

立法會
Legislative Council

LC Paper No. CB(1)1449/20-21
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 21 September 2021, at 2:30 pm
in Conference Room 1 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, SBS
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, GBS, MH, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP
Hon LAU Kwok-fan, MH, JP

Member attending : Hon Holden CHOW Ho-ding

Public officers attending : Agenda item III
Commerce and Economic Development Bureau

Dr Bernard CHAN, JP
Under Secretary for Commerce and Economic
Development

Ms Maggie WONG, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)1

Mr Harry LIN
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and Industry)1

Agenda item IV

Commerce and Economic Development Bureau

Dr Bernard CHAN, JP
Under Secretary for Commerce and Economic
Development

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

**Attendance by
invitation** : Agenda item IV

HKMC Insurance Limited

Mr Clement CHAN
Chief Executive Officer

Ms Irene MOK
Vice President (SFGS Operations)

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

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

Mr Joey LO
Senior Council Secretary (1)8

Miss Gloria WONG
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

I. Matters arising

(LC Paper No. CB(1)1327/20-21(01) -- List of follow-up actions)

Members noted the above paper which was issued on 14 September 2021.

Policy briefing on 19 October 2021

2. Members noted that following the delivery of the 2021 Policy Address by the Chief Executive on 6 October 2021, the policy briefing of the Panel would be held on Tuesday, 19 October 2021, from 2:30 pm to 4:00 pm to receive briefings by the Secretary for Commerce and Economic Development, the Secretary for Innovation and Technology and the Secretary for Constitutional and Mainland Affairs on the 2021 Policy Address in respect of the relevant policy initiatives.

II. Information paper issued since last meeting

(LC Paper No. CB(1)1351/20-21(01) -- Information paper on the financial position of the Applied Research Fund for the period from 1 June to 31 August 2021)

3. Members noted the above paper issued since the last meeting.

III. Convention and exhibition industry in Hong Kong

(LC Paper No. CB(1)1327/20-21(02) -- Administration's paper on "Convention and Exhibition Industry in Hong Kong")

LC Paper No. CB(1)1327/20-21(03) -- Paper on the convention and exhibition industry in Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

4. At the invitation of the Chairman, Under Secretary for Commerce and Economic Development ("USCED") briefed members on the overview of the convention and exhibition ("C&E") industry in Hong Kong, and the Administration's measures to promote the development of the C&E industry in the short, medium and long terms, including provision of financial assistance, promotion of online exhibitions and expansion of C&E facilities. Details were set out in the Administration's paper (LC Paper No. CB(1)1327/20-21(02)).

Discussion

Provision of financial assistance

5. Given the long lead time for organizing C&E events, Mr YIU Si-wing, Mr CHAN Chun-ying, Mr Holden CHOW and Mr WONG Ting-kwong called on the Administration to consider further extending the validity of the Convention and Exhibition Industry Subsidy Scheme ("the Subsidy Scheme") from 30 June 2022 to end of 2022, so as to facilitate early and timely planning of events by the industry.

6. USCED responded that the Administration would keep in view the Coronavirus Disease 2019 pandemic situation in Hong Kong, the latest trend and development of the C&E industry in the region and worldwide, as well as the utilization of the funding of the Subsidy Scheme. The Administration would also maintain close communication with the industry and review the implementation of the Subsidy Scheme as and when appropriate.

7. Members expressed concern that the C&E industry had been facing severe challenges amid the pandemic, but noted that only about 10% of the committed funding of the Subsidy Scheme had been utilized as at end of August 2021. Mr YIU Si-wing suggested that the Administration expand the funding scope of the Subsidy Scheme to cover operating expenses, employee wages, etc., so as to help enterprises of the C&E industry to sustain their operation. As regards the subsidies to exhibitors of exhibitions and participants of major conferences organized by the Hong Kong Trade Development Council ("HKTDC"), Mr CHAN Chun-ying, Mr Martin LIAO and Mr Holden CHOW called on the Administration to enhance the scope of the subsidies, by increasing the subsidy level (currently at 50%) of the participation fees as well as extending the scope to C&E events organized by other

private organizers. Mr LAU Kwok-fan called on the Administration to consider subsidizing organizers of exhibitions and international conventions the rental for events held at venues other than the Hong Kong Convention and Exhibition Centre ("HKCEC") and the AsiaWorld-Expo ("AWE").

8. USCED advised that the Administration had launched other support measures to enterprises, such as the Employment Support Scheme under the Anti-epidemic Fund, as well as the Special 100% Guarantee Product under the SME Financing Guarantee Scheme to help enterprises obtain commercial loans. As regards the financial assistance to exhibitors of exhibitions organized by HKTDC, USCED advised that in addition to the Subsidy Scheme, eligible exhibitors could also apply in tandem for funding support under the SME Export Marketing Fund to cover their participation fees on a matching basis.

9. In response to Dr CHIANG Lai-wan's call for organizers of exhibitions and international conventions held at HKCEC and AWE which could receive 100% subsidy of the venue rental without ceiling under the Subsidy Scheme to share their subsidy with exhibitors, USCED said that private C&E event organizers, apart from providing participation fees concession to their exhibitors, would also provide other value-added services, such as transportation to the event venues to facilitate participation of the public and/or exhibitors taking into account their operational and commercial considerations.

10. USCED further advised that around 40 and 70 C&E events were in the pipeline in the remainder of 2021 and the first half of 2022 respectively, providing business and job opportunities for the C&E industry and associated supporting industries, such as booth design, construction and logistics. Sufficient funding under the Subsidy Scheme had to be earmarked for those events. The Administration would keep track of the utilization of the funding of the Subsidy Scheme, maintain close communication with the industry and review the implementation of the Subsidy Scheme as and when appropriate.

11. The Chairman, Ir Dr LO Wai-kwok, Mr Christopher CHEUNG, Mr SHIU Ka-fai and Mr Holden CHOW expressed grave concern that international trade exhibitions which relied on the participation of non-local exhibitors and buyers were still being greatly affected by the global pandemic situation and quarantine requirements, and called on the Administration to provide appropriate support measures to the sector. The Chairman and Mr SHIU Ka-fai cautioned that Hong Kong might lose out to its neighbouring cities in hosting large-scale international C&E events if cross-boundary travel with other countries/cities without quarantine requirements was not resumed early. Ir Dr LO Wai-kwok said that the resumption of cross-boundary travel was vital to the revival of the local economy, including the C&E industry.

12. USCED advised that around 40% of exhibitors and buyers of international trade exhibitions held in Hong Kong were from the Mainland. To facilitate revival of business, the Administration would strive to resume cross-boundary travel between Hong Kong and the Mainland as soon as possible, and plan ahead for hosting large-scale international C&E events upon resumption of cross-boundary travel. USCED further said that amid the pandemic, the C&E industry, in particular the international trade exhibition sector, would need to be more flexible, such as to orientate themselves more towards the local market, organize online exhibitions/business matching to reach global audience, etc. In this respect, the Administration would provide an additional subvention to HKTDC to develop virtual platforms to enhance its capability in organizing online exhibitions.

13. Given the various funding schemes available to the commercial and industrial sectors administered by different government departments with different funding scopes and requirements, Mr WONG Ting-kwong called on the Commerce and Economic Development Bureau to take the lead to coordinate efforts to help the enterprises identify funding schemes most suitable to their business needs.

14. USCED responded that the Hong Kong Productivity Council ("HKPC") had organized annual Fund Fairs to provide local enterprises with details of nearly 50 government funding schemes and support measures for small and medium enterprises ("SMEs"). In addition, a dedicated service team named "SME ReachOut" helped SMEs identify funding schemes through face-to-face meetings and answering questions relating to applications. Outreach activities to meet with chambers of commerce and trade associations could be arranged. The Administration had also consolidated the services of four SME centres (viz. the Support and Consultation Centre for SMEs under the Trade and Industry Department; the "SME Centre" under HKTDC; the "SME One" under HKPC; and the "TecONE" under the Hong Kong Science and Technology Parks Corporation) to provide "four-in-one" integrated services effective from October 2019. Enterprises could obtain business information, funding schemes information and advisory services, etc. at any of the Centres. USCED took note of Mr WONG Ting-kwong's suggestion of enhancing the publicity of the abovementioned "four-in-one" integrated services to the industry.

Promotion of online exhibitions

15. Mr CHAN Chun-ying enquired about the potential of virtual conventions and exhibitions to replace traditional physical events. USCED responded that according to the study published by the Global Association of the Exhibition Industry in January 2021, 64% of the respondents considered that the pandemic confirmed the value of face-to-face C&E events, while only 14% of the respondents considered that virtual exhibitions had the potential to replace traditional physical exhibitions.

16. Mr Christopher CHEUNG enquired about the details of the development of virtual platforms by HKTDC to enhance its capability in organizing hybrid events. USCED responded that the virtual platforms of HKTDC would provide a seamless event experience for users, e.g. enhancing instant interaction functions, using artificial intelligence to help users conduct year-round business matching. HKTDC would also proceed with digitalization to enhance its overall service efficiency and quality, as well as to upgrade its online service system for greater convenience to users and to provide personalized market analysis. In addition, HKTDC would strengthen big data analysis to help forecast future business trends, and provide SMEs with services that were more effective, more diversified and better suit their needs.

17. In response to the Chairman's further enquiry, USCED advised that, with e-commerce growing exponentially under the pandemic, the Administration encouraged enterprises to implement digital transformation. 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. Moreover, HKTDC ran the Transformation Sandbox ("T-box"), a free-of-charge 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.

Expansion of convention and exhibition facilities

18. The Deputy Chairman noted with concern that according to a consultancy study commissioned by the Administration in 2014, there would be a shortfall of about 130 000 square metres of C&E space in Hong Kong at peak periods by 2028. However, according to the Administration, the Wan Chai North Redevelopment (i.e. the redevelopment of the sites of the three government towers in Wan Chai North and the Kong Wan Fire Station into C&E facilities, hotel and grade A office) and the phase two expansion of AWE would only increase C&E space by a total of about 66 700 square metres.

19. In response to the Deputy Chairman's enquiry on how the Administration could address the problem of shortage of C&E space in the short term, USCED advised that the Administration would continue to encourage event organizers to adopt where appropriate the "one show, two venues" or "two shows, two venues" approach, i.e. staging trade fairs or exhibitions at HKCEC and AWE concurrently so as to fully utilize the available space at both venues. The Administration also provided an additional subvention to HKTDC to develop virtual platforms to enhance its capability in organizing online exhibitions.

20. The Deputy Chairman enquired about the number of applications for renting venues for C&E events turned down by HKCEC and AWE respectively due to shortage of space in the past five years, and whether the Administration had evaluated the economic loss to Hong Kong arising from such cases.

21. USCED said that in 2018, HKCEC and AWE were fully occupied on 75 and 81 days respectively. Nevertheless, event organizers might look for other venues (such as hotels and the Kowloon Bay International Trade and Exhibition Centre) to hold their events in Hong Kong.

22. The Chairman enquired about the timetable for the Wan Chai North Redevelopment. USCED responded that a total of 29 government departments and the law court at the three government towers had to be relocated. The Administration had been taking forward 10 replacement building projects for the relocation exercise. Construction works of the West Kowloon Government Offices and the move-in of user departments had been completed, while construction works of seven other projects and preparation works (including consultation with the relevant District Councils and advisory bodies) of the remaining two projects were in progress. The site of three government towers was expected to be vacated by 2026 for demolition and redevelopment, and the new C&E facilities were expected to be completed by 2033.

Collaboration with the Mainland cities in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA")

23. Dr CHIANG Lai-wan pointed out that there had been several large C&E venues completed in the Mainland cities in GBA in recent years. Mr Christopher CHEUNG, Mr Martin LIAO and Dr CHIANG Lai-wan called on the Administration to collaborate with the Mainland authorities, in particular Qianhai, Zhuhai, Shenzhen and the Guangdong Province, to formulate strategies to enhance the development and cooperation of the C&E industry in GBA, so as to create synergy.

24. USCED responded that it would be difficult for Hong Kong to match with Mainland cities in terms of the size of C&E space due to the shortage of land in Hong Kong. Nevertheless, Hong Kong had competitive advantages having an international air transport network, a free and open market and business environment, as well as abundance in talents in professional services, etc. As regards the C&E industry, Hong Kong's edge was on hosting high-end C&E events. The Administration would continue to bid for more large-scale international C&E events to be held in Hong Kong.

25. USCED advised that the National 14th Five-Year Plan raised the support for building a high-quality GBA. The Hong Kong Special Administrative Region Government ("HKSARG") would continue to strengthen policy exchanges and coordination with the Mainland authorities, with a view to enhancing the development and cooperation of various industries between Hong Kong and the Mainland. HKTDC had launched "GoGBA", a one-stop platform to help Hong Kong enterprises capture business opportunities in GBA. Also, the Shenzhen office of HKTDC would provide such services as policy consultation and business matching. As regards the development of the C&E industry, HKSARG and the Hong Kong Tourism Board had been collaborating with other GBA tourism authorities/organizations to actively promote and develop multi-destination tourism in GBA, including MICE (meetings, incentives, conventions and exhibitions).

IV. SME Financing Guarantee Scheme - Special 100% Guarantee Product
(LC Paper No. CB(1)1327/20-21(04) -- Administration's paper on "SME Financing Guarantee Scheme – Special 100% Guarantee Product"

LC Paper No. CB(1)1327/20-21(05) -- Paper on SME Financing Guarantee Scheme - Special 100% Guarantee Product prepared by the Legislative Council Secretariat (updated background brief))

Disclosure of pecuniary interest

26. The Chairman drew members' attention to Rule 83A of the Rules of Procedure which provided that members should not speak on a matter in which they had a direct or indirect pecuniary interest, except where they disclosed the nature of that interest.

27. Mr CHAN Chun-ying declared that the bank he worked for was a participating lending institution ("PLI") under the SME Financing Guarantee Scheme ("SFGS").

Presentation by the Administration

28. At the invitation of the Chairman, USCED briefed members on the proposed extension of the application period of the Special 100% Guarantee Product under SFGS, and sought members' support for the related funding proposal to be submitted for the approval of the Finance Committee of the Legislative Council ("LegCo"). Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)1327/20-21(04)).

Discussion

Justification for the additional guarantee commitment and increase in estimated expenditure

29. Mr CHAN Chun-ying supported the Administration's proposal for further extension of the application period of the Special 100% Guarantee Product under SFGS for six months from 31 December 2021 to 30 June 2022 to allow an extra window of six months for SMEs to obtain commercial financing to tide over the economic downturn. Mr CHAN expressed concern whether the additional guarantee commitment of \$35 billion required for the proposed extension of the application period would suffice to meet the financing needs of the scheme until the end of June 2022. He enquired how the figure of \$35 billion was arrived at.

30. USCED advised that while it would be difficult to forecast Hong Kong's pandemic and economic situation up to June 2022, the additional guarantee commitment of \$35 billion was projected based on the recent trend of loan application approval for the Special 100% Guarantee Product.

31. Mr YIU Si-wing welcomed the proposed further extension of the application period of the Special 100% Guarantee Product. He enquired about the Administration's assessment of the period of time which the additional guarantee commitment of \$35 billion would be sufficient to cover, and the justification for the increase of \$3 billion in estimated expenditure to effect the extension.

32. USCED advised that the \$3 billion estimated expenditure would cover the originating and servicing fees payable to PLIs under SFGS, the necessary out-of-pocket expenses to be incurred by HKMC Insurance Limited ("HKMCI") as the administrator of SFGS, and the payment of default claims. The additional guarantee commitment of \$35 billion was expected to be sufficient to cater for loan applications up to end of June 2022 should the trend of loan application approval remained in line with the Administration's current projection.

Room for further enhancements

33. Notwithstanding that a series of enhancement measures to the Special 100% Guarantee Product were last introduced in March 2021, whereby the maximum loan amount per enterprise was increased from the total amount of employee wages and rents for 12 months to 18 months, subject to a raised loan ceiling of \$6 million from \$5 million, Mr CHAN Chan-ying doubted that as the COVID-19 pandemic lingered on, many SMEs would have used up the maximum loan amount, thus defeating the purpose of the proposed extension of the application period. He also enquired whether greater flexibility in deployment of the loan would be allowed so that, apart from using the loans for paying employee wages and rents, the unused portion of the

credit facility would be used as working capital, e.g. for the purchase of raw materials.

34. Chief Executive Officer, HKMCI ("CEO, HKMCI") advised that in line with the policy intent of the Special 100% Guarantee Product of "supporting enterprises and safeguarding jobs", a high degree of flexibility was built into the scheme for SMEs to use the loans for meeting emergency working capital requirements, and PLIs were well aware of the need to provide such flexibility to SMEs.

35. USCED added that the Administration would keep in view the pandemic and economic situation, and would revert to LegCo should there be any major changes necessitating further funding commitment.

36. Mr Holden CHOW welcomed the Administration's announcement of the extension of the maximum duration of principal moratorium for the various Guarantee Products under SFGS from 18 months to 24 months. He enquired whether the maximum amount of credit facility per enterprise could be further increased from the total amount of employee wages and rents for 18 months (subject to a ceiling of \$6 million) to that for 24 months.

37. USCED advised that the extension of the maximum duration of principal moratorium for the various Guarantee Products under SFGS from 18 months to 24 months would provide a timely relief for SMEs. In most cases, the loan ceiling of \$6 million had not been reached so far. The proposed further extension of the application period by six months would allow a bigger window of opportunity for SMEs to consider raising their loan amounts with their remaining headroom. The Administration and HKMCI would continue to monitor the number of applications received and the economic situation, taking into account members' views, and provide timely assistance to SMEs as and when necessary. He added that 42 273 applications for the Special 100% Guarantee Product had been approved so far with a total loan amount of \$70 billion.

Default rate

38. Mr YIU Si-wing enquired about the repayment situation of the Special 100% Guarantee Product, and whether the guarantee commitment after loan repayment could be reused.

39. USCED advised that different from the 80% and 90% Guarantee Products which offered unlimited reuse of guarantee amount after loan repayment and revolving credit lines, the Special 100% Guarantee Product was intended to be a one-off term loan for meeting SMEs' emergency needs. SMEs with pressing financing needs might apply for the 80% and 90% Guarantee Products instead. Deputy Secretary for Commerce and Economic Development (Commerce and

Industry)³ added that the current default rate for loans approved under the Special 100% Guarantee Product was around 0.14%, which was way below the assumed default rate of 25%, probably because many loan applicants had used the principal moratorium offered under the scheme.

40. Mr YIU Si-wing noted that the Administration had responded to the industry's and members' call, and announced on 21 September 2021 that the maximum duration of principal moratorium for the various Guarantee Products under SFGS would be extended from 18 months to 24 months, with the application period for principal moratorium extended to end of June 2022. He enquired under what circumstances the Administration would further review the principal moratorium arrangement under SFGS.

41. USCED said that so far, over 42 000 applications for the Special 100% Guarantee Product had been approved, among which about 70% had applied for the principal moratorium arrangement. The Administration and HKMCI would actively keep in view the changing economic situation and introduce further changes to the arrangement under SFGS as and when necessary.

42. Mr MA Fung-kwok supported the Administration's use of a multi-pronged strategy of implementing SME support measures and the Consumption Voucher Scheme to boost the economy. He enquired about the projected overall default rate of SFGS and the maximum default amount involved under the worst-case scenario.

43. USCED advised that as the loan guarantee commitment under the three Guarantee Products (80%, 90% and 100%) was consolidated in 2020 and could be used interchangeably, the overall default rate would be affected by the default rates of each of the three Guarantee Products. He added that the assumed default rate of the Special 100% Guarantee Product was 25%, while the current default rate was only 0.14%.

Safeguard against misuse of loans

44. Mr SHIU Ka-fai welcomed the introduction of the enhancement measures to help SMEs ride over the economic storm. Noting that a fraud case had been detected involving the use of shell companies to apply for loans under SFGS, he enquired what measures the Administration would take to ensure that loans under the scheme would not be misused.

45. USCED advised that PLIs were required to exercise due diligence in vetting and approving loan applications under SFGS to ensure that the loans would not be misused. Moreover, personal guarantee of more than 50% of the equity interest of the borrowing enterprise by individual shareholder(s) was required for loan applications. HKMCI would also carry out random checks on loan applications to

monitor compliance with the approving criteria. Suspected cases would be referred to the Police, and HKMCI and PLIs would provide assistance in the investigation.

46. Mr MA Fung-kwok sought clarification on the requirements for applications under SFGS to provide personal guarantee by individual shareholder(s).

47. CEO, HKMCI advised that personal guarantee from shareholder(s) was required for all SFGS applications. Vice President (SFGS Operations), HKMCI added that individual shareholder(s) solely or collectively holding more than 50% of the equity interest of the enterprise was/were required to provide personal guarantee under SFGS.

Summing up

48. The Chairman concluded that the Panel supported in principle the proposed extension of the application of the Special 100% Guarantee Product under SFGS and the related funding proposal.

V. Any other business

49. There being no other business, the meeting ended at 4:20 pm.