

立法會

Legislative Council

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 16 March 2021, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon CHUNG Kwok-pan (Chairman)
Hon Jimmy NG Wing-ka, BBS, JP (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, GBS, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP
Hon LAU Kwok-fan, MH

Member attending : Hon Elizabeth QUAT, BBS, JP

Public officers attending : Agenda item III
Innovation and Technology Bureau

Dr David CHUNG, JP
Under Secretary for Innovation and Technology

Ms Sandy CHEUNG
Principal Assistant Secretary for Innovation and
Technology (1)

Innovation and Technology Commission

Ms Rebecca PUN, JP
Commissioner for Innovation and Technology

Miss Eunice CHAN
Assistant Commissioner for Innovation and
Technology (Infrastructure)

Agenda item IV

Commerce and Economic Development Bureau

Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic Development

Ms Betty HO, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)³

Trade and Industry Department

Mr Brian LO, JP
Director-General of Trade and Industry

Ms Christine WAI
Assistant Director-General of Trade and Industry
(Industries Support)

**Attendance by
invitation** : Agenda item III

Hong Kong Science and Technology Parks Corporation

Mr Albert WONG
Chief Executive Officer

Mr Eugene HSIA
Chief Corporate Development Officer

Agenda item IV

HKMC Insurance Limited

Mr Clement CHAN
Chief Executive Officer

Ms Irene MOK
Vice President (SFGS Operations)

Hong Kong Trade Development Council

Ms Margaret FONG
Executive Director

Mr Stephen LIANG
Assistant Executive Director

Clerk in attendance : Mr Boris LAM
Chief Council Secretary (1)3

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

Mr Terence LAM
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Miss Zoe YIP
Clerical Assistant (1)3

I. Information paper issued since last meeting

Members noted that no information paper was issued since the last meeting.

II. Date of next meeting and items for discussion

(LC Paper No. CB(1)647/20-21(01) -- List of outstanding items for discussion

LC Paper No. CB(1)647/20-21(02) -- List of follow-up actions)

2. Members noted that the next regular Panel meeting would be held on 20 April 2021 at 2:30 pm to discuss the following items proposed by the Administration –

- (a) Progress report of the funding schemes under the Innovation and Technology Fund; and
- (b) Implementation of the Original Grant Patent System.

III. Latest development of the Hong Kong Science Park and industrial estates

(LC Paper No. CB(1)647/20-21(03) -- Administration's paper on "Latest Development of the Hong Kong Science Park and Industrial Estates"

LC Paper No. CB(1)647/20-21(04) -- Paper on the Hong Kong Science Park and Industrial Estates prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)661/20-21(01) -- Administration's paper on "Latest Development of the Hong Kong Science and Technology Parks Corporation" (PowerPoint presentation material))
(*Chinese version only, tabled at the meeting and subsequently issued on 17 March 2021*)

Presentation by the Administration

3. At the invitation of the Chairman, Under Secretary for Innovation and Technology ("US for IT") gave an introductory remark on the latest development of the Hong Kong Science Park ("HKSP") and industrial estates ("IEs"). With the aid of PowerPoint presentation, Chief Executive Officer, Hong Kong Science and Technology Parks Corporation ("CEO, HKSTPC") briefed members on the latest development of the Hong Kong Science and Technology Parks Corporation ("HKSTPC") and the Phase 2 of the Science Park Expansion Programme ("SPX2").

Details were set out in the Administration's papers (LC Paper Nos. CB(1)647/20-21(03) and CB(1)661/20-21(01)).

Discussion

Utilization of the Hong Kong Science Park

4. Mr YIU Si-wing enquired about the Administration's assessment on the occupancy rate of HKSP between now and the completion of the first building in the Hong Kong-Shenzhen Innovation and Technology Park ("the Park") in 2024. He was keen to know whether the communal facilities provided by HKSTPC in HKSP could cope with the present and future needs. Noting that tenants in HKSP had to deploy at least 50% of their staff in research and development ("R&D"), he also sought clarifications on whether HKSTPC would renew tenancies with companies which had shifted their focuses from R&D to sales and marketing of technology solutions/products.

5. CEO, HKSTPC responded that under HKSTPC's 3-year Incu-Tech Programme, incubatees were entitled to free rental for the first year, and half-rate for the second and third years. About 30% to 40% of the graduates of the incubation programmes chose not to stay in HKSP after graduation. Given the limited space, the floor space would be allocated to technology companies for conducting R&D activities in order to create a vibrant innovation and technology ("I&T") ecosystem in HKSP. SenseTime, one of the two unicorn companies in HKSP's ecosystem, only stationed its R&D team in HKSP but not its sales department. CEO, HKSTPC advised that there had been cases of termination of tenancy by HKSTPC for tenants which failed to meet the requirement of having at least 50% of staff engaging in R&D. On the other hand, as the Park would have a much larger gross floor area ("GFA") of at least three times of HKSP, more and may be different considerations would be needed on the management of the former.

6. Mr Jeffrey LAM reflected that technology start-ups found it difficult to seek admission to HKSP possibly due to the limited supply of small units therein. CEO, HKSTPC advised that the selection of start-ups into their incubation programmes was highly prudent and selective. The competence of the management teams and viability of the business plans of the start-up ventures were the important considerations, while there was so far no space constraints.

Expansion of the Hong Kong Science Park and industrial estates

7. Ms Elizabeth QUAT supported the proposed implementation of SPX2. Noting the deteriorating road traffic conditions along Tolo Highway, she asked whether the Innovation and Technology Commission ("ITC")/HKSTPC had, apart

from carrying out three traffic improvement measures at Science Park Road and within HKSP, discussed with the Transport Department and/or Development Bureau the implementation of other road infrastructure works to alleviate traffic congestion in the area.

8. Commissioner for Innovation and Technology ("CIT") responded that HKSTPC would carry out three traffic improvement measures recommended by its traffic consultant as set out in paragraph 25 of the Administration's paper in tandem with the first batch of works under SPX2. Besides, the Civil Engineering and Development Department was conducting an investigation study on the construction of Trunk Road T4. The project was to provide a dual two-lane carriageway connecting Sha Tin Road and Shing Mun Tunnel Road/Tsing Sha Highway. The new trunk road would help improve the traffic conditions of the Sha Tin district as vehicles could travel between Ma On Shan and Tsuen Wan/West Kowloon via Trunk Road T4 and bypass the local roads in Sha Tin district, including the Chak Cheung Street roundabout. The investigation study would be completed in 2021. CEO, HKSTPC agreed that with the heavy reliance on one major road-based transportation means, transportation was an issue in HKSP. He considered the road congestion could be alleviated if there was a rail line connecting to HKSP.

9. Mr LAU Kwok-fan recalled that the Administration had zoned various sites in the new development areas ("NDAs") in the northern New Territories for R&D/industrial uses and for development of business/technology parks and IEs. He enquired whether HKSTPC would consider making use of such sites for future expansion of HKSP or establishment of another science and technology park and, if so, the positioning and development directions of the new campuses.

10. Dr Junius HO expressed support to the development of I&T in Hong Kong. Noting that the Administration had over the years reserved a number of sites for I&T and developed HKSP, Cyberport, the Park and various research laboratory buildings in local universities, he asked how the Administration would coordinate all such I&T infrastructures to avoid any overlap in their functions. He also requested the Administration to provide information on the economic benefits brought by HKSP and IEs, and their I&T achievements.

Admin

11. CIT responded that the Administration had identified various sites for short, medium and long-term I&T development. The Innovation and Technology Bureau ("ITB") and ITC would review from time to time the demand for I&T land so as to dovetail with the development of relevant industries. Among the sites reserved, HKSTPC had been invited to commence the engineering and technical feasibility study for the 56-hectare site near Liantang/Heung Yuen Wai Boundary Control Point ("BCP"). Noting Mr LAU Kwok-fan's suggestion of granting some of the reserved sites for leading Mainland I&T companies to establish branch

offices in Hong Kong, CIT said that the Administration would explore different options when drawing up development plans for individual reserved sites.

12. Dr Junius HO was concerned that the Administration had taken too long to complete the relevant consultancy studies. Mr LAU Kwok-fan suggested that in order to speed up the development of the reserved 56-hectare site near Liantang/Heung Yuen Wai BCP, the Administration should press ahead with the implementation of the project in parallel with the planning and design of other NDAs in the northern New Territories. Mr LAU also called on the Administration to maintain close liaison with the trade and local stakeholders regarding the latest development of the site.

13. Regarding HKSTPC's podium expansion plan under SPX2, Dr Junius HO sought details of the intended uses of the three expanded podiums, totalling around 8 000 sq m, and confirmation on whether the expanded podiums would be covered. Noting that a 56-hectare site near Liantang/Heung Yuen Wai BCP had been reserved for I&T, Dr HO enquired about the reasons for spending over \$2 billion on the expansion of HKSP but not immediately kicking start the development of that spacious site to meet the need of the I&T industry. He was also worried that the resources spent on SPX2 would be wasted should the Administration later decide to relocate HKSP to the said 56-hectare site for centralized development.

14. CIT responded that according to a survey conducted by HKSTPC in 2020, an aggregate laboratory space of nearly 27 000 sq m was required. HKSTPC considered it necessary to kick-start SPX2 so that more R&D space could be provided to continuously support the development of technology enterprises in the coming few years. The first batch of works would involve a GFA of approximately 12 500 sq m, mainly for laboratories, and was targeted to be completed in phases from the end of 2022 to 2024. HKSTPC was actively examining its financial position with a view to supporting the first batch of works with its internal resources.

15. CIT added that the Administration had been taking forward various I&T projects expeditiously. The eight buildings under Batch 1 development of the Park were estimated to be completed in phases from 2024 to 2027. The 56-hectare site near Liantang/Heung Yuen Wai BCP had been reserved for long-term development of IEs and relevant preliminary planning study indicated that the development of the site as new IEs was feasible. However, as the site had yet to be formed, construction works could not commence at this stage. To take forward this project, HKSTPC would start the engineering and technical feasibility study in the second quarter of 2021. At Dr Junius HO's request, CIT undertook to provide information on the latest progress of the development of this site.

Attraction of innovation and technology talents

16. Mr YIU Si-wing said that he had visited a technology park in the Mainland where young entrepreneurs and I&T talents were provided with one-stop support services, including the provision of accommodation at a concessionary rent and assistances on launching businesses and fund-raising. He asked whether the Administration would, in addition to offering subsidies, provide policy and technical support in order to attract more Mainland and overseas talents to pursue I&T work in Hong Kong.

17. US for IT replied that the Administration had been stepping up I&T development through the eight major areas set out in the Policy Address delivered in October 2017 and promoting I&T cooperation with the Mainland. To attract and retain I&T talents, HKSTPC would commence leasing activities and trial run of the InnoCell in April 2021.

18. CIT supplemented that the Administration had launched various funding schemes to support enterprises and universities in nurturing I&T talents. For example, the Technology Start-up Support Scheme for Universities ("TSSSU") supported professors and students of six designated local universities to start technology businesses and commercialize their R&D results. Most of the start-ups funded by TSSSU had been admitted to HKSTPC's incubation programmes.

19. CIT added that HKSTPC provided comprehensive support to start-ups from conception stage to incubation and acceleration stages. The support covered infrastructural facilities and a range of technical and financial support, including matching funds, etc. Regarding connections with universities, HKSTPC and the University of Hong Kong ("HKU") jointly set up the HKSTPC Western District Hub in 2020 to help start-ups formed by HKU research teams or entrepreneurs affiliated to HKU establish linkage with the industry. HKSTPC was discussing with other local universities similar collaboration.

20. Mr Jeffrey LAM recognized the work of ITC and HKSTPC and pointed out that they should proactively promote their work to the public so as to draw young people to R&D activities. In view of the tense economic and political relations between China and the United States, some Hong Kong people who were currently engaging in R&D or manufacturing outside Hong Kong had expressed interest in returning to Hong Kong to continue their career in I&T. He asked how the Administration would assist them in this respect.

21. CIT responded that the Administration strived to further promote I&T to young people. In 2020, the STEM Internship Scheme was launched on a pilot basis, which subsidized Science, Technology, Engineering and Mathematics

("STEM") students to enroll in I&T-related internships, with a view to encouraging students to gain I&T work experience during their studies, thereby fostering their interest in pursuing a career in I&T. Over 1 600 students and about 1 000 companies/organizations had joined the Scheme last summer. Given the overwhelming responses, the Financial Secretary announced in the 2021-2022 Budget that the Scheme would be regularized. CIT had recently liaised with local universities to invite them to source more I&T-related internship opportunities for the students. I&T companies could also obtain funding support under the Research Talent Hub to recruit up to four technology talents after graduation to conduct R&D work for a maximum of 36 months.

22. CEO, HKSTPC supplemented that the HKSP Virtual Career Expo 2020 which offered more than 1 100 positions had attracted a total of some 18 000 job applications. The HKSP Virtual Career Expo 2021 to be held a few days later would offer more than 2 400 positions in the I&T domains. The figures demonstrated that Hong Kong had a keen demand for I&T talents. HKSTPC would (a) provide more training courses and internship opportunities for STEM graduates to bridge the skills gap between tertiary education and market needs; (b) collaborate with local universities on the skills development; and (c) promote HKSP's work through social media and digital platforms.

InnoHK research clusters

23. Mr Martin LIAO noted that the first batch of about 20 R&D centres in the *InnoHK* research clusters had commenced operation progressively in the first quarter of 2021. Given that the Administration had invested considerable resources in the *InnoHK* initiative, there was a need for the Administration to provide the Panel with details of these R&D centres, including the proportion of R&D centres established by commercial entities and universities; as well as their source countries/territories. Mr LIAO queried whether the Administration had suspended, as suggested by media reports, the establishment of the third *InnoHK* research cluster which was announced in the 2020-2021 Budget due to the current state of public finances in Hong Kong. He also enquired whether the Administration would reserve the floor space to be provided under SPX2 for the third *InnoHK* research cluster.

24. CIT replied that the *InnoHK* initiative included "*Health@InnoHK*" focusing on healthcare technologies and "*AIR@InnoHK*" focusing on artificial intelligence and robotics technologies. The first two research clusters had received enthusiastic responses, with over 60 proposals from local universities and world top-notch universities and research institutes. The Administration would announce details of the R&D centres to be set up in the two *InnoHK* research clusters at a later stage as liaison with institutions concerned was still in progress. The first batch of about 20 R&D centres would commence operation in HKSP by

the end of March 2021. R&D centres established in the "*Health@InnoHK*" would engage in R&D related to drug discovery, personalized medicine, chemical biology, bioinformatics and vaccine development, whereas those in the "*AIR@InnoHK*" would carry out R&D projects related to big data analytics, machine learning, medical robotics and mobile robots, etc.

25. CIT clarified that the Administration had not suspended the establishment of the third *InnoHK* research cluster but there was no fixed timeline at the present stage. In taking forward the *InnoHK* initiative, the Administration would take into account many factors, including the Government's financial position, which was not the most important consideration. Factors like global outbreak of Coronavirus Disease-2019 ("COVID-19") and international political atmosphere had actually prolonged the liaison with the concerned institutions and delayed the overall implementation of the *InnoHK* initiative.

Vacant sites in industrial estates

26. Ms Elizabeth QUAT enquired whether HKSTPC had plans to grant vacant sites in IEs to private enterprises and, if so, about the number of sites to be granted and the list of industries which would be given priority.

27. CEO, HKSTPC replied that HKSTPC was inviting tenders for leasing a land lot in the Tseung Kwan O ("TKO") IE. TKO IE, due to its proximity to a submarine cable landing station, was ideal for the information and communication technology industry and advanced manufacturing activities which relied on data-driven technologies. Depending on the feedbacks of the said tendering exercise, HKSTPC might invite tenders for leasing land lots in the Yuen Long ("YL") IE (about seven to eight lots were available therein) in the second half of 2021. There was no vacant site in the Tai Po IE.

28. CEO, HKSTPC also advised that HKSTPC had formulated, after extensive consultation with the industry, a set of guiding principles for assessment of the technical proposals submitted by tenderers. Under the guiding principles, in addition to fees, HKSTPC would take into consideration the following eight aspects: (a) output as to economic direct value-added; (b) investment in capital expenditure for equipment together with fitting out or building construction; (c) provision of high-skilled employment; (d) technology content in the respective products or services; (e) advanced process applied in the manufacturing products or delivery of services; (f) R&D elements; (g) supply for local consumption; and (h) sustainability of business.

Data Technology Hub

29. Ms Elizabeth QUAT said that as data centres did not involve R&D and could be accommodated in other industrial buildings outside IEs, she had reservations for granting IE sites for the development of data centres. In her viewpoint, HKSTPC should grant sites in IEs to technology companies for conducting R&D activities and developing data-driven applications and business solutions.

30. Ir Dr LO Wai-kwok asked whether tenants of the Data Technology Hub ("DT Hub") were required to use a certain proportion of their leased floor space for carrying out R&D activities. He also sought elaboration on the differences between DT Hub and data centres in Hong Kong.

31. US for IT responded that DT Hub was not a data centre. With superior data transmission capacity and world-class specifications, DT Hub was a purpose-designed infrastructure for data technology and telecommunications services. CEO, HKSTPC added that the DT Hub was targeted at small companies and catered for data centre support, multi-media processing, data analytics and R&D activities to enable the formation of a data ecosystem complementing data centres nearby. HKSTPC had so far admitted 16 small enterprises into the DT Hub to conduct data-driven R&D activities in areas of artificial intelligence, data analytics, etc. Of the total GFA of about 27 000 sq m of the DT Hub, about one-third had been leased out within several months.

Microelectronics Centre

32. Ir Dr LO Wai-kwok was pleased to note that there were about 13 000 people working in HKSP, including around 9 000 involved in R&D. He believed that HKSP itself and the multiplier effect of the investment so generated would promote local I&T development. He also welcomed the development of Microelectronics Centre ("MEC") in YL IE to provide dedicated facilities for microelectronics manufacturers. Noting that MEC would only be completed in 2023, he considered that HKSTPC should make use of its existing facilities in HKSP/IEs to support local microelectronics manufacturing activities in the interim period.

33. CEO, HKSTPC replied that while extra time was required for the piling foundation works for development of MEC in YL IE due to the poor ground conditions, HKSTPC would strive to expedite the overall progress of the project. In the meantime, the Sensor Lab 2.0, providing communal cleanroom to companies for conducting R&D of sensors and associated devices, had come into operation in HKSP.

Fostering cooperation between Mainland and Hong Kong

34. Mr SHIU Ka-fai thanked HKSTPC for arranging members to visit HKSP on 23 February 2021. Under the strategic positioning of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") as an influential international I&T hub, he believed HKSP could play an important role in Hong Kong's I&T development. Noting that the occupancy rate of HKSP had reached about 86% and the first batch of buildings in the Park would not be available for occupation before 2024, Mr SHIU asked whether HKSTPC had plans to cooperate with the Mainland to further reinforce Hong Kong's capabilities in technological R&D.

35. CIT replied that the Governments of Hong Kong and Shenzhen were exploring the feasibility of leasing some spaces in the Shenzhen Innovation and Technology Zone ("SZ I&T Zone") at the north side of Shenzhen River and adjacent to the Lok Ma Chau Loop by HKSTPC, such that interested institutions and enterprises could kick-start their businesses in Shenzhen and tap into the Mainland market as soon as possible. The Administration was reviewing HKSTPC's space requirement and operational needs in the SZ I&T Zone for further planning, and would report to the Panel when more information was available.

36. CEO, HKSTPC supplemented that as Hong Kong's domestic market was relatively small, HKSTPC had been assisting companies in HKSP to explore the markets in Guangdong and the Southeast Asia. It was believed that the enhanced government-to-government cooperation in the SZ I&T Zone would bring in new opportunities for companies in HKSP to explore the Mainland market and for successful Mainland technology enterprises to "Go Global" via Hong Kong.

Development of biomedical sector in Hong Kong

37. Mr Jeffrey LAM pointed out that some biotechnology companies from Germany had successfully developed proprietary Chinese medicines which were popularly sold in Hong Kong. Noting that the Administration had been promoting the development of Hong Kong into a Chinese medicine port for more than two decades, he asked about the Administration's and HKSTPC's plans in this respect.

38. CEO, HKSTPC responded that biomedical technology was one of the areas which Hong Kong had competitive edge over its regional competitors. HKSTPC provided biobank and various biomedical communal laboratories to support the growth of small biomedical technology companies. Currently, there were over 160 biomedical technology companies operating in HKSP (up from about 30 in 2016) and over 20 incubatees were being groomed under HKSTPC's Incu-Bio Programme.

Arts technologies

39. Mr MA Fung-kwok welcomed the Administration's latest initiative to develop and promote arts technologies ("Arts Tech"). He suggested that the Administration should (a) work closely with the local arts and cultural sector; (b) facilitate partnership among the arts and technology sectors; (c) engage local academia in strengthening arts education and supporting the development of Arts Tech; and (d) increase substantially its investment to support the development of different arts projects. He also pointed out that the Administration might draw reference from Beijing's experience in integrating arts and technology as the universities in Beijing were ahead of Hong Kong in Arts Tech. Mr MA then asked about HKSTPC's role in the development of Arts Tech, its plan in facilitating cross-sector collaboration, and whether the management team of HKSTPC had the relevant expertise.

40. US for IT responded that the Leisure and Cultural Services Department ("LCSD") and relevant government departments had in February 2021 discussed with I&T start-ups in HKSP and mobile network operators providing 5G services the development of Arts Tech in Hong Kong. LCSD would continue to engage I&T start-ups to enhance their understanding of the needs of the arts and cultural sector and their requirements of Arts Tech. Noting that a number of start-ups in HKSP were specialized in virtual reality, augmented reality and other relevant technologies, the Administration would leverage HKSP's network to connect technology companies with the arts and cultural sector. ITB would continue to provide technical support to the Home Affairs Bureau ("HAB") which oversaw the policies on the whole spectrum of arts and culture and spearheaded the development and promotion of Arts Tech.

41. CEO, HKSTPC supplemented that HKSTPC had started exploring the development of Arts Tech in HKSP after his meeting with the Secretary for Home Affairs a few months ago. HKSTPC had engaged several parties specialized in Arts Tech to explore how arts and technology could be integrated in HKSP and, specifically, whether biotechnology could be presented by means of arts. HKSTPC had also deployed an in-house architect to look after the architectural and interior design of HKSP.

Summing up

42. The Chairman recognized the work of HKSTPC and was pleased to note that it had been implementing various new initiatives to promote I&T development in Hong Kong. While universities and the I&T trade might have knowledge about the work of HKSTPC, the Administration should launch massive advertising campaigns to share with the general public its achievements and to raise public awareness of Hong Kong's I&T development and its prospects.

IV. Support for Small and Medium Enterprises ("SMEs") – (a) Proposed enhancements to SME Export Marketing Fund, Dedicated Fund on Branding, Upgrading and Domestic Sales, and SME Financing Guarantee Scheme; and (b) Support measures for SMEs provided by Hong Kong Trade Development Council

(LC Paper No. CB(1)647/20-21(05) -- Administration's paper on "Enhanced Measures for Supporting Small and Medium Enterprises"

LC Paper No. CB(1)647/20-21(06) -- Paper on support measures for small and medium enterprises prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

43. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on a range of proposed enhancement measures for supporting SMEs announced in the 2020 Policy Address and 2021-2022 Budget to help SMEs ride out the storm amid the current economic hardship and recover as soon as the epidemic subsided. Details were set out in the Administration's paper (LC Paper No. CB(1)647/20-21(05)).

Discussion

Support measures for small and medium enterprises provided by Hong Kong Trade Development Council

44. Mr YIU Si-wing said that in view of the lingering of the COVID-19 pandemic, there was a rising trend for SMEs to develop online business. Mr YIU suggested that more guidance should be given to SMEs in using online platforms to conduct business and organize seminars in this regard. Additional support should also be provided to SMEs in conducting local market promotion activities.

45. Executive Director, Hong Kong Trade Development Council ("ED/HKTDC") advised that Hong Kong Trade Development Council ("HKTDC") was aware that many SMEs did not have adequate knowledge about conducting business on digital platforms. As such, HKTDC and various organizations including the Smart City Consortium which was founded by Ms Elizabeth QUAT had been helping SMEs conduct business on digital platforms. For example, HKTDC launched the Digital Academy and E-tailing Academy to provide free online tutorials and market information to SMEs in conducting e-business and online promotion. HKTDC

also organized online workshops featuring professional guest speakers to facilitate direct exchange with SMEs in this regard. Moreover, HKTDC ran the Transformation Sandbox ("T-box"), a SME support programme which aimed at helping SMEs enhance their business competitiveness and achieve upgrading and transformation goals in the areas of branding, e-commerce, manufacturing and supply chain as well as access to new markets. Dedicated T-box staff would work with SMEs to identify their goals and provide support over a three-month period, with group and individualized advisory services covering workshops, government-funding information, market knowledge and networking opportunities. The programme was offered free of charge to all companies registered in Hong Kong.

46. ED/HKTDC added that since February 2020, major exhibitions and conventions organized by HKTDC had gone online due to the COVID-19 pandemic. HKTDC would use the additional subvention of \$301 million to be allocated from 2021-2022 to 2023-2024 to develop virtual platforms and enhance its capability to organize hybrid events and provide a seamless event experience for users (e.g. enhancing instant interaction functions and using artificial intelligence to conduct business matching). At the same time, HKTDC would upgrade its online service systems to facilitate users and provide personalized market news and analysis.

SME Financing Guarantee Scheme

47. Mr YIU Si-wing relayed the suggestion of tour bus operators that the Government should act as guarantor for a further charge of their vehicle or property mortgage in order to obtain additional finance under the 80% and 90% Guarantee Products under the SME Financing Guarantee Scheme ("SFGS") at a lower interest rate to help them tide over the storm. He urged the Administration to discuss the refinancing arrangements with the participating lending institutions ("PLIs"). Sharing a similar concern, the Chairman noted that unemployment rate had risen to an all-time high of 7.2%, and urged the Administration to try its best to prevent SMEs from failing so as to retain employment.

48. Vice President (SFGS Operations), HKMC Insurance Limited ("VP(SFGSO)/HKMCIL") advised that SMEs could apply for loans under the 80% or 90% Guarantee Product under SFGS regardless of whether they put up assets as collaterals. SMEs could offer their assets, including properties and vehicles, together with the Government's guarantee under SFGS as collaterals in discussing credit facilities with banks. The Special 100% Guarantee Product was an exceptional measure implemented under critical circumstances, where PLIs were not required to assess an applicant's repayment ability in processing loan applications. The enhanced Special 100% Guarantee Product could provide greater support to SMEs through increased maximum loan amount, extended

repayment period and duration of principal moratorium, etc.

49. SCED added that to relieve the cash flow pressure which SMEs were facing, the Administration had decided to increase the maximum loan amount per enterprise under the Special 100% Guarantee Product from the total amount of employee wages and rents for 12 months to that for 18 months, with the ceiling raised from \$5 million to \$6 million; and extend the maximum repayment period from five years to eight years. The enhanced Special 100% Guarantee Product would provide greater flexibility and continue to offer a concessionary loan interest rate (prime rate minus 2.5% per annum) to SMEs.

50. The Chairman relayed a case whereby an enterprise investing in Myanmar was originally granted a credit facility under the 80% Guarantee Product, but the PLI subsequently withdrew the credit facility due to the unstable political situation in Myanmar. He enquired whether the PLI had the right to do so.

51. VP(SFGSO)/HKMCIL advised that under the 80% and 90% Guarantee Products, PLIs relied on HKMC Insurance Limited ("HKMCIL")'s guarantee as collateral in assessing loan applications. In practice, over 90% of the SME applicants had successfully obtained loans from PLIs without any physical collateral. After all, the approving of loans was a commercial decision taken by PLIs having regard to the credit risks involved in individual cases. HKMCIL would look into the case and offer suitable assistance.

52. Ms Elizabeth QUAT expressed support for the proposed enhancement measures to support SMEs. She relayed the concern of some SMEs about their difficulties in applying for loans under the Special 100% Guarantee Product, and urged the Administration to review and streamline the relevant loan approving procedures so as to help the needy SMEs in a timely manner. Mr SHIU Ka-fai shared a similar concern but said that such cases were not common. The Chairman urged the Administration to look into the matter to see if the problem rest with the PLIs concerned.

53. SCED advised that the Special 100% Guarantee Product was different from the 80 and 90% Guarantee Products in that the Government acted as guarantor for 100% of the loans provided by PLIs which would bear close to zero default risk. HKMCIL had pledged to, upon receipt of an application from a PLI, approve the loan within three working days. As at 31 January 2021, \$42.7 billion of loans were approved under the Special 100% Guarantee Product, benefitting over 20 000 SMEs.

54. Chief Executive Officer, HKMCIL ("CEO/HKMCIL") added that since the introduction of the Special 100% Guarantee Product, HKMCIL's cooperation with

PLIs had been smooth and the performance pledge of approving loans within three working days could be met provided that the requisite supporting documents were provided by the applicants. In practice, some 60% of the loan applications were approved on the same day of receipt. Members were welcome to refer any requests for assistance to HKMCIL which operated a hotline and email account for enquiries. CEO/HKMCIL added that applicants might compare the service of the 21 PLIs under the scheme (a list of PLIs were provided on HKMCIL's website) and choose the one which best suited their requirements.

Dedicated Fund on Branding, Upgrading and Domestic Sales

55. Ms Elizabeth QUAT enquired whether SMEs could apply for funding under the Dedicated Fund on Branding, Upgrading and Domestic Sales ("BUD Fund") to develop online marketing platforms. Director-General of Trade and Industry ("DGTI") advised that the funding scope under BUD Fund was wide-ranging, covering branding, upgrading and promoting sales. The use of online platforms and new media for promoting sales, hiring of consultants for developing new markets and engaging key opinion leaders to promote products were all fundable under BUD Fund.

SME Export Marketing Fund

56. Mr YIU Si-wing enquired whether the SME Export Marketing Fund ("EMF") would subsidize local market promotion activities organized by the tourism sector. DGTI advised that EMF would support SMEs in conducting overseas market promotion activities and local exhibitions through both online and offline avenues under the current proposal, and would cover promotion activities of the tourism sector. SCED added that the Administration had consolidated the services of four SME Centres in October 2019 (i.e. the SUCCESS of the Trade and Industry Department, the SME Centre of HKTDC, SME One of the Hong Kong Productivity Council and TecONE of HKSTPC) to provide "4-in-1" integrated services. A dedicated service team entitled "SME ReachOut" had also commenced operation in January 2020 and would reach out to SMEs and trade associations in different sectors including the tourism sector, to help them identify suitable funding schemes.

Support measures for professional service sectors

57. Dr Junius HO expressed support for the proposed enhancement measures to support SMEs. He enquired about the difference in the funding scope between BUD Fund and EMF, and the number of applications and the amount of funding approved under the two funding schemes in the legal services sector. He also enquired if the cost of developing interactive mobile applications by the legal services sector would be covered by BUD Fund.

58. DGTI advised that BUD Fund aimed at providing funding support to enterprises to enhance their competitiveness and further business development in the Mainland and other economies with which Hong Kong had signed Free Trade Agreements ("FTAs") through developing brands, upgrading and restructuring operations and promoting sales. BUD Fund had received applications from various services sectors, including tourism and legal services. Although there were common elements under the funding scope of EMF and BUD Fund, the nature of the two funding schemes was different. EMF aimed at supporting SMEs in conducting market promotion activities such as participating in exhibitions, while various project measures ranging from undertaking market promotion activities to setting up new business entity in the target market were fundable under BUD Fund. DGTI added that in principle, the cost of developing mobile applications could be covered by BUD Fund. That said, every application would be considered on a case by case basis.

59. SCED added that compared to the two funding schemes, the Professional Services Advancement Support Scheme ("PASS") provided more focused support to the professional services sectors (including the legal services sector) in their promotion activities. The Administration undertook to provide information on the number of applications and the amount of funding approved under BUD Fund, EMF and PASS in the legal services sector.

(Post-meeting note: The information provided by the Administration was circulated to members on 13 April 2021 (LC Paper No. CB(1)782/20-21(01).)

Other support measures

60. Mr SHIU Ka-fai expressed support and gratitude for the proposed enhancement measures to support SMEs. Noting that Hong Kong was an international trading hub, he enquired about other SME support measures to counteract the protectionist measures imposed by some overseas countries on Hong Kong and the Mainland.

61. SCED advised that in spite of the difficult times, the Administration continued to support SMEs to go global through various support and enhancement measures. For example, during the current term Administration, the cumulative funding ceiling per enterprise under BUD Fund had been raised from \$0.5 million to \$6 million, with the geographical coverage extended from the Mainland to 37 economies upon full implementation of the enhancement measures. With the rise of protectionism in Europe and the United States since 2018, Hong Kong had been striving to establish a more stable multilateral trading network, and had signed a

FTA and an Investment Agreement ("IA") with the Association of Southeast Asian Nations ("ASEAN") in end 2017, which was followed by the signing of FTAs with other economies, including Georgia and Australia. Such agreements provided the much needed protection during these tough times to the parties concerned through setting out clear rules on market access and investment protection. Looking ahead, Hong Kong would leverage its regional network of FTAs and IAs to accede to the Regional Comprehensive Economic Partnership. Meanwhile, the Administration would continue to equip local enterprises to seize the opportunities arising from the Belt and Road Initiative and Greater Bay Area Development.

62. Mr MA Fung-kwok welcomed the proposed enhancement measures to support SMEs. He urged the Administration to provide more targeted support to the culture and creative industries which were hard-hit by the COVID-19 pandemic, in addition to the across-the-board support measures for all SMEs, for example, by deploying funds from the Film Development Fund ("FDF") and other funding schemes to provide direct subsidy to the practitioners and enterprises in various sectors of the culture and creative industries. Mr MA enquired about the quantitative benefits brought by the various general SME support measures (including BUD Fund, EMF and SFGS Special 100% Guarantee Product) to the publishing, film, television, performing arts and animation sectors of the cultural and creative industries, including the number of beneficiaries and amount of subsidy provided.

63. SCED advised that in helping SMEs, the Administration had adopted a two-pronged strategy by introducing not only relief measures to the various affected industries by direct subsidy through the Anti-epidemic Fund, but also across-the-board support measures for all SMEs. The cultural and creative industries would benefit from all of the above support measures for SMEs. The Administration also supported the film industry through FDF which received in 2019 an injection of \$1 billion to support initiatives for boosting the development of the film industry in the next few years; while another \$1 billion would be injected into the CreateSmart Initiative in 2021-2022 in support of the development of the seven creative industries. Such injections were committed for projects conducive to the overall development of the creative industries, and could not be allocated for other purposes. Meanwhile, the cultural industries would also benefit from relevant measures by HAB.

64. The Chairman and Mr MA Fung-kwok urged the Administration to exercise flexibility in the use of funding from FDF and other funding schemes to help the cultural and creative industries which were severely affected by the COVID-19 pandemic.

65. SCED advised that the Administration had announced in July 2020 that around \$260 million would be earmarked under FDF to implement a number of measures to helping the trade tide over this difficult period and re-energizing Hong Kong's film industry, including the provision of a total of \$20 million in subsidies from FDF to organize free short-term advanced professional training on various film disciplines since the second half of 2020, namely the Skills Programme for Hong Kong Filmmakers and the Hong Kong Film Directors' Guild's In-depth Professional Training respectively, with a view to advancing professional knowledge and skill level of film practitioners. Meanwhile, the publishing industry which had been hit by the repeated deferrals of the Hong Kong Book Fair 2020 was also encouraged to explore funding opportunities for individual SMEs under CreateSmart Initiative and EMF.

Protection of overseas investment by Hong Kong enterprises

66. The Chairman enquired about the investment protection provided by the IA signed between Hong Kong and ASEAN in Myanmar under the country's current political situation.

67. DGTI advised that the Hong Kong-ASEAN IA provided Hong Kong enterprises investing in the ASEAN market with fair and equitable treatment as well as non-discriminatory compensation for investment losses or damages owing to war, armed conflict, civil strife, or similar events. The Hong Kong Special Administrative Region Government stood ready to provide assistance to needy Hong Kong enterprises on matters relating to compensation.

Summing up

68. The Chairman concluded that the Panel supported in principle the financial proposal on the range of proposed enhancement measures for supporting SMEs.

V. Any other business

69. There being no other business, the meeting ended at 4:52 pm.