

Special FC Meeting on 21 March 2011

Speaking Points for Acting SCED

- Chairman, the Budget has included matters within the policy areas of commerce, industry and tourism. I would like to set out the progress and content of the key policies.

Support for SMEs

- SMEs are the pillar of Hong Kong's economy. The Government is committed to providing appropriate assistance to them having regard to the prevailing economic situation.
- Under the Special Loan Guarantee Scheme which closed by end last year, around 40 000 applications have been approved, involving total loans of some \$97 billion and guarantees by the Government of \$75.5 billion. The scheme has helped more than 20 000 enterprises and indirectly preserved more than 340 000 jobs. This shows that the scheme has contributed positively to “supporting enterprises and preserving employment” during the financial tsunami.
- To demonstrate the Government's continuous support to SMEs, the Financial Secretary proposed in his Budget Speech to increase the total guarantee commitment under the on-going

SME Loan Guarantee Scheme substantially from \$20 billion to \$30 billion. We would submit our application to the Finance Committee in the middle of this year.

- In view of the relocation of the production processes of many Hong Kong enterprises away from Hong Kong and the setting up of subsidiaries in the Mainland or overseas in recent years, the Hong Kong Export Credit Insurance Corporation has since March this year extended its insurance coverage to contracts signed between subsidiaries wholly owned by Hong Kong companies in the Mainland or overseas and their buyers. The extension would offer Hong Kong companies better credit risks protection when they are developing their business in the Mainland and other new markets. It is expected that this new measure will further assist SMEs in their trade financing and risk management.

Brand Promotion and Opening up the Mainland Market

- As regards assistance for Hong Kong brands and products to tap the Mainland market, the Government has in place various funding schemes, including the SME Development Fund, SME Export Marketing Fund, Innovation and Technology Fund, and Research and Development Cash Rebate Scheme. These schemes can assist enterprises in restructuring and upgrading, and building their brands. This year, we will particularly encourage eligible organisations to apply for the SME

Development Fund to implement projects that can help SMEs develop and promote their brands and tap the Mainland domestic market.

- To strengthen our support for enterprises in this regard, we will seek the Legislative Council Finance Committee's approval for injecting \$1 billion to the SME Development Fund and SME Export Marketing Fund in the middle of this year to enhance support for SMEs.
- The Hong Kong Trade Development Council (HKTDC) and the Hong Kong Productivity Council will separately provide Hong Kong enterprises with support services on technological upgrading, management improvement, branding and market development, as well as Mainland market information. Apart from continuing to organise trade events in various Mainland provinces and cities to promote Hong Kong goods, HKTDC has enhanced its electronic trade platform and support services to assist Hong Kong enterprises in developing new distribution channels. The Mainland's policy of encouraging domestic consumption has indeed created new business opportunities for our enterprises to explore and develop.

CEPA

- The Government will continue to make good use of CEPA to

strive for better market access progressively for various sectors of Hong Kong, to bring more business opportunities to them and to strengthen their competitiveness in the Mainland. Through maintaining close liaison with the Mainland authorities at central, provincial and municipal levels, we will continue to seek to enhance the transparency of Mainland rules, regulations and implementation guidelines, and streamline the application procedures for setting up businesses etc., in order to implement various CEPA measures effectively.

Enhancing Co-operation between Hong Kong and Taiwan

- With regard to economic and trade relations between Hong Kong and Taiwan, the two places have maintained close contact with each other since the establishment of the Hong Kong-Taiwan Economic and Cultural Co-operation Council (ECCPC) and the Hong Kong-Taiwan Business Co-operation Committee (BCC) in April 2010 and the visit to Taiwan led by the Financial Secretary in his capacity as the Honorary Chairperson of ECCPC in August 2010. The two sides have discussed the technicalities and details of the agreed priority issues, including the establishment of an office in Taiwan by the Hong Kong Tourism Board (HKTB) and facilitation of customs clearance of goods. Through the new communication and co-operation platforms of the ECCPC and BCC, Hong Kong and Taiwan will continue to actively explore co-operation opportunities with a view to

promoting closer economic and trade partnership for the mutual benefits of the two places.

Wine Trading and Distribution Business

- Since the exemption of wine duty in 2008, wine trading and related businesses have experienced sustained growth, bringing substantive benefits to our economy.
- We will continue to enhance home-grown wine promotion mega events and encourage internationally renowned wine promotion agencies to stage their activities in Hong Kong, with a view to attracting more overseas traders to make good use of Hong Kong's advantages as an ideal platform for tapping the Asian market. A number of wine-producing countries/regions have recently set up or are considering setting up regional wine-promotion offices in Hong Kong. We are rendering suitable assistance to prospective clients through Invest Hong Kong.
- At the same time, we will keep up the momentum of other supportive measures, including combating counterfeit wine, consolidating the wine storage certification scheme, providing customs facilitation for wine entering the Mainland, and fostering manpower training and education. The overall objective is to create favorable conditions for the sustained

development of wine trading and distribution businesses using Hong Kong as a hub.

Tourism Performance

- Hong Kong's tourism industry enjoyed a robust overall performance last year with a record-breaking 36 million visitor arrivals, an increase of over 20% over 2009. The global economic recovery and the subsequent rebound in travel sentiments, coupled with the further relaxation of the Individual Visit Scheme by Mainland authorities, have contributed to the growth of our tourism industry.
- Looking ahead in 2011, we estimate visitor arrivals will further rise by 10%, to almost 40 million. We will also closely monitor the impact of the earthquake and tsunami in Japan on our inbound and outbound tourism, and work closely with our tourism trade to meet various challenges.

Overall Tourism Review

- Tourism is an important pillar of Hong Kong's economy. We attach much importance to the further development of our tourism industry, and treasure the reputation and brand built up by the tourism sector over the years. We are conducting a comprehensive review on the operation and regulatory

framework of our tourism sector to ensure the sustainable and healthy development of the tourism industry. On 28 February, we briefed the Legislative Council Panel on Economic Development on the four possible options for reforming the regulatory framework of the tourism sector. We are drafting the consultation document and will launch a consultation with the public and the trade next month (April). We encourage Members of the Legislative Council, the trade and the general public to share their views with us during the consultation, so that our analysis and consideration can be more thorough. Taking into account the views collected in the consultation, we will formulate concrete proposals for reforming the regulatory framework. We expect to announce the proposals in the fourth quarter of 2011. Before the establishment of any new regulatory regime, we will continue to give our full support to the Travel Industry Council of Hong Kong so that it will discharge its regulatory responsibilities effectively.

Promotional Work of the Hong Kong Tourism Board (HKTB)

- The HKTB has been carrying out its promotion work in the Middle East, India and Russia. We will inject an additional allocation of \$13.5 million in 2011-12 (and \$21.5 million in annual provision thereafter) to support the HKTB's work on stepping up penetration into new cities in the aforesaid markets, as well as setting up representative offices to build up business

networks in the Netherlands and Vietnam which are emerging markets with considerable potential. This will help strengthen Hong Kong's competitiveness.

Cruise Terminal

- We are sparing no efforts in enhancing the tourism infrastructure in Hong Kong, and the cruise terminal project is progressing smoothly. As regards the tender for appointing the terminal operator, Mrs Rita LAU, Secretary for Commerce and Economic Development, informed the Legislative Council Panel on Economic Development at its meeting in January that we aimed to launch the tender in the first half of this year. I am pleased to report that, as the progress of drawing up the tender documents has been satisfactory, we will formally launch the tender on coming Friday (25 March), with a view to awarding the contract for managing and operating the terminal within this year.

Theme Parks

- The expansion of Hong Kong Disneyland is proceeding as planned and the first of the three new themed areas, Toy Story Land, is expected to be opened by the end of this year.

- The redevelopment project of the Ocean Park is also in full swing. A new attraction ‘Aqua City’, which consists of one of the largest aquaria in Asia and an aquarium restaurant, was opened in January. Other new attractions such as ‘Rainforest’ and ‘Thrill Mountain’ are expected to be completed in April and September respectively.

Eradicating Pyramid Schemes and Prohibiting Unfair Trade Practices

- The public consultation on proposals to eradicate pyramid schemes ended in January this year. The great majority of respondents support our legislative proposals, including the proposals to tighten the definition of “pyramid scheme” in the Pyramid Selling Prohibition Ordinance, extend the regulatory coverage of the Ordinance and increase penalties. We will brief the Panel on Economic Development on the consultation outcome next week. Legislative amendments are being prepared and we aim to introduce them into this Council by the end of May at the earliest. As regards the work of amending the Trade Descriptions Ordinance to enhance consumer protection, we have already started preparing legislative amendments. The legislative provisions on cooling-off arrangements are rather complex. We will try our best to submit the amendments to this Council for scrutiny within the current legislative session.

Intellectual Property

- To support the sustainable development of creative industries and in keeping with the trend of network applications, we will introduce a bill to amend the Copyright Ordinance in the first half of 2011 with a view to strengthening copyright protection in the digital environment. The drafting of the bill is on schedule. In the meantime, Customs will keep enhancing its enforcement capability to combat pirating and counterfeiting activities.
- Separately, to ensure that our patent system could best facilitate the development of innovation and technology, we will embark on a review of the system this year. The Intellectual Property Department has been liaising with the trade and making ground work for taking the review forward. We intend to consult the relevant Legislative Council Panel on the scope and outline of the review in the second quarter of 2011.

Conclusion

- Chairman, I would be pleased to answer questions from Members.