

立法會
Legislative Council

LC Paper No. FC66/15-16

(These minutes have been
seen by the Administration)

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Finance Committee of the Legislative Council

**Minutes of the 72nd meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 17 July 2015, at 7:18 pm**

Members present:

Hon Tommy CHEUNG Yu-yan, GBS, JP (Chairman)

Hon CHAN Kin-por, BBS, JP (Deputy Chairman)

Hon Albert HO Chun-yan

Hon Emily LAU Wai-hing, JP

Hon TAM Yiu-chung, GBS, JP

Hon WONG Kwok-hing, BBS, MH

Hon Jeffrey LAM Kin-fung, GBS, JP

Hon Andrew LEUNG Kwan-yuen, GBS, JP

Hon WONG Ting-kwong, SBS, JP

Hon Cyd HO Sau-lan, JP

Hon Starry LEE Wai-king, JP

Hon CHAN Hak-kan, JP

Dr Hon Priscilla LEUNG Mei-fun, SBS, JP

Hon CHEUNG Kwok-che

Hon WONG Kwok-kin, SBS

Hon IP Kwok-him, GBS, JP

Hon Paul TSE Wai-chun, JP

Hon LEUNG Kwok-hung

Hon Albert CHAN Wai-yip

Hon WONG Yuk-man

Hon Claudia MO

Hon NG Leung-sing, SBS, JP

Hon Steven HO Chun-yin, BBS

Hon Frankie YICK Chi-ming, JP

Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Dr Hon Kenneth CHAN Ka-lok
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Ronny TONG Ka-wah, SC
Dr Hon LAM Tai-fai, SBS, JP
Dr Hon LEUNG Ka-lau
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Alan LEONG Kah-kit, SC
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon CHAN Han-pan, JP
Hon CHAN Yuen-han, SBS, JP
Hon Kenneth LEUNG

Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Dr Hon Helena WONG Pik-wan
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan

Public officers attending:

Ms Elizabeth TSE Man-ye, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Ms Christine LOH Kung-wai, JP	Under Secretary for the Environment
Mr Howard CHAN Wai-kee, JP	Deputy Director of Environmental Protection (2)
Mr WONG Hon-meng	Assistant Director of Environmental Protection (Waste Reduction and Recycling)
Mr TSANG Kam-lam, BBS, JP	General Manager, Environmental Management Division, Hong Kong Productivity Council
Ir Kenny WONG Siu-wai	Principal Consultant, Hong Kong Productivity Council
Miss Kathy CHAN Nap-sze	Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry) 5
Mr Kenneth MAK Ching-yu, JP	Director-General of Trade and Industry
Ms Belinda WONG Yuen-yung	Assistant Director-General of Trade and Industry (Industries Support)

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Raymond SZETO	Council Secretary (1)5
Miss Queenie LAM	Senior Legislative Assistant (1)2
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5
Miss Yannes HO	Legislative Assistant (1)6

Action

Item No. 2 – FCR(2015-16)25

HEAD 44 – ENVIRONMENTAL PROTECTION DEPARTMENT

Subhead 700 General non-recurrent

New item "Recycling Fund"

The meeting continued with the deliberation on the item FCR(2015-16)25 which sought the Committee's approval for the creation of a new commitment of \$1 billion for setting up the Recycling Fund ("the Fund").

Funding scope and principles

2. Noting that most of the recycling companies and organizations engaged in recycling operations in Hong Kong were small and medium enterprises ("SMEs"), Ms Claudia MO asked how the Fund could facilitate the development of the recycling industry, in particular with the tightening control on imports of recyclables in various markets. She expressed concern about the insufficient labour supply for the industry. She also called on the Administration to develop policies and measures on waste management, especially those relating to source separation of waste.

3. Deputy Director of Environmental Protection (2) ("DDEP(2)") responded that the objective of the Fund was to enhance the capability, capacity, efficiency and skills of the recycling industry, thus facilitating its sustainable development. Individual recyclers could apply grants from the Fund to upgrade and expand their waste recycling operations in Hong Kong as well as to train and develop their manpower. He added that the Administration had been co-ordinating with training institutions in providing training courses to enhance the knowledge and skills of employees of the recycling industry.

4. Mr CHAN Chi-Chuen noted that the Fund aimed to facilitate the sustainable development of the recycling industry through upgrading their operational effectiveness and capacity. He asked how the Administration

could assess whether the applicant could achieve the said purpose if the Fund was used for marketing and promotion.

5. DDEP(2) advised that the Administration was open to proposals to enhance the overall capability, efficiency, skills and market information of the recycling industry. He added that in addition to raising the quantity and quality of recyclables and recycled products, the Fund also aimed to support projects which could promote markets for recycled products and hence provide greater impetus to local landfill diversion. When applying for grants to be used for commercialization and marketing, the applicant recycler had to demonstrate how the proposed project could enhance the source separation, collection of recyclables, or the quantity and quality of recycled products.

Disbursing and recalling the grants

6. Given that grants for individual recyclers would only be set at 50% of supported expenditure items, Mr CHAN Chi-Chuen asked whether the grants would be recalled from the recyclers if the grants were used for purchasing equipment but the recyclers ceased operation during or after the two-year project period. Mr WONG Yuk-man raised a similar concern. Mr WONG noted that applicants of the Fund must demonstrate that the proposed project would remain as their business processes and be able to operate on their own resources without further funding support after the two-year project period. He questioned how the Administration could ensure compliance with the requirement. He also asked if interim review would be conducted and the procedures to be taken by the Administration if the recyclers ceased operation during the project period.

7. General Manager, Environmental Management Division, Hong Kong Productivity Council ("GM, HKPC") advised that all applicants were required to submit proposals to demonstrate how the proposed project would facilitate the upgrading of operational capabilities and efficiency of the recycling industry for sustainable development. To ensure that the operation of the recyclers was sustainable, applicants had to provide information on their financial position and an estimate on the enhanced value of the recycled products for assessment. DDEP(2) and Assistant Director of Environmental Protection (Waste Reduction and Recycling) ("ADEP(WR&R)") added that successful applicants would be required to report on a regular basis about the relevant milestones reached. Moreover, on-site spot checks and random inspections would also be conducted to verify the deliverables and targets as reported by the applicants. Disbursements would only be made to the successful applicants on completion of designated milestones of the projects. Principal Consultant, Hong Kong Productivity Council ("PC, HKPC") supplemented that before the completion of

project, the Hong Kong Productivity Council would also review the operation and financial position of the recyclers to ensure that their operation could be sustained after the project period. In the event that the recyclers ceased operation during the project period, the Hong Kong Productivity Council ("HKPC") would stop disbursing payment to the recyclers. In reply to the Chairman's enquiry, DDEP(2) advised that successful applicants would be required to go into contractual agreements with the Administration which would lay down detailed conditions for the grants, terms for purchases and disposal of capital assets if any, as well as the possible return of payments and/or assets in the event of unsatisfactory project performance or failure to perform, or if the successful applicant ceased operation without justifications after purchasing equipment with the support of the Fund.

Promoting waste recovery and recycling at community level

8. Ms Cyd HO enquired how the Administration could promote the recovery and recycling of waste at community level with the establishment of the Fund. Under Secretary for the Environment ("USEN") and ADEP(WR&R) advised that in addition to the Fund which aimed at assisting the recycling industry, non-profit making and community organizations could apply for the Environment and Conservation Fund ("ECF") for educational, research, publicity and other projects and activities in relation to environmental and conservation matters, including the promotion of source separation of waste and clean recycling. ADEP(WR&R) added that the Administration had also actively promoted source separation of domestic, commercial and industrial waste so as to increase the amount of recyclables available for collection and processing by local recyclers.

Small and medium enterprises in the recycling industry

9. Noting that most recyclers in Hong Kong were SMEs with less than 50 employees, Mr WONG Yuk-man doubted how these SMEs could prepare the project proposals as required. He considered that the Fund might eventually be granted to large corporations with manpower and resources to prepare a detailed proposal and the purpose of the Fund in strengthening the capacity and quality of the recycling process of small recyclers would be defeated. Mr Albert CHAN expressed similar concern and considered that the Fund would eventually be granted to companies having connections with the rich and the powerful. Mr CHAN said he would closely monitor the operation of the Fund to ensure that it would be operated in an open and fair manner.

10. DDEP(2) said the Administration noted that most recyclers in Hong Kong were SMEs. To facilitate recyclers in applying grants from the Fund, HKPC would provide helpdesk support giving advice and guidance to recyclers, including SMEs, in submitting project proposals. DDEP(2) and PC, HKPC added that the Administration was also considering to making available model small scale projects with streamlined application procedures to address the needs of SME recyclers. .

Caps on the number of applications and amount of grant

11. Dr Kenneth CHAN expressed support for the Fund as recyclers of waste wood could make use of the Fund to buy equipment and vehicles so that they could lower their transport cost. Noting that each applicant for the Fund could make a maximum of three applications with a cap of \$5 million per application, he sought clarification on how a recycler of waste wood intending to buy three different pieces of equipment or vehicles should submit application. He also enquired how the Administration could ensure that there was no duplication of public funds being granted to the same applicant through different channels.

12. DDEP(2) responded that the Fund provided project-based matching funds for enterprises and the \$5 million cumulative funding cap would apply to all applicants. A recycler planning to buy three pieces of equipment or vehicles might submit one application for them in one go or three applications separately depending on the operational needs and financial arrangements of the recycler. Regarding measures to avoid duplicated granting of funds, DDEP(2) said that applications for the Fund would be referred to relevant Government bureaux/departments for comments and if the proposed projects had already been granted funding from other government sources, the applications would not be supported.

13. Dr Kenneth CHAN further enquired whether applicants could apply for the Fund for capital and manpower costs invested before the establishment of the Fund. DDEP(2) advised that such applicants should demonstrate in their applications how these components could have contributed to achieving the stated objective of the Fund i.e. to facilitate recyclers to upgrade and expand their existing waste recycling operations in Hong Kong in a sustainable manner. This would facilitate the Advisory Committee on Recycling Fund ("Advisory Committee") to understand more about the background and capability of the recycler in considering the applicant's proposal.

14. Mr TANG Ka-piu enquired whether a local enterprise with part of its recycling operations conducted by its subsidiaries in the Mainland could also apply for the Fund. DDEP(2) replied that the Fund would only support the enhancement of recycling processes/operations in Hong Kong though local enterprises with subsidiaries/and or operations in the Mainland could also apply for the Fund so long as their proposals could meet the Fund's stated objectives.

Support for the recycling industry

15. Mr SIN Chung-kai was of the view that the Government should consider to develop a Government owned/subsidized Treatment and Recycling Facility ("TRF") in order to promote the needs of different types of recyclables which would in turn support the long-term sustainable development of the recycling industry. He also made reference to the successful experience of Australia in dismantling waste computer equipment into various electronic components for further processing.

16. Mr Albert HO shared a similar view and doubted the effectiveness of using the Fund alone to promote the sustainable development of the local recycling industry. He was of the view that the Administration should formulate measures on multiple fronts to support the recycling industry, such as promoting waste separation at source, imposing restrictions in disposing recyclables like rubber tyres and waste computer equipment as well as developing local facilities for the reprocessing of recyclables.

17. Mr Martin LIAO noted with concern that many recyclables in Hong Kong were of low commercial value and more than 90% of them were exported to other countries or places for reprocessing. He asked if the Administration had any policy to support the reprocessing of recyclables and manufacturing of higher value recycled products, as well as to boost the local demand for recycled products.

18. Mr Gary FAN sought elaboration on how the Administration could promote commercialization of recycled products in Hong Kong by the establishment of the Fund. He also enquired about the scope and targets of the periodic market and technologies studies to be conducted by HKPC which was part of the proposal. Mr LEUNG Kwok-hung expressed similar concern and called on the Administration to support the development of local recycling industry instead of merely collecting the waste for disposal to the landfills.

19. DDEP(2) said that the Fund aimed to promote market viability of recycled products to increase outlets for locally processed recyclables, thus encouraging investments in the recycling industry. Recyclers planning to

develop higher value recycled products could also apply for the Fund. GM, HKPC and PC, HKPC supplemented that some recyclers had expressed interest in applying for the Fund for the development of higher value recycled products, such as the production of "wood plastic" through the reprocessing of waste wood and waste plastic. To further support the development of the local recycling industry, HKPC would conduct periodic market development and technological studies on matters relating to recycling industries. HKPC would also promote exchanges between the local and overseas recycling trades for information and knowledge exchange.

20. With regard to the development of local TRF, USEN and DDEP(2) advised that the Administration had assisted in the development of treatment and recycling facilities for waste cooking oil, waste glass and other waste types in Hong Kong. In addition, a TRF would be developed at the EcoPark for proper management of Waste Electrical and Electronic Equipment ("WEEE") in which useful electrical and electronic components would be dismantled for recycling/reselling. The Administration also planned to handle WEEE through a new mandatory producer responsibility scheme ("PRS"). That said, as different types of recyclables involved different modes of operation, it might not be practicable for all recyclable materials recovered from the waste stream to be reprocessed and recycled locally, in particular those required to be conducted in a large scale TRF (e.g. waste plastics and waste paper) as land supply was very limited in Hong Kong.

21. Mr WONG Yuk-man expressed concern that upgrading the operational capabilities and efficiency of the recycling industry with new technologies might greatly affect the livelihood of some of the elderly who relied on the collection of waste paper for a living. DDEP(2) said that the livelihood of individual frontline collectors would not be adversely affected as they might be called on to handle increasing amount of recyclables including waste paper if the source separation and operational capabilities of the recyclers could be enhanced. In response to the Chairman's enquiry, DDEP(2) said that the operation mode of the recycling industry in the collection of recyclables, including requiring frontline workers to collect recyclables such as waste paper, would remain the same in the near future as it might take time for recyclers to utilise the Fund to upgrade their operation mode.

Waste management policy

22. Mr Gary FAN expressed concern on the continuous extension of landfills on one hand and insufficient Government efforts in promoting source separation and recycling of waste on the other. He considered that the target waste recovery rate for Hong Kong set in the "Hong Kong Blueprint for

Sustainable Use of Resources 2013-2022" ("the Blueprint") was low when compared to South Korea and Taiwan and it was not desirable to dispose of nearly half of municipal solid waste ("MSW") at landfills or by incineration. He called on the Administration to speed up the implementation of quantity-based MSW charging in Hong Kong.

23. USEN said that the Blueprint mapped out targets, policies and action plans for Hong Kong's waste management for the coming 10 years. As mentioned in the Blueprint, one of the most powerful tools in waste reduction was MSW charging, which could reduce waste generation by over 20% according to the experience in South Korea and Taiwan. However, considerable lead time would be required for the implementation of MSW charging in Hong Kong.

24. Mr Albert CHAN was of the view that the Administration should promulgate mandatory source separation and recycling of waste instead of relying on non-profit making and community organizations to undertake non-profit making promotional projects. He added that mandatory source separation of waste had been successfully implemented in Japan and Taiwan for a long time. He cited the example of a fish farm in Tin Shui Wai which produced fish feed from food waste and called on the Administration to develop policies and measures to support the development of similar recycling businesses in Hong Kong.

25. Mr TANG Ka-piu pointed out that cleaning workers could facilitate source separation of waste. He asked if the Administration would co-ordinate with cleaning companies/frontline cleaning workers in this regard. DDEP(2) said that individual enterprises could apply for the Fund for promoting and publicizing source separation, collection and/or treatment of recyclables. Non-profit distributing organizations could also apply for the Fund to conduct training and publicity programmes on source separation of waste aimed to benefit the industry as a whole. In response to Mr TANG Ka-piu's concern regarding occupational safety and health of the employees of recyclers, DDEP(2) advised that recyclers could make use of the Fund for participating in appropriate occupational safety and health schemes with a view to raising employees' awareness and to reduce the risk of injuries caused by accidents and in turn would enjoy lower insurance premiums when taking out labour insurance policy.

26. Noting that the daily per capita rate of MSW had increased substantially in the past 30 years, Ms Claudia MO sought clarification on whether commercial waste and construction waste were included in the

calculation. DDEP(2) advised that by definition, MSW consisted of household waste, commercial waste and industrial waste but not construction waste.

Recyclables of low commercial value

27. Ms Elizabeth QUAT expressed support for the establishment of the Fund to facilitate the sustainable development of the recycling business. She enquired how the Administration would ensure the sustainable development of recyclers who were engaging in the recycling of recyclables with low commercial value but high collection costs (e.g. waste plastics and glass bottles).

28. DDEP(2) explained that some recyclables attracted low commercial value because of their poor quality (e.g. being contaminated or mixed with other impurities). With the support of the Fund, recyclers could enhance their operation processes in source separation, collection or treatment of recyclables recovered from the waste stream with a view to raising the commercial value of the recyclables or recycled products. He added that the implementation of the mandatory PRSs including that on glass beverage bottles ("GBBs") and the MSW charging scheme would also provide the needed incentive to encourage waste recycling, in particular those with low commercial value. DDEP(2) further advised that the Administration planned to hire contractors from the recycling industry to manage glass bottle collection services and properly treat the waste glass bottles collected until the bottles became reusable materials. Glass bottle recyclers could apply grants from the Fund to enhance their collection and treatment processes and to expand the capacity of operations before the launch of PRS.

29. Mr Frankie YICK enquired how the mandatory PRS on GBBs and the MSW charging scheme could help enhance the quality of the recyclables. DDEP(2) said that the mandatory PRS on GBBs and the MSE charging scheme would provide the needed incentive to encourage the recovery and recycling of recyclable waste. In order to raise the quality of recycled products, recyclers could apply grants from the Fund to enhance the treatment process of recyclables recovered from the waste stream.

Administration and monitoring of the Fund

30. Noting that the administrative and monitoring costs required for HKPC to implement the Fund would be \$84.1 million, Mr Gary FAN and Mr WONG Yuk-man asked why the Administration proposed to engage HKPC to manage the Fund instead managing it through relevant Government bureaux or departments. Mr CHAN Hak-kan expressed a similar view, and pointed out

that the \$5 billion ECF was managed directly by the Administration. He called on the Administration to look into ways to reduce the costs for implementing the Fund.

31. DDEP(2) responded that the Administration planned to engage HKPC as the implementation partner to the Fund to leverage on HKPC's expertise and experience in managing Government funds of similar size and nature as well as its close connections with the recycling sector. The manpower arrangements of HKPC during the seven-year implementation period would also be more flexible in comparison with the civil service system. In response to Mr CHAN Hak-kan's enquiry, DDEP(2) explained that the applicants of ECF were for environmental education and promotion by non-profit making and community organizations whereas applicants of the Fund were enterprises from the recycling industry. Non-profit making organizations might also apply for the Fund to organise programmes that would benefit the recycling industry as a whole. Hence relevant knowledge and understanding of the needs and operation of the recycling industry would be required in managing the Fund. In addition, the review and monitoring mechanism of the Fund was different from that of ECF.

32. In response to Mr CHAN Chi-chuen's enquiry, DDEP(2) clarified that both the Administration and HKPC would be responsible for managing the Fund and the Advisory Committee would review individual applications and make recommendations. The Administration would consider and approve applications based on the advice of the Advisory Committee. HKPC would be responsible for monitoring and reviewing the progress of the funded projects and reporting to the Administration and Advisory Committee periodically.

33. Mr LEUNG Kwok-hung considered that the involvement of three parties, namely the Administration, HKPC and the Advisory Committee, in processing applications of the Fund was inefficient and repetitive. He sought information on how the Advisory Committee would be formed. DDEP(2) advised that members of the Advisory Committee would be appointed by the Administration from different sectors with experience relevant to the promotion of waste reduction and recycling, academics, representatives of trade and industry associations, relevant bureaux/departments, etc. The role and responsibilities of the three parties were different in the way that HKPC would be responsible for receiving and initial screening of all applications, the Advisory Committee for reviewing and making recommendations on the applications and the Administration for the final approval of the applications.

Other concerns

34. Ms Claudia MO and Mr Martin LIAO opined that the Chinese name of the Fund "回收基金" could not reflect the nature of the recycling business, i.e. the recovery and recycling of waste. They suggested the Administration to consider changing its Chinese name to "回收再造基金".

35. DDEP(2) responded that the recycling industry was well familiar with the Chinese name "回收基金". The suggested change might create misunderstanding and would cause confusion to the industry.

36. Dr Kenneth CHAN noted that in order to avoid conflict of interest, HKPC would not seek funding support from the Fund as an applicant and would not take part in the provision of consultancy service or the implementation of any approved project under the Fund. He sought clarification on whether the measures to avoid conflict of interest would also apply to the subsidiaries of HKPC. GM, HKPC replied in the affirmative.

37. Mr WONG Yuk-man requested the Administration to provide information about the representatives of the subsectors of the recycling industry that the Administration had met to gather views on the proposed scope and operational framework of the Recycling Fund, and the key comments gathered from the meetings. GM, HKPC agreed to provide the information.

[*Post-meeting note:* The Administration's supplementary information was issued to members vide LC Paper No. FC248/14-15(01) on 28 August 2015.]

Voting on FCR(2015-16)25

38. There being no further question from members, the Chairman put the item to vote. On members' request, the Chairman ordered a division and the division bell was rung for five minutes.

39. After members had cast their votes, the Chairman announced that 26 members voted for and three voted against the item. Three members abstained. The votes of individual members were as follows –

For:

Ms Emily LAU Wai-hing

Mr WONG Kwok-hing

Mr WONG Ting-kwong

Dr Priscilla LEUNG Mei-fun

Mr TAM Yiu-chung

Mr Andrew LEUNG Kwan-yuen

Mr CHAN Kin-por

Mr WONG Kwok-kin

Mr IP Kwok-him	Mr Paul TSE Wai-chun
Mr WONG Yuk-man	Ms Claudia MO
Mr NG Leung-sing	Mr Gary FAN Kwok-wai
Mr MA Fung-kwok	Mr Charles Peter MOK
Dr Kenneth CHAN Ka-lok	Mr LEUNG Che-cheung
Mr Christopher CHEUNG Wah-fung	Mr SIN Chung-kai
Dr Elizabeth QUAT	Mr POON Siu-ping
Mr TANG Ka-piu	Dr CHIANG Lai-wan
Mr Christopher CHUNG Shu-kun	Mr Tony TSE Wai-chuen
(26 members)	

Against:

Mr LEUNG Kwok-hung	Mr Albert CHAN Wai-yip
Mr CHAN Chi-chuen	
(3 members)	

Abstained:

Ms Cyd HO Sau-lan	Mr CHEUNG Kwok-che
Dr Fernando CHEUNG Chiu-hung	
(3 members)	

40. The Chairman declared that the Committee approved the item.

Item No. 3 – FCR(2015-16)26

HEAD 181 – TRADE AND INDUSTRY DEPARTMENT

Subhead 700 General non-recurrent

Item 524 SME Export Marketing and Development Funds

41. The Chairman advised that the item invited the Committee to approve an increase in the approved commitment of the SME Export Marketing and Development Funds ("EMDF") from \$3.75 billion by \$1.5 billion to \$5.25 billion. The Commerce and Economic Development Bureau had consulted the Panel on Commerce and Industry ("the Panel") on the proposal on 16 June 2015.

Report by Panel Chairman

42. At the invitation of the Chairman, Mr WONG Ting-kwong, Chairman of the Panel, reported the Panel's discussion on the proposal. Mr WONG said that Panel members supported the proposed injection. Panel members welcomed the Administration's proposal to expand the scope of the SME Export Marketing Fund ("EMF") so as to provide SMEs with greater

flexibility in utilizing the grants for participating in export promotion activities. Some Panel members expressed concerns on the declining number of applications in recent years and the low utilization rate of the additional grants introduced in mid 2013. Panel members also noted with concern that since its launch in 2001, the SME Development Fund ("SDF") had only provided grants for about 200 applications with the average amount of grants approved per year being less than \$20 million. Moreover, only around 50% of the applications had been approved in the last financial year. Panel members urged the Administration to promote the use of the two funding schemes (i.e. the SDF and the EMF) financed by EMDF and to provide more support for SMEs to enhance their competitiveness and develop new export markets.

43. The Chairman declared that the meeting be adjourned and the Committee would continue discussion on the item at the next meeting.

44. The meeting was adjourned at 9:13 pm.

Legislative Council Secretariat

4 January 2016