technology companies and youth organizations had been involved in the Innovation Festival held each year. Moreover, the Hong Kong Youth 3D Animation Competition was co-organized by the Hong Kong New Generation Cultural Association, whereas the Innovation and Technology Student Club was jointly established with the Chinese University of Hong Kong.

10. Noting that the Hong Kong Student Science Project Competition 2009 had attracted 120 teams from 61 schools with 456 participants, Dr Samson TAM opined that the support of the participating schools and their teachers was crucial to the success of the competition. As such, it was necessary to nurture teachers to spearhead the promotional effort in every school so to sustain such a programme for youngsters.

11. DCIT responded that there had been increasing interest amongst the academia in the competition. Ever since the competition was first organized in 1998, the number of participating schools and students had been on the steady rise. In 2001, only 33 schools involving 255 students participated in the competition. As at 2009, the number of participating schools and students had increased to 61 and 456 respectively.

Measures of performance

12. Dr Samson TAM enquired about the Government investment in fostering the innovation and technology culture in Hong Kong, and the performance indicators of the activities carried out by the Administration. DCIT responded that the average annual expenditure by ITC on promotional activities over the past two to three years was in the region of \$12 million. On results and feedback of the activities, DCIT advised that the Innovation Festival attracted 96 000 participants last year. Out of the 4 000 questionnaires returned, 70% of the respondents had indicated that the event had stimulated their interest in innovation and technology

development, and 70% of the respondents were satisfied with the overall arrangements of the event. As regards the "TechnoFrontier" science lectures, they attracted over 1 300 students. 60% of the 900 respondents had watched the TV series and 70% of them considered that the TV series and lectures had enriched their knowledge in the relevant scientific areas. Dr Samson TAM opined that it was worthwhile to conduct surveys to gauge the response of the community at large.

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

(LC Paper No. CB(1)2283/08-09(04) -- 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)2305/08-09(01) -- Administration's paper on progress update on the support measures for small and medium enterprises arising from the global financial turmoil—Supplementary note)

Presentation by the Administration

13. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the latest position of the small and medium enterprises (SMEs) Loan Guarantee Scheme (SGS) and the Special Loan Guarantee Scheme (SpGS), details of which were set out in the Administration's paper (LC Paper No. CB(1)2283/08-09(04)).

Discussion

Effect of the increase in loan guarantee ratio

14. Mr Tommy CHEUNG noted that there had been marked improvements in the attitude of the participating lending institutions (PLIs) in offering loans when the loan guarantee ratio was raised from 70% to 80%, as reflected in their interest rates and more relaxed lending criteria. He suggested that if similar loan schemes were introduced in future, consideration should be given to pitching the loan guarantee ratio at a higher level, say, 80% in order to achieve the desired effect in the first instance.

15. PSCIT advised that apart from the increase in loan guarantee ratio, the PLIs' attitude in lending had become more relaxed due to various reasons such as improvements in liquidity within the banking system, and the increased revolving

loan facility provided under the enhanced SpGS. Acting Director-General of Trade and Industry (DGTI(Atg)) added that local enterprises welcomed the enhancement measures to the SpGs, in particular, the extension of the maximum guarantee period from 36 months to 60 months. Mr Tommy CHEUNG suggested that a longer guarantee period should also be set for similar loan schemes in future. In response to Mr CHEUNG's further enquiry, PSCIT undertook to provide the progress of the review of previously rejected loan applications by the PLIs following the implementation of the enhancement measures to the SpGs.

Projection of the amount of loans approved

16. Mr WONG Ting-kwong enquired about the Administration's projection of the future amount of loans approved, and whether the total commitment of \$100 billion was sufficient to meet the potential demand. In response, PSCIT advised that as at 19 July 2009, the total number of applications approved by TID was 13,127, involving a total amount of loans of \$27.1 billion and a loan guarantee of \$19.6 billion, which represented about 20% of the total loan guarantee commitment. The average loan amount approved for each application had increased to \$2.9 million. The application period for the SpGS had been extended until the end of 2009. With 80% of the total loan guarantee commitment still available for use, there was no plan for the Administration to further increase the commitment at this stage.

17. In response to the Chairman's enquiry, PSCIT advised that the default claims received by TID were not related to the beauty industry.

Interest rates

18. As regards Mr Andrew LEUNG's enquiry about the prevailing interest rates charged by the PLIs under the loan schemes, PSCIT advised that a number of PLIs had announced new promotional measures in support of the SpGS including lower interest rates and interest refund. Since the implementation of the enhancement measures to the SpGS on 15 June 2009, the level of interest rate had reduced remarkably. For instance, the percentage of approved loans charged at an interest rate of 5% or below had increased considerably from 5% to 20%.

19. The Chairman said that as he was aware, the interest rates charged to loans approved before the increase in loan guarantee commitment ranged from prime rate (P) + 3 to 4 %, as compared to the current interest rate of around P + 1 to 2%. He enquired whether the approved loans charging high interest rates would be reviewed. Sharing a similar view, Mr Jeffrey LAM enquired if the loans approved with the loan guarantee ratio of 70% could be reviewed and re-approved with that of 80% to enjoy lower interest rates.

20. In response, PSCIT advised that according to a rough estimate, over 75% of the total number of loans approved with loan guarantee ratio of 80% were charged an interest rate of P + 2% or below. In terms of the amount of loan approved, the

percentage would rise to 90%. On whether the loans previously approved would be reviewed, PSCIT advised that any amendments to the terms of the loan would have to be negotiated between the PLIs and the SMEs concerned. SMEs could submit new loan applications under the enhanced SpGS so long as its maximum loan amount under the scheme had not been exceeded.

Loan approving procedure

21. Mr Jeffrey LAM shared a similar view that the increase in loan guarantee ratio was an effective means towards relaxing the PLIs' attitude in offering loans to SMEs. Noting the marked increase in the number and amount of loans approved after the implementation of the enhancement measures to the schemes, he urged the Administration to further streamline the process of approving loans so that SMEs could have sufficient liquidity in acquiring raw materials for production when taking urgent orders placed by buyers.

22. PSCIT responded that in general, the loan approving process had been expedited as the loan schemes had been in operation for some time. For individual cases which might take a longer time to approve, these were mainly due to insufficient information submitted by the SMEs concerned. In this regard, TID had regular discussions with the PLIs on ways to expedite the loan approving process. With over 40 PLIs having joined the loan scheme, there were incentives for the PLIs to expedite their loan approving process in the face of keen competition. Moreover, TID had compiled the Guide for SMEs in Obtaining Business Loan from Lending Institutions to facilitate SMEs in taking out commercial credit facilities. It would take only three working days for TID to approve applications submitted by the PLIs.

23. In response to the Chairman's enquiry about whether the performance pledge of approving loans in three working days could still be met given the steady increase in the number of loan applications after the increase in loan guarantee ratio, DGTI(Atg) advised that TID had been able to uphold the pledge. Apart from maintaining dialogue with the PLIs on ways to expedite the loan approving process, TID had provided answers to some frequently asked questions on its website to facilitate the PLIs in processing loans.

Helping SMEs tap the Mainland domestic market

24. Noting that the 2nd Guangdong Foreign-invested Enterprises Commodities Fair held in June 2009 in Dongguan had been immensely successful in helping foreign-invested enterprises in Guangdong to explore the domestic market, Mr WONG Ting-kwong enquired if similar activities would be co-organized by the HKSAR Government in other Mainland cities to leverage on its successful experience.

25. PSCIT responded that in collaboration with the Hong Kong Trade Development Council (HKTDC), the Administration would continue its effort in liaising with Mainland as well as overseas trade associations in a bid to exploring new business opportunities for local enterprises. In fact, helping enterprises tapping the domestic market in the Mainland was the current priority task of the Commerce and Economic Development Bureau. The Administration would support more similar activities in the Mainland cities. Meanwhile, HKTDC would organize a number of similar fairs in the Mainland; the coming one would be held in Chongqing.

Concern over lay-offs by SMEs

26. Ms Emily LAU enquired if there were any lay-offs by SMEs which had been provided with loans under the loan schemes. In response, PSCIT advised that the total number of employees hired by enterprises under the two loans schemes amounted to 180 000. The Administration had been making use of every opportunity to urge SMEs to apply for loans and not to lay off their employees. DGTI(Atg) said that in a questionnaire survey carried out by TID amongst the SpGS beneficiaries, 80% of the respondents had experienced no change in the number of employees. Only 4% of them had experienced a decline in the number of employees, mainly due to natural wastage, while very few had actually laid off their employees.

27. In response to Ms Emily LAU's further enquiry, DGTI(Atg) advised that the response rate of the questionnaire survey was about 30%, and TID was actively following up the response of the remaining respondents. Noting the low response rate of the questionnaire survey, the Chairman suggested that members should help remind the participating SMEs to complete and return the questionnaires.

28. Summing up the discussion, the Chairman thanked the Administration for the hard work over the past eight months in taking forward the support measures for SMEs. He urged the Administration to further explore the possibility of relaxing the qualifying criteria for the loan schemes.

V. Further development of wine-related businesses in Hong Kong

(LC Paper No. CB(1)2283/08-09(05) -- Administration's paper on further development of wine-related businesses in Hong Kong

LC Paper No. CB(1)2283/08-09(06) -- Hon Tommy CHEUNG Yu-yan's question on combating counterfeit wine at the Council meeting on 18 February 2009 and the Administration's reply

LC Paper No. CB(1)2283/08-09(07) -- Hon WONG Ting-kwong's question on wine storage facilities at the Council meeting on 1 April 2009 and the Administration's reply)

Presentation by the Administration

29. At the invitation of the Chairman, PSCIT briefed members on the further development work of wine-related businesses in Hong Kong since the exemption of wine duty in February 2008, details of which were set out in the Administration's paper (LC Paper No. CB(1)2283/08-09(05)).

Discussion

Cooperation with trading partners

30. Miss Tanya CHAN enquired about the details of the Memoranda of Understanding (MOUs) signed with various wine-producing countries, and whether such MOUs would be extended to South American countries such as Chile. She also emphasized the importance of providing training courses for sommeliers and training on matching Chinese cuisine with wine. She suggested that visits by industry practitioners to overseas wineries, such as those in Napa Valley and Australia, should be encouraged.

31. In response, PSCIT advised that Hong Kong had already signed MOUs with five wine-producing countries and one wine-producing region. Negotiations on the signing of MOUs were underway with the United States, New Zealand and Chile. She stressed that MOUs were not legally binding documents but just a record of agreement to enhance joint promotion efforts. The major areas of cooperation included, inter alia, promotion of wine trading, investment and wine-related tourism. For example, the first Wine and Dine Festival to be rolled out this autumn was a result of the MOU signed with the wine-producing region of Bordeaux, France. On wine education and manpower training, she advised that the Government had been facilitating exchanges between the industry and training institutions on how best to meet manpower training needs. The Government had also encouraged partnership between local training institutions and the overseas ones. For example, the Vocational Training Council (VTC) was planning to launch new courses from July 2009 onwards for personnel ranging from sommeliers to frontline staff in the catering industry. Other public institutions, such as the Hong Kong University School of Professional and Continuing Education and the Li Ka Shing Institute of Professional and Continuing Education of the Open University of Hong Kong, were also planning new courses to cater for the market demand. She added that the Administration recognized the importance of matching Chinese cuisine with wine which would be highlighted in an upcoming competition to be held as part of the Wine Fair.

Enforcement against wine counterfeits

32. Mr Tommy CHEUNG expressed concern about the importance of vigilance against wine counterfeits. To prevent the reputation of Hong Kong's wine industry from being tarnished, he opined that the Customs and Excise Department (C&ED) should adopt a more proactive strategy and strengthen liaison with overseas enforcement agencies to enhance its enforcement capability.

33. Mr Jeffrey LAM noted that wine trading, distribution and auction activities had grown substantially in Hong Kong since the duty exemption. Some industry players were even planning to operate wine-bottling businesses in Hong Kong. In this connection, he enquired about the measures taken to assure the quality of wine and guard against wine counterfeits.

34. In response, PSCIT advised that whilst Hong Kong had not received a single complaint about wine counterfeits over the past three years, the Administration recognized the importance of maintaining such a clean record. To this end, C&ED had set up a specialized investigation team in June 2008, formed an alliance with the industry in October 2008, and strengthened liaison with overseas enforcement agencies. C&ED had also organized a visit to the French Customs and the Judicial Police in France in early 2009 to facilitate the exchange of information and intelligence. PSCIT added that to boost users' confidence in the standards of Hong Kong's wine storage facilities, thereby helping to preserve the quality of wines as investment assets, the industry was prepared to develop a certification scheme whereby storage facilities meeting certain standards would be accredited. The Government had been facilitating the dialogue between the industry and possible implementation agents. At Mr LAM's request, PSCIT undertook to provide the statistics on exports/re-exports of wine after the meeting.

(Post meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)2473/08-09(01) on 17 August 2009.)

Customs facilitation

35. Noting the growing wine market in the Mainland, Mr WONG Ting-kwong urged the Administration to expedite the discussion with the Mainland authorities on the possibility of facilitating the clearance of wines exported from Hong Kong into the Mainland. He further enquired if the customs clearance procedure in the Mainland could be carried out at the warehouse rather than at the border control point to preserve the quality of wine after customs inspection.

36. In response, PSCIT advised that the Mainland was the largest potential market of wine in Asia. To facilitate the customs clearance of wine, the Administration had been in close liaison with Mainland authorities, including the General Administration of Customs and the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), with a view to streamlining the

import clearance procedure and shortening the lead time for such clearance. A seminar was also being planned with the ACSIQ to brief Hong Kong exporters on the Mainland's new legislative requirements on food imports (including wine).

Promotion work

37. Mr Tommy CHEUNG was of the view that the Government should widely promote Hong Kong's uniqueness of having both zero wine duty and zero sales tax to the international trade. In response, PSCIT advised that the Administration had included such information in its promotion work. Nevertheless, the Administration would step up the promotional efforts in this respect.

Wine storage facilities

38. Noting that a number of factory building units had been converted to warehouses for wine in recent years, Mr Tommy CHEUNG opined that the Administration should further relax and streamline the relevant rules and procedures governing the conversion of factory building units to allow the operation of restaurants beside wine storage facilities in such buildings. In response, PSCIT advised that the Commerce and Economic Development Bureau would explore the possibility in collaboration with the relevant Government bureaux/departments and the industry in this respect.

Admin

39. In summing up, the Chairman expressed the hope that Hong Kong would develop into a regional hub for wine trading and distribution. He urged the Administration to take into account members' views about the prevention of wine counterfeits and the possible operation of restaurants beside wine facilities in industrial buildings.

VI. Any other business

40. The Chairman thanked members and representatives of the Administration for attending the last Panel meeting of the 2008-2009 legislative session and their contribution in past meetings.

41. There being no other business, the meeting ended at 4:35 pm.