

立法會
Legislative Council

LC Paper No. CB(1)1787/11-12
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 20 March 2012, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon CHIM Pui-chung
Dr Hon LAM Tai-fai, BBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Members absent : Hon Fred LI Wah-ming, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Starry LEE Wai-king, JP

Public officers attending : Agenda item IV
Mr Andrew WONG, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mrs Alice CHEUNG
Deputy Secretary for Commerce and Economic
Development (Commerce & Industry)³

Ms Carol YUEN, JP
Deputy Director-General of Trade and Industry
(Commercial Relations, Controls and Support)

Agenda item V

Mr Gregory SO, JP
Secretary for Commerce and Economic
Development

Mrs Alice CHEUNG
Deputy Secretary for Commerce and Economic
Development (Commerce & Industry)³

Mr James LAU
Chief Executive Officer
The Hong Kong Mortgage Corporation Limited

Agenda Item VI

Mr Gregory SO, JP
Secretary for Commerce and Economic
Development

Miss Elizabeth TSE, JP
Permanent Secretary for Commerce and Economic
Development (Communications and Technology)

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Andrew LAI, JP
Deputy Commissioner for Innovation and
Technology

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

Staff in attendance : Miss Rita YUNG
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)1296/11-12 -- Minutes of meeting held on
17 January 2012)

The minutes of the meeting held on 17 January 2012 were confirmed.

II. Information paper issued since last meeting

(LC Paper No. CB(1)1206/11-12(01) -- Submission from the
(Chinese version only) Concern Group for a
Competitive Exhibition
Industry in Hong Kong
expressing views on
development of the
exhibition industry in Hong
Kong and Competition Bill
dated 28 February 2012

LC Paper No. CB(1)1275/11-12(01) -- Information on the financial
position of the Applied
Research Fund for the
period of 1 June to
31 August 2011

LC Paper Nos.
CB(1)1338/11-12(01) and (02) -- Administration's papers on
United Nations Sanctions
(Libya) Regulation 2011
(Amendment) Regulation
2012,
United Nations Sanctions
(Afghanistan) Regulation
2012 and the United
Nations Sanctions
(Afghanistan) Regulation
(Repeal) Regulation)

2. Members noted that the above papers had been issued since the last meeting.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)1298/11-12(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1298/11-12(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 17 April 2012 at 2:30 pm to discuss the item "Funding Proposals for the Research and Development Centre".

IV. Dedicated fund on branding, upgrading and domestic sales

(LC Paper No. CB(1)1298/11-12(03) -- Administration's paper on dedicated fund on branding, upgrading and domestic sales

LC Paper No. CB(1)1298/11-12(04) -- Paper on the support for Hong Kong enterprises in branding, upgrading and domestic sales prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

4. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the Administration's proposal to set up a time-limited dedicated fund of \$1 billion to assist Hong Kong enterprises in exploring and developing the Mainland market through developing brands, restructuring and upgrading their operations and promoting domestic sales in the Mainland (the BUD fund). Details of the proposal are set out in the Administration's paper (LC Paper No. CB(1)1298/11-12(03)). PSCIT advised that subject to members' views, the Administration would seek funding approval of the BUD fund from the Finance Committee (FC) in April 2012, and launch the fund by mid 2012.

Discussion

Funding scope and principles

5. Noting that individual Hong Kong enterprises might apply for funding under the BUD fund to engage a qualified service provider to help develop a holistic business plan to enhance their competitiveness and facilitate their business development in the Mainland, the Chairman enquired whether the enterprises were eligible to apply for further funding under the BUD fund to implement the projects subsequently. He also expressed concern about the time frame of 24 months allowed for the completion of each project.

6. PSCIT responded that during the tenure of the BUD fund and subject to funding availability, each enterprise might obtain funding for a maximum of three approved projects (including the engagement of qualified service provider and the implementation of the projects), and the cumulative funding ceiling per enterprise under the BUD fund was \$500,000. For the purpose of monitoring the progress of the approved projects, each project should be completed within a maximum of 24 months to ensure effective implementation of the relevant BUD measures.

7. In response to the Chairman's further enquiry about the initial payment to assist enterprises in meeting the financing needs at the start-up of the project, PSCIT advised that the Administration's current intention was to provide 25% of the total approved funding of each project as the initial payment. Subsequent payment(s) would be effected on a reimbursement basis upon the acceptance of the required progress/final report(s) and audited account(s) by the Administration.

8. Ms Emily LAU noted that the design and operation of the funding for non-profit-distributing organizations of the BUD fund was largely based on the existing Small and Medium Enterprises (SMEs) Development Fund of the Trade and Industry Department (TID). She enquired whether the Administration had received any complaints about unfair treatment during the approval process of the SME funding schemes administered by TID. PSCIT replied in the negative.

Programme implementation

9. Noting that the Administration intended to engage the Hong Kong Productivity Council (HKPC) to implement the enterprise part of the BUD fund, Mr Albert CHAN expressed concern about the vetting mechanism of the applications received and the role of HKPC. PSCIT responded that in respect of funding for individual enterprises under the BUD fund, all

applications would be considered by a newly formed Programme Management Committee (PMC) to be set up to oversee the implementation of the enterprise part of the BUD fund. The PMC would be chaired by a Government official. HKPC would act as the secretariat. Its work would include planning and organizing publicity and promotional activities, receiving and undertaking initial vetting of applications, co-ordinating the further vetting of project applications by the PMC and the Inter-departmental Committee supporting the PMC, monitoring the progress of the approved projects (including conducting on-site checking of selected projects), disbursing funds for approved projects and providing general guidance on the application procedures, etc to enterprises.

10. The Chairman enquired about the proposed membership of the PMC. PSCIT advised that the PMC would be chaired by a government official, with about 10 members to be drawn from, inter alia, the trade, SME associations, and those with expertise or experience in branding, upgrading and restructuring and/or domestic sales in the Mainland.

Financial implications

11. The Chairman enquired about the details of the disbursement to HKPC for providing the secretariat services for the enterprise part of the BUD fund. PSCIT and Deputy Secretary for Commerce and Economic Development (Commerce & Industry)³ advised that the Administration would disburse HKPC the bulk of the expenses incurred in providing the secretariat services: around \$55 million would be provided to HKPC to set up a dedicated team for programme management, administrative support and project monitoring, and around \$4 million would be provided to HKPC to conduct various publicity and promotional activities, organize seminars and symposia, publish guidebooks for education and experience sharing, and meet other necessary expenses such as audit fees. HKPC would contribute around \$17 million as the implementation partner in terms of professional manpower support, venue rentals and other ancillary, technical and support services.

Expected benefits

12. Mr Albert CHAN expressed concern on whether the BUD fund would become a form of "transfer of benefits" to a small group of enterprises. He enquired about the substantive economic benefits expected to be brought about by the BUD fund to the overall economy of Hong Kong, especially the industrial sector and local workforce. He opined that the BUD fund should only be open for applications by enterprises with manufacturing operations in Hong Kong, thus creating more job opportunities for local people. Sharing

a similar view, Ms Emily LAU opined that the Administration should explain clearly how the BUD fund would bring about economic benefits to Hong Kong, such as number of jobs to be created.

13. In response, PSCIT advised that the Administration had all along been maintaining a close dialogue with the trade through various channels, so as to understand their concerns and views relating to brand development, upgrading and restructuring, and promoting domestic sales. The BUD fund was intended to provide assistance and incentive to Hong Kong enterprises to explore and develop the Mainland market. All non-listed enterprises registered in and with substantive business operations in Hong Kong, including manufacturing, non-manufacturing and service industries, were eligible to apply for the BUD fund. PSCIT added that although the production base of many manufacturing enterprises had been relocated to the Mainland, many other parts of the supply chain (e.g. product design, promotion and marketing) still took place in Hong Kong, generating needs for various professional services where Hong Kong enjoyed advantages. Furthermore, the applicant enterprises might also engage local qualified service providers to help them develop the relevant business plan. Therefore the BUD fund would bring about economic benefits to various sectors of Hong Kong.

14. Mr Vincent FANG considered that the BUD fund would assist local SMEs, such as some small-sized design companies or proprietary Chinese medicine manufacturers, to develop their brands and tap the Mainland domestic market, leading to an expansion of their businesses in Hong Kong which in turn would be conducive to the creation of more employment opportunities for local people. To safeguard the interests of SMEs in Hong Kong, Mr FANG considered that the BUD fund should be open for applications by SMEs only, but not those large non-listed enterprises.

15. Mr Jeffrey LAM welcomed the Administration's proposal to set up the BUD fund. Noting that SMEs might suffer hardship in their operations in times of the fluctuating external economic environment, Mr LAM considered that the successful implementation of the BUD fund would assist Hong Kong enterprises in enhancing competitiveness and exploring and developing the Mainland market through developing brands, restructuring and upgrading their operations and promoting domestic sales in the Mainland, so as to capture the business opportunities arising from the National 12th Five-Year Plan. Echoing Mr Jeffrey LAM's view, Mr Vincent FANG urged the Administration to launch the BUD fund as soon as practicable to provide timely assistance to Hong Kong SMEs.

16. At the request of Mr Albert CHAN and Ms Emily LAU, the Administration undertook to provide supplementary information on the effectiveness and possible economic benefits as well as job opportunities to be brought about by the BUD fund to the overall economy of Hong Kong.

(Post-meeting note: The information provided by the Administration was issued to members vide LC Paper No. CB(1)1549/11-12(05) on 11 April 2012.)

17. Members agreed that the Panel should further discuss the Administration's funding proposal at the next regular Panel meeting to be held on 17 April 2012 before it was submitted to FC for consideration.

V. SME Financing Guarantee Scheme - special time-limited concessionary measures

(LC Paper No. CB(1)1298/11-12(05) -- Administration's paper on SME Financing Guarantee Scheme - special time-limited concessionary measures

LC Paper No. CB(1)1298/11-12(06) -- Paper on the support measures for small and medium enterprises prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

18. At the invitation of the Chairman, Secretary for Commerce and Economic Development (SCED) briefed members on the Administration's proposal to launch special time-limited concessionary measures under the SME Financing Guarantee Scheme (SFGS) operated by The Hong Kong Mortgage Corporation Limited (HKMC), as set out in the Administration's paper (LC Paper No. CB(1)1298/11-12(05)).

Discussion

19. Mr Jeffrey LAM welcomed the Administration's proposal to launch the special concessionary measures under the SFGS. He called on the Administration and HKMC to step up the publicity and promotional work of the measures, provide adequate guidance and assistance on the application

procedures to the enterprises, and expedite the application processing time so as to provide timely assistance to Hong Kong enterprises, in particular the small and medium enterprises (SMEs).

20. In response, SCED and Chief Executive Officer, The Hong Kong Mortgage Corporation Limited (CEO, HKMC) advised that a series of promotional activities including seminars were being held to promote the special concessionary measures to the lending institutions, the trade, and SME associations, etc. In general, HKMC would notify the lending institutions/enterprises of the result of the applications in writing in about three working days upon receipt of the application form and all necessary supporting documents.

21. Mr Albert CHAN opined that the introduction of the SFGS was a form of "transfer of benefits" to the banks, rather than providing assistance to SMEs. He enquired about the number of enterprises engaged in various industry sectors which were expected to benefit from the special concessionary measures.

22. SCED responded that given that the 80% loan guarantee was a new product under the SFGS, the number of beneficiaries would depend on various factors, such as the prevailing economic environment during the application period and the financing needs of individual enterprises, etc. On the assumption that the average loan amount to be guaranteed under the special concessionary measures per enterprise was \$3.4 million, which was the average loan amount of approved guarantee applications under the existing SFGS as at end of January 2012, the \$100 billion total loan guarantee commitment could benefit around 36 000 enterprises.

23. SCED advised that the new loan guarantee ratio of 80% was similar to that of the Special Loan Guarantee Scheme (SpGS) administered by the Trade and Industry Department (no new applications after 31 December 2010). The cumulative amount of loan approved under SpGS since its implementation on 15 December 2008 was over \$95 billion. The number of beneficiaries was over 20 000, employing over 340 000 staff. CEO, HKMC supplemented that the increase in loan guarantee ratio under the special concessionary measures would provide greater incentive to lending institutions to make effective use of the SFGS to meet the financing needs of enterprises including SMEs, especially during times of lending market stress and adverse economic climate. As at end of January 2012, about 22% of the approved applications were engaged in manufacturing industry, including textiles and garments, electronics, metal products and bags and accessories, etc, while about 78% of the approved applications were engaged in non-manufacturing industry, such as trading, wholesale and retail,

transportation and logistics, construction and engineering, etc.

24. Ms Emily LAU expressed support for the special concessionary measures. She enquired about the Administration's forecast of the external economic environment. She also expressed concern whether the Administration would continue to provide assistance to SMEs in obtaining sustainable financing as the application period of the special concessionary measures would only last for nine months.

25. In response, SCED and CEO, HKMC advised that the economic recovery in the United States (US) was still weak and the European debt crisis was still far from over, notwithstanding recent measures to inject liquidity into the market. As a result, the overseas markets would see slower growth in Gross Domestic Product and the external demand of Hong Kong goods had been faltering. The Administration was not optimistic about Hong Kong's export performance in the near term. Nevertheless, the Administration would work closely with HKMC to monitor the changes in the economic environment, in particular the situation of the US after its presidential election to be held in November 2012. The Administration and HKMC would also review the special concessionary measures as and when necessary.

26. Mr Vincent FANG expressed concern whether the banks would be reluctant to offer loans to enterprises amidst the current uncertain external economic environment. SCED responded that the SFGS reduced the credit risks shouldered by the lending institutions and helped maintain the stability of the banking system. The participating lending institutions would be required to sign an agreement with HKMC confirming their participation in the SFGS.

27. At the request of Mr Vincent FANG, SCED undertook to provide information on the comparison of the major features between the SFGS and SpGS, including eligibility and guarantee fee or cost involved. Deputy Secretary for Commerce and Economic Development (Commerce & Industry)³ advised that some features of the SFGS, such as allowing unlimited reuse of guarantee amount after loan repayment, and the offer of both term loans and revolving credit facilities without restriction on the proportion between the two, were more flexible than those of SpGS.

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)1509/11-12(01) on 10 April 2012.)

28. In response to the Chairman's enquiry, CEO, HKMC advised that depending on the response to the special concessionary measures, additional staff resources would be deployed to process the applications.

29. The Chairman concluded that the Panel supported in principle the proposed special time-limited concessionary measures under the SFGS.

VI. Budget initiatives on promotion of innovation & technology and testing & certification

(LC Paper No. CB(1)1298/11-12(07) -- Administration's paper on budget initiatives on promotion of innovation & technology and testing & certification

LC Paper No. CB(1)1298/11-12(08) -- Paper on Research and Development Cash Rebate Scheme on prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)1298/11-12(09) -- Paper on progress on progress on improving the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)1298/11-12(10) -- Paper on promoting the development of the testing and certification industry in Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

30. At the invitation of the Chairman, Secretary for Commerce and Economic Development (SCED) briefed members on the Administration's

latest initiatives in promoting innovation & technology and testing & certification as announced in the 2012-2013 Budget Speech. Details of the initiatives were set out in the Administration's paper (LC Paper No. CB(1)1298/11-12(07)).

Discussion

31. Dr Samson TAM welcomed the Administration's initiative to increase the level of cash rebate under the Research and Development (R&D) Cash Rebate Scheme by three-fold, from 10% to 30%, so as to induce companies to invest more in R&D. He enquired whether there was other non-financial support to encourage enterprises to partner with or engage local public research institutions to undertake R&D work. He also called on the Administration to take the lead to adopt more local R&D results.

32. In response, Commissioner for Innovation and Technology (CIT) advised that there was a need to bridge the gap between the academic sector, which tended to be more interested in basic research and the industry which demanded practical technology solutions to enhance their product development and competitiveness. The Administration had been working closely with local universities (in particular their knowledge transfer offices) as well as the R&D Centres to see what measures could be introduced to facilitate work in applied research, in particular commercialization. CIT added that the Administration had refined the vetting criteria of the Innovation and Technology Fund (ITF) to give greater emphasis to relevant factors apart from scientific/technical considerations, so as to encourage and select projects with greater prospect of realization/commercialization. To promote an innovation and technology culture in Hong Kong, the Administration would also encourage universities, trade associations and non-governmental organizations to apply for funding from the General Support Programme under ITF for conducting non-R&D projects and activities, e.g. surveys, seminars and competitions.

33. Deputy Commissioner for Innovation and Technology (DCIT) supplemented that it would be difficult to give priority to adopt local R&D results in the government procurement policy, as Hong Kong was a founding member of the World Trade Organization (WTO) and was bound by the WTO agreements. Nevertheless, the Administration would facilitate the trial of R&D products by government departments and public organizations, so that researchers and product developers could gain actual experience to fine-tune their products, build up "reference" for subsequent marketing, and bring about wider economic and social benefits to the community. The scope of ITF funding was extended to cover production of prototypes/samples and conducting of trial schemes in the public sector. Examples of the trial

schemes in the public sector included the light-emitting diode corridor lamps and streetlamps installed at Housing Department and Highways Department premises, the solar cell demonstration system installed at the Tseung Kwan O Hospital by the Hospital Authority, and the electric vehicle used at the Correctional Services Department's facilities in Hei Ling Chau.

34. In response to Dr Samson TAM's suggestion of extending the scope of ITF funding to cover the conducting of trial schemes of local R&D results in the Mainland, CIT advised that the Administration would explore the possibility of Dr TAM's suggestion, taking into account the need to ensure accountability and proper use of public funds.

35. Ms Emily LAU opined that the R&D expenditure in Hong Kong as a percentage of the Gross Domestic Product was still very low. She also enquired about the statistics and effectiveness of the Internship Programme under ITF in nurturing R&D talents.

36. CIT responded that innovation and technology was one of the six industries where Hong Kong enjoyed clear advantage. The direct economic contribution (in terms of value added) of innovation and technology in 2009 increased by 4.4% over 2008, and grew notably further in 2010 by 9.8% over 2009. She advised that the Hong Kong Science Park was the flagship technological infrastructure in Hong Kong. With the success of Science Park Phases 1 and 2 now housing more than 350 companies at a 90% occupancy rate, the Administration had commenced the development of Phase 3 at an estimated cost of \$4.9 billion. The development was in good progress and would be completed in stages from early 2014 to 2016. The three Phases would house about 500 companies in total. CIT added that many local graduates were benefited from the Internship Programme. The Small Entrepreneur Research Assistance Programme under ITF and the incubation programmes operated by the Hong Kong Science and Technology Parks Corporation also aimed at nurturing technology start-up companies and young entrepreneurs.

37. DCIT supplemented that the Internship Programme provided financial support for each ITF project to engage up to two interns not exceeding 24 months to take part in R&D projects, thereby allowing more local university graduates to gain first-hand research experience and stimulating their interest in the R&D or industrial path. In the past three years, the Administration funded more than 850 intern positions with an average annual expenditure of about \$30 million. Of the 253 interns who completed their internship in 2011, the Administration had received 95 evaluation reports. About 50% of the respondents said that they had secured R&D-related jobs, and more than 40% indicated that they planned to either further their studies in relevant

technology areas or continue with R&D work.

38. In response to Ms Emily LAU's concern about the Cyberport, Permanent Secretary for Commerce and Economic Development (Communications and Technology) advised that the Administration and the Cyberport management would update the Panel on Information Technology and Broadcasting on 12 April 2012 on the progress of the Cyberport Project.

VII. Any other business

(LC Paper No. CB(1)1329/11-12(01) -- Invitation from Temasek Foundation Centre for Trade & Negotiations (TFCTN) inviting nominations of two Legislative Council Members to join the World Trade Organization and the TFCTN Workshop on international trade 2012 to be held in Singapore from 15 to 17 May 2012
(English version only)

39. The Panel noted the invitation from the Temasek Foundation Centre for Trade & Negotiations (TFCTN) to the Legislative Council (LegCo) for the nomination of two Members to join the World Trade Organization and the TFCTN Parliamentarian Workshop on international trade 2012 (the Workshop) to be held in Singapore from 15 to 17 May 2012. As the contents of the Workshop programme fell within the terms of reference of the Panel, members agreed to accept the invitation to nominate two Members to participate in the Workshop.

40. The Chairman suggested and members agreed that a circular would be issued to all Members inviting them to indicate whether they were interested in joining the Workshop. If more than two Members were interested in joining the Workshop, a Panel meeting would be held to consider the nominations. Otherwise, Members would be informed of the nominations by circulation.

(Post-meeting note: As no Member had indicated interest in joining the Workshop, the organizer was subsequently informed that Members would not participate in the Workshop.)

Action

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41. There being no other business, the meeting ended at 4:34 pm.

Council Business Division 1
Legislative Council Secretariat
7 May 2012