

# 立法會

## *Legislative Council*

LC Paper No. CB(1)2108/08-09

Ref : CB1/PL/CI

### **Report of the Panel on Commerce and Industry for submission to the Legislative Council**

#### **Purpose**

This report gives an account of the work of the Panel on Commerce and Industry during the 2008-2009 session of the Legislative Council. It will be tabled at the Council meeting on 8 July 2009 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

#### **The Panel**

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000, 9 October 2002, 11 July 2007 and 2 July 2008 for the purpose of monitoring and examining Government policies and issues of public concern relating to commerce and industry. The terms of reference of the Panel are in **Appendix I**.

3. The Panel comprises 15 members. Hon Vincent FANG Kang and Hon WONG Ting-kwong were elected Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is in **Appendix II**.

#### **Major work**

##### Small and medium enterprises funding schemes

4. The Panel followed up closely the relief measures for the small and medium enterprises (SMEs) in view of the financial hardship and liquidity problem faced by the SMEs amidst the global financial turmoil and credit crunch. Members supported the enhancement measures to the SME Loan Guarantee Scheme (SGS) and the SME Export Marketing Fund (EMF), in particular, the removal of the sub-ceilings for the Business Installations and Equipment Loan and Working Capital Loan while maintaining the overall maximum amount of guarantee for each SME at \$6 million under the SGS, and the increase in the

overall grant ceiling for each SME from \$100,000 to \$150,000 and the sub-ceiling for each successful application from \$30,000 to \$50,000 under the EMF. The proposed enhancement measures to the SME funding schemes were approved by the Finance Committee (FC) on 28 October 2008.

5. The Administration further proposed, amongst other things, a time-limited Special Loan Guarantee Scheme (SpGS) to provide up to 70% guarantee to participating lending institutions (PLIs) in granting loans to eligible SMEs. Members supported the Administration's proposal as this could help the SMEs secure commercial loans to tide over the liquidity problem during the global financial crisis. The proposed SpGS was approved by FC on 14 November 2008.

6. The Panel also received views from representatives of trade associations/chambers of commerce and Hong Kong Association of Banks. Deputations from trade associations and chambers of commerce pointed out that local banks had tightened credit facility on the SMEs which were facing great difficulties in maintaining their normal business. These deputations were disappointed at the slow progress in implementing the enhanced SGS and the SpGS, particularly when the SMEs were in urgent need of immediate cash flow relief. Panel members expressed concern that despite measures taken by the Government and the Hong Kong Monetary Authority to ease the interbank interest rates and inject liquidity into the Hong Kong banking system, local banks were still reluctant to approve loans to the SMEs for fear of credit risk, thus aggravating the cash flow problem of the SMEs leading to more business closing down. The Panel therefore urged the Administration to devise more concrete measures to effectively boost the confidence of lending institutions in providing credit facility and more support measures to assist the SMEs.

7. Following the announcement of the economic stimulus package by the Chief Executive on 8 December 2008, the Administration consulted the Panel on the proposed enhancement to the SpGS to further strengthen support for business establishments in Hong Kong in obtaining immediate cashflow relief from the commercial lending market. This included increasing Government's commitment from \$7 billion to \$100 billion while continuing to provide 70% loan guarantee, and the raising of the loan ceiling for each company from \$1 million to \$6 million, with \$3 million being revolving credit. While the Panel supported in principle the Administration's proposal, members were still concerned whether the lending institutions would respond positively to the enhanced SpGS and resume normal credit flow to the SMEs at more favourable interest rates. The proposed enhancement measures for the SpGS was approved by FC on 12 December 2008. Given the predicament of the SMEs and the impact of the global financial turmoil on the economy of Hong Kong, the Panel Chairman, Hon Vincent FANG, moved a motion for adjournment on "Predicament faced by the small and medium enterprises due to tightened credit facility from banks" at the Council meeting on 17 December 2008.

8. To monitor the implementation of the SGS and the SpGS, the Panel held seven meetings to discuss with the Administration the progress of the enhanced measures. Members were of the view that despite the Administration's claim of success of the loan guarantee schemes, the SMEs considered the schemes ineffective in addressing their pressing liquidity problems, as many enterprises still found it difficult to obtain loans from the PLIs. Members urged that new initiatives and additional relief measures for local businesses should be introduced. Some members requested the Administration to consider raising the level of Government guarantee to 80% or 90% under the SpGS, and buying out the SME loans instead of just acting as a guarantor providing 70% loan guarantee.

9. The Financial Secretary subsequently announced on 26 May 2009 a package of relief measures to assist different sectors of the community to ride over the storm brought by the global financial crisis. The Panel generally supported the proposed enhancement measures for the SGS, the SpGS, the EMF, the SME Development Fund and the Hong Kong Credit Insurance Corporation, as well as the tourism sector. In particular, members welcomed the extension of the application period for loans under the SpGS until the end of 2009, and the raising of the Government's loan guarantee ratio from 70% to 80%. At members' suggestion, the Administration undertook to follow up with the PLIs to review individual loan applications rejected under the current phase of the SpGS, and to examine whether any such applications could be more favourably considered with 80% Government guarantee. The relevant proposed enhancement measures were approved by FC on 5 June 2009.

#### Trade relations between the Mainland and Hong Kong

10. The Administration briefed the Panel on the implementation and latest development of The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), and the content of Supplement V and VI to CEPA. In general, members welcomed the initiatives under CEPA. They were keen to ensure that CEPA could provide a window of opportunities for Hong Kong businesses to gain greater access to the Mainland market and create a genuine positive impact on Hong Kong's economic development in the long run. They urged the Administration to render every assistance to facilitate Hong Kong enterprises to make the best use of the opportunities brought about by CEPA. Liberalization and facilitation measures should be enhanced to deepen economic and trade co-operation between Hong Kong and the Mainland, in particular, co-operation between service industries in the Pearl River Delta Region (PRD) and Hong Kong.

11. Panel members noted that Guangdong Province had been delegated authority to approve applications by Hong Kong service suppliers for setting up travel agents on a wholly owned, equity joint venture, or contractual joint venture basis in Guangdong. Panel members called on the Administration to introduce innovative and bold measures to help boost the local tourism industry amidst the global financial turmoil. The Administration assured members that Hong Kong

travel enterprises authorized by the Mainland would be allowed to organize group tours to Hong Kong for non-Guangdong residents who had resided and worked in private enterprises, joint venture enterprises, or foreign enterprises in Shenzhen for over one year. The Administration would review the effectiveness of these measures in due course.

12. On the recent developments in the trade relations between the Mainland and Hong Kong, members noted that the Hong Kong Trade Development Council (HKTDC) had organized the Consumer Products Expo in Guangzhou and the Style Hong Kong Show in Wuhan. In view of the successful events held by the HKTDC, members considered that more funding resources should be provided to the HKTDC to organize similar events in other cities to help Hong Kong enterprises tap the business opportunities in the Mainland market. Members also welcomed the implementation of the "single tax return for multiple domestic sales" arrangement. They urged the Administration and the HKTDC to step up effort to facilitate Hong Kong enterprises to build up their brand names and to open up the Mainland market through the exhibition and business matching activities.

13. On the project "Transform, Upgrade, Relocate for a New Horizon" jointly organized with the Hong Kong Productivity Council and other industry support bodies, members urged the Government to strengthen co-operation with the Mainland authorities so as to assist Hong Kong-owned enterprises in the Mainland to upgrade their technological and environmental performance, and re-organize their business structure to foreign-owned investments.

#### Promotion of inward investment

14. On the work of Invest Hong Kong (InvestHK) in promoting inward investment, members opined that whilst other Government/public bodies such as the HKTDC and the Hong Kong Economic and Trade Offices (ETOs) were also responsible for promoting Hong Kong to the Mainland and overseas countries, consideration should be given to coordinating the work of InvestHK and different bodies for cost savings and avoid possible overlapping of resources.

15. Members also expressed concern over the repercussions of the global financial crisis in terms of possible delay or reduction in the scale of potential investors' planned operations. They called on the Administration to keep a close watch on such developments, and report to the Panel the progress of projects targeted for completion in 2009 by InvestHK. The Administration assured members that it would monitor the situation closely and make suitable adjustments where necessary. InvestHK would also strengthen marketing effort on investment promotion amidst the global economic crisis.

16. The Panel noted that the Administration was updating the consultancy study on the comprehensive review on Hong Kong's investment promotion policy in the light of the latest global economic and investment environment, taking into account the impact of the financial crisis. The Panel would continue

to follow up the key findings of the study.

#### Economic and trade co-operation between Hong Kong and Taiwan

17. The Panel discussed with the Administration measures and initiatives to enhance co-operation between Hong Kong and Taiwan in the promotion of trade, investment and tourism. Members supported the Administration's initiatives to promote closer economic and trade co-operation between the two places. They considered efforts should be strengthened to tap the vast business potential of the Taiwan market and step up co-operation in trade, investment, tourism, and also to promote cultural exchanges between Hong Kong and Taiwan.

18. Noting that the 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, members suggested that the Administration should monitor the effectiveness of the promotion activities undertaken by the HKTDC's Taipei Office, and to regularly update the Panel on progress made in areas of trade, investment and tourism.

19. The Panel also discussed the impact of the cross-strait agreements on direct air, maritime and postal links (the "Three Direct Links") on the relevant sectors in Hong Kong. Members expressed concern that Hong Kong's intermediary role and position as the gateway for Taiwan enterprises to move into the Mainland market would be undermined. The Administration assured members that it 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. The Administration undertook to update the Panel on the progress and development of the "Three Direct Links", particularly their impacts on Hong Kong's economy.

#### Hong Kong Special Administrative Region's participation in the World Exposition 2010 Shanghai China

20. The Panel was briefed on the latest development on the Hong Kong Special Administrative Region (HKSAR)'s participation in the World Exposition 2010 Shanghai China (Shanghai Expo) to be held from 1 May to 31 October 2010, and the proposal to create a supernumerary Administrative Officer Staff Grade C post at Directorate 2 level for a period of 20 months from 1 June 2009 to 31 January 2011 to coordinate preparations, oversee implementation, and undertake subsequent follow-up work. Members considered it important to ensure every success in the Expo so as to leverage on the opportunities presented by the Expo to promote the image of Hong Kong as a city of creativity and quality living and to showcase Hong Kong's strengths, attraction and creative talents.

21. As regards the smart card technologies proposed to be featured in the Urban Best Practices Area (UBPA Exhibition) at zone E in the Shanghai Expo, members pointed out that some of the applications, such as the use of smart cards to facilitate the rollout of elderly health care voucher and to access the electronic health records of patients, were only at the pilot stage and not yet implemented in Hong Kong. They therefore requested the Administration to draw up a timetable for developing and implementing the various smart card applications and update the Panel on the progress. The Administration assured members that it would continue to pursue the wider applications of smart cards, and engage the local creative industries to enrich the content of the UBPA Exhibition to showcase Hong Kong's innovative use of smart cards to enhance connectivity and improve efficiency and quality of life in this digital age.

#### Cyberport Digital Entertainment Incubation-cum-Training programme

22. The Panel was briefed on the proposed increase in the existing funding commitment from \$30.8 million to \$56.5 million that would allow the Digital Entertainment Incubation-cum-Training Centre to extend its operation for a period of 36 months from February 2009 to January 2012. Members generally supported the proposal which would provide a supportive environment with suitable professional training to help start-up companies develop commercially viable products and services and thus transform themselves into sustainable businesses in the digital entertainment industry.

23. Members considered that more post-incubation support should be provided for graduates of the incubation programme to facilitate their transition into sustainable businesses. Assistance should be provided in the development of intellectual properties, which would contribute to the development of creative industries in Hong Kong. Members also called on the Hong Kong Cyberport Management Company Limited to step up efforts in soliciting industry sponsorship.

#### Development of convention and exhibition industry

24. The Panel followed up closely on the provision of convention and exhibition facilities in Hong Kong to ensure that the capacity of local facilities stayed ahead of the industry demand, with a view to maintaining Hong Kong's leading position as an international business centre.

25. Upon completion of the Atrium Link extension of the Hong Kong Convention and Exhibition Centre (HKCEC) in April 2009, members considered it necessary to pursue the Phase 3 development of HKCEC without further delay. Members noted that a Task Force was monitoring the progress of relevant detailed studies which covered areas such as the design of the proposed HKCEC Phase 3 structure, related planning issues, public consultation plans and the project's impacts on the traffic, environment and other public facilities in the vicinity. Members urged the Administration to commence the public consultation as soon as possible upon completion of such studies. While some

members suggested that the Administration should consider relocating Wanchai Sports Ground so that a larger site would be made available for the Phase 3 development of HKCEC, other members considered that the Government should take into account public views on the demand for public facilities in the vicinity and alternative site for development before taking a decision on phase 3.

26. Some members considered that the Administration should commence the Asia World-Expo Phase 2 expansion project in order to meet the growth in demand for exhibition and conference space in the longer term. The Administration should also be mindful of the need to provide sufficient supporting facilities, such as transport facilities and hotel rooms, to ensure the smooth running of events held in Hong Kong.

#### Copyright protection

27. The Panel discussed issues relating to rental rights for films and comics, publicity and public education activities which had been launched for the commencement of the Copyright (Amendment) Ordinance 2007. On the administration's proposal to amend the Copyright Ordinance (Cap. 528) (the Ordinance) to provide for numeric limits within which the copying and distribution offence would not apply under section 119B(1) (which had not yet commenced operation) of the Ordinance, the Panel supported in principle the proposed amendments to section 119B of the Ordinance, the revised formulations of the numeric limits, and the proposal for the numeric limits to be prescribed as a schedule to the principal legislation.

28. Members urged the Administration to review the propriety of the thresholds vigorously from time to time, so as to ensure that a reasonable balance was maintained between protecting the interests of copyright owners and minimizing the hardship of copyright users, taking into account changes in circumstances. Appropriate licensing scheme(s) that covered the making or distribution of copies of copyright work(s) and printed work(s) should be made available and put in place prior to the commencement of the provisions. The new provisions should be widely publicized so that the risk of inadvertent breaches would be minimized. The Administration assured members that the copying and distribution offence provision and the related criminal liabilities would come into operation only after a reasonable period to allow for preparatory work by stakeholders in the relevant sectors and for suitable publicity and public education programmes.

#### Road Cargo System

29. The Panel supported the Administration's proposed subsidiary legislation for implementing the Road Cargo System ("ROCARS") which would enable customs officers to conduct risk profiling on cargo consignments in advance.

30. As there would be a transitional period of 18 months before mandating ROCARS submissions in mid-2011, some members expressed grave concern about prescribing the effective date of the subsidiary legislation. These members suggested that to ensure a smooth migration, an open-ended transitional period should be provided to allow the industry to adapt to the new mode of operation. They also requested the Administration to review the situation by the end of 2010, taking into consideration the take-up rate by shippers and truckers and the smooth operation of the system, before mandating ROCARS submissions. The Administration noted members' suggestion.

#### Innovation and technology development

31. The Panel followed up the mid-term review of the operation of the Research and Development (R&D) Centres and discussed the funding proposal to extend the operation of the four R&D Centres, namely Automotive Parts and Accessory Systems R&D Centre, Hong Kong Research Institute of Textiles and Apparel, Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies, and Nano and Advanced Materials Institute, up to 2013-2014. Panel members in general supported the continuous development of the R&D Centres, and welcomed the Administration's proposal to adjust the industry contributions to platform projects from 40% to 15% in response to members' suggestions.

32. Some Panel members pointed out that not many exhibitors and manufacturers had established a working relationship with the R&D Centres. These members suggested that efforts should be stepped up for staging trade shows to strengthen the connection between the Centres and the industry. The Administration should also review if the R&D projects matched with the needs of the industry, and whether the Centres had difficulties in promoting their R&D deliverables. Panel members urged the Administration to speed up the commercialization of R&D deliverables, especially in the Mainland market. They also suggested that the market strategy of R&D products should be competitive in terms of creativity rather than price, and the R&D Centres should play a critical role in providing novel ideas to the enterprises. As Hong Kong's competitiveness in R&D lagged behind other Mainland cities, members called on the Administration to strengthen cooperation with local and Mainland universities/institutions to fully leverage on their technical hardware and software, and also help the R&D Centres forge closer ties with the manufacturers in the PRD Region.

33. Some members expressed serious concern about the corporate governance of the R&D Centres, including the relatively high level of estimated operating expenditure for the Centres vis-à-vis the level of estimated R&D expenditure. They pointed out that the operating expenditure for the Centres should be kept at a low level to ensure prudent use of taxpayers' money, and that an ad hoc group with private sector participation should be set up to examine the commercial viability of the Centres in the long run. The Administration assured members that no compromise would be made in the corporate governance of the

R&D Centres, and audit committees would be set up in all Centres.

#### Air Cargo System

34. The Panel supported in principle the proposed replacement of the existing Air Cargo Clearance System at the Hong Kong International Airport (HKIA) to sustain a speedy and reliable customs clearance service for air cargoes going through HKIA. In response to members' request, the Administration assured members that it would endeavour to fine-tune the performance targets to shorten the cargo handling time under the new system.

35. From October 2008 to June 2009, the Panel held a total of 16 meetings and conducted four visits to a number of places, including the Digital Entertainment Incubation-cum-Training Centre, the Atrium Link Expansion of HKCEE, the Hong Kong Applied Science and Technology Research Institute and the Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies.

Council Business Division 1  
Legislative Council Secretariat  
30 June 2009

**Panel on Commerce and Industry**

**Terms of Reference**

1. To monitor and examine Government policies and issues of public concern relating to commerce, industry, business and services promotion, innovation and technology, intellectual property protection and inward investment promotion.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Panel on Commerce and Industry**

**Membership list for 2008-2009 session**

<b>Chairman</b>	Hon Vincent FANG Kang, SBS, JP
<b>Deputy Chairman</b>	Hon WONG Ting-kwong, BBS, JP
<b>Members</b>	Hon Fred LI Wah-ming, SBS, JP
	Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
	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
	Dr Hon LAM Tai-fai, BBS, JP
	Hon Tanya CHAN
	Dr Hon Samson TAM Wai-ho, JP

(Total : 15 members)

<b>Clerk</b>	Ms YUE Tin-po
<b>Legal Adviser</b>	Mr Timothy TSO
<b>Date</b>	2 July 2009