

**立法會**  
**Legislative Council**

LC Paper No. CB(1)246/19-20  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI

**Panel on Commerce and Industry**

**Minutes of policy briefing-cum-meeting  
held on Tuesday, 29 October 2019, at 2:30 pm  
in Conference Room 1 of the Legislative Council Complex**

**Members present** : Hon Jimmy NG Wing-ka, BBS, JP (Chairman)  
Hon Alvin YEUNG (Deputy Chairman)  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon WONG Ting-kwong, GBS, JP  
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP  
Hon WU Chi-wai, MH  
Hon YIU Si-wing, BBS  
Hon Charles Peter MOK, JP  
Hon CHAN Chi-chuen  
Hon Dennis KWOK Wing-hang  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Hon Elizabeth QUAT, BBS, JP  
Hon Martin LIAO Cheung-kong, GBS, JP  
Dr Hon CHIANG Lai-wan, SBS, JP  
Hon CHUNG Kwok-pan  
Hon CHU Hoi-dick  
Hon SHIU Ka-fai, JP  
Hon YUNG Hoi-yan, JP  
Hon CHAN Chun-ying, JP  
Hon LAU Kwok-fan, MH

**Member attending** : Hon Junius HO Kwan-yiu, JP

**Members absent** : Hon MA Fung-kwok, SBS, JP  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP

**Public officers  
attending**

: Agenda item IV

Commerce and Economic Development Bureau

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

Miss Eliza LEE, JP  
Permanent Secretary for Commerce and Economic  
Development (Commerce, Industry and Tourism)

Mr Denis YIP  
Commissioner for Belt and Road

Ms Vivian SUM, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)1

Mr Gary POON, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)2

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

Ms Salina YAN, JP  
Director-General of Trade and Industry

Mr David WONG, JP  
Director of Intellectual Property

Mr Vincent TANG  
Acting Director-General of Investment Promotion

Constitutional and Mainland Affairs Bureau

Mr Patrick NIP, JP  
Secretary for Constitutional and Mainland Affairs

Mr Roy TANG, JP  
Permanent Secretary for Constitutional and Mainland  
Affairs

Ms Elizabeth TAI, JP  
Deputy Secretary for Constitutional and Mainland  
Affairs (2)

Ms Maisie CHAN, JP  
Deputy Secretary for Constitutional and Mainland  
Affairs (3)

Innovation and Technology Bureau

Mr Nicholas W YANG, GBS, JP  
Secretary for Innovation and Technology

Ms Annie CHOI, JP  
Permanent Secretary for Innovation and Technology

Ms Rebecca PUN, JP  
Commissioner for Innovation and Technology

Mr Ivan LEE, JP  
Deputy Commissioner for Innovation and Technology

Mrs Millie NG, JP  
Deputy Secretary for Innovation and Technology (1)

Agenda item V

Commerce and Economic Development Bureau

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

Miss Eliza LEE, JP  
Permanent Secretary for Commerce and Economic  
Development (Commerce, Industry and Tourism)

Ms Betty HO  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)<sup>3</sup>

Trade and Industry Department

Ms Salina YAN, JP  
Director-General of Trade and Industry

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

**Attendance by invitation** : Agenda item V

Related Organization

The Hong Kong Mortgage Corporation Limited

Mr Raymond LI, JP  
Executive Director and Chief Executive Officer

HKMC Insurance Limited

Ms Tess LEUNG  
Executive Director and Chief Executive Officer

Ms Irene MOK  
Vice President (SFGS Operations)

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

**Staff in attendance** : Mr Joey LO  
Senior Council Secretary (1)8

Mr Terence LAM  
Council Secretary (1)3

Ms May LEUNG  
Legislative Assistant (1)3

Miss Zoe YIP  
Clerical Assistant (1)3

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**I. Confirmation of minutes of meeting**

(LC Paper No. CB(1)47/19-20 -- Minutes of meeting held on 18 October 2019)

The minutes of meeting held on 18 October 2019 were confirmed.

**II. Information papers issued since the meeting on 25 June 2019**

(File Ref: CITB CR 75/53/9 -- Legislative Council Brief on United Nations Sanctions (Yemen) Regulation 2019 and United Nations Sanctions (Yemen) Regulation 2015 (Repeal) Regulation

File Ref: CITB CR 75/53/4 and CITB CR 75/53/5/1 -- Legislative Council Briefs on United Nations Sanctions (Democratic Republic of the Congo) Regulation 2019 and United Nations Sanctions (South Sudan) Regulation 2019)

2. Members noted the above papers issued since the meeting on 25 June 2019.

**III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)34/19-20(01) -- List of outstanding items for discussion

LC Paper No. CB(1)34/19-20(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 19 November 2019 at 2:30 pm to discuss the following items proposed by the Administration –

- (a) Report on the work of the overseas Hong Kong Economic and Trade Offices and the Offices of the Government of the Hong Kong Special Administrative Region in the Mainland and Taiwan in 2018-2019; and
- (b) Progress report on Research and Development Centres and extension of operation of the Centres beyond 2020-2021.

4. Regarding item no. 14 of the List of outstanding items for discussion "impact of the recent social incidents and the Hong Kong Human Rights and Democracy Act of 2019 on Hong Kong's economy and the business environment

of various industries", the Chairman informed members that the Chairman of the Panel on Economic Development ("EDEV Panel") had agreed to hold the proposed joint meeting. In response to EDEV Panel's invitation, Chairmen of the Panel on Financial Affairs ("FA Panel") and the Panel on Information Technology and Broadcasting also agreed to hold the proposed joint meeting on the above subject. Members raised no objection that the proposed joint meeting would be held by the four Panels. The Chairman directed the Clerk to coordinate with the Administration on the relevant meeting arrangements, including inviting Secretaries of relevant Policy Bureau to the proposed joint meeting.

*(Post-meeting note: Members were informed under LC Paper No. CB(1)153/19-20 dated 18 November 2019 that the joint meeting would be held on Friday, 6 December 2019 from 10:45 am to 12:45 pm in Conference Room 2 of the Legislative Council Complex.)*

**IV. Briefings by the Secretary for Commerce and Economic Development, the Secretary for Constitutional and Mainland Affairs and the Secretary for Innovation and Technology on the Chief Executive's 2019 Policy Address**

(LC Paper No. CB(1)34/19-20(03) -- Administration's paper on 2019 Policy Address — Policy initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau

LC Paper No. CB(1)34/19-20(04) -- Administration's paper on 2019 Policy Address — Policy initiatives of Constitutional and Mainland Affairs Bureau in relation to Mainland co-operation and Taiwan affairs

LC Paper No. CB(1)34/19-20(05) -- Administration's paper on 2019 Policy Address — Policy initiatives of Innovation and Technology Bureau

LC Paper Nos. CB(1)77/19-20(01) to -- Speaking notes of the Secretary  
(03) for Commerce and Economic  
*(Chinese version only; tabled at the Development, Secretary for  
meeting and subsequently issued on Constitutional and Mainland  
30 October 2019)* Affairs, and Secretary for  
Innovation and Technology)

Relevant papers

The Chief Executive's 2019 Policy Address and Supplement (*published on  
16 October 2019*)

Presentation by the Administration

5. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed the Panel on the progress of the relevant policy initiatives in the 2019 Policy Address. Details were set out in the Administration's paper (LC Paper No. CB(1)34/19-20(03)) and SCED's speaking note (LC Paper No. CB(1)77/19-20(01)).

6. SCED said that Hong Kong's economy faced tremendous pressure and downturn risk due to both external and internal factors. On the international front, facing global economic downturn and the escalating trade conflict between China and the United States ("US"), the International Monetary Fund and the World Bank had lowered their latest global growth forecast to 3% and 2.6% respectively. Locally, domestic consumption and investment sentiments continued to dampen, with Hong Kong's economy growing modestly in the first half of 2019 by only 0.5% year-on-year. The on-going social incidents had worsen the economic condition. There were concerns on whether the economic slowdown would lead to business closures and layoffs. To bolster the economy and to assist small and medium enterprises ("SMEs") amid these internal and external challenges, the Administration had introduced a number of counter-cyclical macroeconomic measures and dedicated support measures for SMEs in the 2019-2020 Budget, as well as a series of enhancement measures to support enterprises and safeguard jobs, as announced by the Financial Secretary ("FS") in August and September 2019. Such proposed enhancement measures included further funding injections into the Dedicated Fund on Branding, Upgrading and Domestic Sales ("BUD Fund") and the SME Export Marketing Fund ("EMF"), as well as the proposed introduction of a new 90% loan guarantee product under the SME Financing Guarantee Scheme ("SFGS"), which would be discussed under agenda item V of today's meeting.

7. Secretary for Constitutional and Mainland Affairs ("SCMA") then gave a briefing on the policy initiatives of the Constitutional and Mainland Affairs Bureau

in relation to Mainland cooperation and Taiwan affairs featured in the 2019 Policy Address. Details were set out in the Administration's paper (LC Paper No. CB(1)34/19-20(04)) and SCMA's speaking note (LC Paper No. CB(1)77/19-20(02)).

8. SCMA said that the Hong Kong Special Administrative Region Government ("HKSARG") would, under the "One Country, Two Systems" principle, leverage the enormous growth opportunities arising from the 13th Five-Year Plan, the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") to foster cooperation with the Mainland on various fronts through a series of initiatives with a view to enhancing Hong Kong's scope for further development.

9. Lastly, the Secretary for Innovation and Technology ("S for IT") briefed the Panel on the relevant policy initiatives in the 2019 Policy Address. Details were set out in the Administration's paper (LC Paper No. CB(1)34/19-20(05)) and S for IT's speaking note (LC Paper No. CB(1)77/19-20(03)).

10. S for IT highlighted the progress of a number of policies and measures to further promote the development of innovation and technology ("I&T") and the Administration's new support measures in terms of nurturing talents, developing technological infrastructure and promoting commercialization of research and development ("R&D") outcomes.

## Discussion

### *Enhancing support for enterprises*

11. Mr CHAN Chun-ying declared that he was an advisor of a Chinese-funded bank in Hong Kong. He enquired whether the Administration would implement dedicated support measures to help Chinese-funded enterprises and SMEs targeted by vandalism. He also urged the Administration to take decisive actions to stop the violent protests and restore Hong Kong's favourable business environment. Ms Elizabeth QUAT raised a similar concern and further suggested that the Administration should consider providing one-stop consulting service to enterprises, particularly SMEs, looking for business opportunities on the Mainland. Mr CHUNG Kwok-pan was concerned that the business operation of many SMEs had been hit hard due to persisting protests and social unrest in recent months, and many of the affected enterprises had been suffering serious loss of earnings but had not been able to obtain financial assistance from banks, mainly owing to the relevant restrictions under the guidelines of the Hong Kong Monetary Authority ("HKMA"). In this regard, Mr CHUNG urged the Administration to enhance support for SMEs to tide over the difficult times.



12. SCED replied that the Administration's support measures, such as the proposed introduction of a new 90% loan guarantee product under SFGS, were intended to assist Hong Kong enterprises across the board rather than targeting enterprises in specific sectors. Meanwhile, HKMA would continue to liaise with banks on measures to help SMEs obtain bank loans. The Administration would in parallel promote communication between the banks and SMEs through different platforms for better understanding of mutual needs and requirements. To help SMEs explore business opportunities on the Mainland, the Administration had been organizing trade promotion campaigns through collaborating with Hong Kong Trade Development Council ("HKTDC"), trade associations and local authorities in the Greater Bay Area.

13. Dr Priscilla LEUNG raised concern about the economic impact of the recent social incidents and the US' Hong Kong Human Rights and Democracy Act of 2019 on the business environment of various industries, in particular SMEs and micro-enterprises, as well as on Hong Kong as a whole. Noting that at the Panel meeting on 18 October 2019, members agreed to hold a joint meeting with other relevant Panels to discuss the issues, Dr LEUNG suggested that the Panel might subject to circumstances consider inviting representatives from relevant organizations and major stakeholders of various industries to attend the proposed joint meeting and give views on the related subjects. Sharing a similar concern, Ms Elizabeth QUAT urged the Administration to step up effort to clarify the misunderstandings of Hong Kong's current situation within the international community.

14. SCED said that under "One Country, Two Systems", HKSARG was empowered under the Basic Law ("BL") to conduct its own external affairs. As a free and open economy, Hong Kong had all along been establishing mutually beneficial trade relations with other trading partners around the world. BL conferred on Hong Kong a unique status as a separate customs territory. BL 151 provided that Hong Kong might, using the name "Hong Kong, China", participate in international organizations such as the World Trade Organization. Therefore, Hong Kong's unique status was not granted unilaterally by any other country, but was conferred by BL. HKSARG had been striving to maintain Hong Kong's unique status and safeguard the constitutional rights that Hong Kong enjoyed. To this end, the overseas Economic and Trade Offices ("ETOs") had long been keeping local parliaments, governments and think-tanks of countries under their respective purviews abreast of Hong Kong's situation. The Administration had also been keeping in close touch with consulates and chambers of commerce in Hong Kong, and would not hesitate to make statements to clarify misunderstandings. The overseas ETOs would, in collaboration with organizations including HKTDC and the Hong Kong Tourism Board, continue to actively promote Hong Kong's strengths and foster relations with local authorities

and different sectors at the government-to-government level between Hong Kong and countries under their respective purviews.

15. In response to Mr CHUNG Kwok-pan's suggestion of establishing industrial parks or economic and trade cooperation zones in the neighbouring countries or regions, SCED advised the Panel that the Administration was seeking the policy support of the relevant Central authorities to extend the incentives and facilitations currently enjoyed by Mainland enterprises to Hong Kong enterprises intending to set up businesses in the Mainland's overseas Economic and Trade Co-operation Zones, including those in the Belt and Road economies, and to support Hong Kong enterprises in developing the Mainland's domestic market.

16. Mr SHIU Ka-fai noted that the majority of the SME funding schemes established by the Administration, such as the BUD Fund and EMF, focused on assisting SMEs to develop the Mainland or overseas markets. He enquired about the details of the Government's assistance provided to SMEs targeting the domestic market.

17. SCED said that to counter the increasingly challenging economic environment, FS announced on 22 October 2019 a new round of measures costing about HK\$2 billion in total to support local enterprises and safeguard jobs, particularly in hard-hit sectors. Such measures included, inter alia, extending the coverage of the rental concession of 50% for six months for businesses operating at Government premises, reduction of a number of Government fees to lower the operating costs borne by SMEs, and a cash incentive scheme to support local travel agents and other tourism-related industries.

#### *Promoting Hong Kong's financial services*

18. Noting that Hong Kong had been positioned in China's national strategy as an international financial centre supporting the development of the Greater Bay Area and the Belt and Road Initiative, Mr Christopher CHEUNG urged the Administration to put extra effort in promoting Hong Kong's strength as an international financial centre. Sharing a similar view, Mr Junius HO urged the Administration to grasp the opportunity of the Greater Bay Area development to strengthen its position as an international financial centre. He enquired whether the Administration would consider setting up a sovereign wealth fund to spearhead Hong Kong's investment in the Greater Bay Area, similar to Singapore's Temasek Holdings (Private) Limited.

19. SCED said that the financial services sector was one of the most important economic pillars of Hong Kong, accounting for a major share (i.e.18.9%) of the city's gross domestic product. As such, the financial services sector inevitably featured prominently in Hong Kong's overseas promotional campaigns organized

by the Administration, HKTDC and related organizations. Meanwhile, FS was leading a Hong Kong fintech delegation to London to promote financial innovation ties from 28 to 31 October 2019. Hong Kong also partnered with the United Kingdom and countries of the Association of Southeast Asian Nations on collaborative projects related to financial services. In addition, HKSARG made use of the annual Asian Financial Forum co-organized with HKTDC and other international fora such as the World Economic Forum to promote Hong Kong's financial services.

20. SCMA advised that the development of Hong Kong's financial services in the Greater Bay Area was instrumental to the successful implementation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area as a whole. By strengthening capital flow both within and outside the region, Hong Kong performed a pivotal role to facilitate further Reminbi ("RMB") internationalization, and bolster its status as the leading offshore RMB centre and asset management centre in the region. The Administration had all along performed the role of facilitator and promoter to provide the policies and infrastructure necessary for encouraging private business investment. For example, HKSARG had been collaborating with Shenzhen in taking forward the development of the Lok Ma Chau Loop into the Hong Kong-Shenzhen Innovation and Technology Park.

#### *Supporting Hong Kong's tourism industry*

21. Mr YIU Si-wing said that due to the recent social incidents, Hong Kong's tourism industry had been facing unprecedentedly severe challenges. He raised concern about the impact to the meetings, incentives, conferences and exhibitions ("MICE") sector in particular, and enquired whether the Administration had compiled any statistics on the cancellation of MICE activities and the decrease in the number of participants during the period. He also urged the Administration to take responsive measures to restore Hong Kong's status as a leading MICE centre. Noting that the social unrest in recent months had affected the livelihood of local tourist guides, Mr YIU urged the Administration to strive for further opening up opportunities for Hong Kong tourist guides to practise in the Greater Bay Area, making reference to the issuance of tourist guide certificates to eligible tourist guides from Hong Kong and Macao by the authorities of Hengqin New Area in Zhuhai upon completing relevant training and passing the examination.

22. SCED replied that while certain major MICE events had been cancelled as a result of the on-going protests, the majority of trade shows, product exhibitions and international conferences organized indoors were still being held as scheduled. Some of these events were organized by HKTDC or the MICE trade involving sectors like electronics, jewellery, watches and clocks. Whilst the average

number of participants of these trade shows had dropped by some 20%, the change in the number of overseas exhibitors varied from trade to trade, ranging from similar level to a decrease of around 10% as compared to last year. The organizers had spent extra efforts on logistical arrangements to ensure the smooth staging of their events. Meanwhile, the Administration was working closely with the Travel Industry Council of Hong Kong to strive for further opening up opportunities for Hong Kong tourist guides to practise in the Greater Bay Area. This dovetailed with the Administration's objective to develop multi-destination tourism to attract travellers to visit the Greater Bay Area via Hong Kong.

*Nurturing and retaining innovation and technology talent*

23. Mr Charles Peter MOK said that the shortage of talent in the I&T industry had become a worrying trend. He sought details of the Administration's measures to attract Mainland and overseas talent whilst nurturing local I&T talent.

24. Recognizing the importance and effectiveness of on-the-job training, S for IT said that the Administration had launched the Re-industrialization and Technology Training Programme to fund staff of local enterprises on a matching basis to receive technology training. To further enlarge the pool of technology talent in Hong Kong, the Administration would expand the scope of the Researcher Programme and the Postdoctoral Hub under the Innovation and Technology Fund to all technology companies conducting R&D activities in Hong Kong; and extend the applicable technology areas and coverage of the Technology Talent Admission Scheme to attract more technology talent from different parts of the world.

*Facilitation measures for Hong Kong people working, studying and living in the Mainland*

25. Mr YIU Si-wing enquired whether the Administration would implement measures to encourage the relocation of Hong Kong's retirees to the Greater Bay Area, for example, by investing in the necessary medical infrastructure and facilities for the elderly therein.

26. SCMA advised that the Administration had maintained liaison with the relevant authorities and institutions in the Greater Bay Area with a view to providing suitable health-related measures for Hong Kong people working and living in the Greater Bay Area. To this end, the Secretary for Food and Health led a delegation to Shenzhen and attended the second Guangdong-Hong Kong-Macao Greater Bay Area Hygiene and Health Cooperation Conference in February 2019 to share experience and strengthen cooperation among the three places on matters relating to hygiene and health in the Greater Bay Area.

27. Noting that many Hong Kong people who had participated in the recent protests against the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 ("the Bill") was purportedly detained at the border control point when trying to enter the Mainland, Mr CHU Hoi-dick said that unless the Administration took steps to resolve the current political deadlock arising from the Bill, any facilitation measures for Hong Kong people working, studying or living in the Mainland were bound to be futile.

28. SCMA advised that under the principle of "One Country, Two Systems", the Administration would continue to maintain close liaison with the Mainland authorities, and would refer any requests for assistance from Hong Kong residents in distress in the Mainland to the relevant Mainland authorities through the established mechanisms.

*Development of Hong Kong-Taiwan relations*

29. Noting that Hong Kong-Taiwan relations was at an all-time low as a result of the recent controversies relating to the Bill, Mr CHAN Chi-chuen enquired about the Administration's measure to mend the ties with Taiwan. He also enquired about the progress of the employment permit application of the Director of the Taipei Economic and Cultural Office in Hong Kong.

30. SCMA advised that Hong Kong-Taiwan relations were a special component of the cross-Strait relations, and would inevitably be affected by the development of the latter. HKSARG would handle Hong Kong-Taiwan relations in accordance with the one-China principle and the "Basic Principles and Policies of the Central People's Government regarding the Handling of Taiwan-related Matters in Hong Kong after 1997" (i.e. Qian's Seven Principles). The Administration would continue to pragmatically foster economic, trade and cultural exchanges and cooperation between Hong Kong and Taiwan through the platform of the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council and the Taiwan-Hong Kong Economic and Cultural Co-operation Council, which had been operating smoothly. Moreover, the Hong Kong Economic, Trade and Cultural Office was proactive in promoting economic and trade cooperation as well as cultural exchanges between Hong Kong and Taiwan. As regards the concerned employment permit application, HKSARG would not comment on individual cases. Each application would be handled in accordance with the relevant laws and policies.

**V. New support measures for small and medium enterprises**

(LC Paper No. CB(1)34/19-20(06) -- Administration's paper on "Enhanced Support to Small and Medium Enterprises"

LC Paper No. CB(1)34/19-20(07) -- Paper on support measures for Hong Kong enterprises prepared by the Legislative Council Secretariat (updated background brief))

31. 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. The Chairman then declared that he was an Executive Committee member of the General Committee of the Chinese Manufacturers' Association of Hong Kong, which was a grantee of BUD Fund).

Presentation by the Administration

32. At the invitation of the Chairman, SCED sought members' support on the proposed enhancement measures to support local enterprises, particularly SMEs, including further injections in the BUD Fund and EMF, as well as the proposed introduction of a new 90% loan guarantee product under SFGS. Details were set out in the Administration's paper (LC Paper No. CB(1)34/19-20(06)).

Discussion

*SME Financing Guarantee Scheme*

33. Mr CHAN Chun-ying declared that he was the consultant of a Chinese-funded bank which was one of the participating lending institutions under SFGS, and expressed support for the Administration's proposed enhancement measures. Noting that the maximum amount of loans each successful applicant could obtain loan guarantee under the proposed 90% guarantee product (i.e. up to HK\$6 million at any point in time) was far below from that of the existing 80% guarantee product (i.e. up to HK\$15 million), Mr CHAN enquired about the reasons for such differences. He also enquired about the target date for rolling out the proposed 90% guarantee product.

34. Executive Director and Chief Executive Officer, The Hong Kong Mortgage Corporation Limited ("ED&CEO/HKMC") responded that the proposed 90% guarantee product aimed to help enterprises tide over potential financing

difficulties amidst the economic downturn, and provide additional support to enterprises with less operating experience, limited credit history, and those enterprises lacking the expertise or resources to produce financial statements. The maximum amount of loans each enterprise could obtain loan guarantee under the proposed 90% guarantee product would be capped at HK\$6 million at any point in time. ED&CEO/HKMC said that the banking industry and relevant organizations and major stakeholders generally supported the proposed 90% guarantee product and called for early implementation. The Hong Kong Mortgage Corporation Limited would maintain close liaison with the trade, learn from the operational experiences and regularly review the implementation of the 90% guarantee product.

35. SCED added that subject to the Panel's support, the Administration planned to seek funding approval of the Finance Committee ("FC") in the fourth quarter of 2019 with a view to rolling out the proposed 90% guarantee product in the first quarter of 2020.

36. Mr YIU Si-wing said that the recent social incidents had caused significant impact to the tourism industry that quite a number of the operators encountered cash flow problems. Although the maximum loan interest rate for the proposed 90% guarantee product (8% per annum for enterprises with operating history of more than three years) was lower than that of the 80% guarantee product (10% per annum in general), there were concerns from the trade that the loan interest rate for the proposed 90% guarantee product might still be too high for them to afford. Mr YIU asked whether the Administration would consider providing 100% guarantee for approved commercial loans so that the participating lending institutions would no longer be subject to any default risks and could greatly reduce the loan interest rates for SMEs to obtain financial assistance.

37. SCED said that with effect from November 2018, the Government halved the annual guarantee fee rate, increased the maximum facility amount to HK\$15 million and lengthened the maximum guarantee period to seven years for the 80% guarantee product to further relieve SMEs' financing burden. Thereafter, the number of approved applications and the additional loan amount in the first nine months of 2019 had increased year-on-year by 70% and 107% respectively, reflecting the effectiveness of the new measures in assisting enterprises in loan financing. The total guarantee amount involved in the approved applications was HK\$55.7 billion (as at end-September 2019). Yet, some smaller-sized enterprises and enterprises with less operating experience might not be eligible for the 80% guarantee product. In order to bridge the gap, the proposed 90% guarantee product would lift the requirements on the one year's minimum operation of applicants and the submission of full audited financial statements.

38. SCED added that on the issue of loan financing, it was noted that SMEs were most concerned about whether lending institutions were willing to accept their loan applications and, if so, the loan interest rates and the terms. Having said that, at a recent SME Symposium, participating SMEs were generally of the view that the average loan interest rates as disclosed by two different lending institutions were lower than expected. SMEs could also benefit from a competitive market by comparing offers from different lending institutions and negotiate a deal.

39. In respect of Mr YIU Si-wing's suggestion, SCED said that the Administration had reservation on providing 100% loan guarantee under SFGS, taking into consideration the principles of prudent management of public finances and the risks of moral hazard.

*SME funding schemes*

40. Mr CHAN Chun-ying noted that the Administration and Hong Kong Productivity Council had respectively organized the SME Symposium and the SME One Fund Fair 2019 in September 2019 to provide SMEs with details of nearly 50 government funding schemes and new initiatives. Yet, given the large number of funding schemes and initiatives, Mr CHAN asked whether the Administration would help individual SMEs identify funding schemes most suitable to their business needs for application.

41. Mr YIU Si-wing shared a similar concern and said that SMEs often found it difficult to choose the most suitable funding scheme to apply from a series of similar funding schemes and initiatives. He further suggested that the Administration should consider consolidating funding schemes with similar ambits (particularly schemes which were administered by different government departments and/or statutory bodies), lowering the application thresholds for the consolidated schemes and simplifying relevant application procedures so as to encourage SMEs to make applications.

42. SCED said that the Administration was aware of the difficulties SMEs had encountered when making funding applications. In addition to making relevant information of all the funding schemes available on the Internet, the Administration: (a) had brought together nearly 50 funding schemes administered by the Government and public organizations in Hong Kong and the Greater Bay Area (with a total value of over HK\$35 billion) at different promotional events for introduction to SMEs to raise their awareness; (b) had since October 2019 consolidated the services of four SME centres to provide "four-in-one" integrated services so that SMEs could obtain information on all funding schemes at any service point; (c) had extended its reach to enterprises by arranging visits to more



than 30 trade and industrial associations; and (d) would establish a dedicated service team to provide support on funding applications from 1 January 2020. The implementation of such measures would provide a more tailored service for SMEs and at the same time allow the Administration to receive feedbacks directly from SMEs for further enhancing the effectiveness of the funding schemes.

43. SCED further pointed out that any proposals for consolidating different funding schemes required FC's approval and the procedures would likely take considerable time. To meet the needs of SMEs, the Administration would continue to promote all the relevant funding schemes together, further simplify the application procedures and provide a larger proportion of upfront payments.

44. Mr CHAN Chun-ying said that while the Administration had briefed FA Panel on the work of HKMA three times a year where members were given the progress updates on SFGS, he enquired whether the Administration would similarly submit to the Panel regular progress updates on SME funding schemes so that the Panel might monitor the implementation progress on a continuous basis.

45. SCED replied that apart from regular reports to the Panel on the implementation progress of the SME funding schemes, the Administration would also share such figures on various occasions when necessary. Individual members might also seek relevant information from the Commerce and Economic Development Bureau and the Trade and Industry Department anytime during the year.

#### *Other issues*

46. Mr Christopher CHEUNG was disappointed that the Administration had introduced targeted measures to support various affected industries but not to the financial services industry which had been suffering from the recent social incidents as well. To relieve the regulatory cost burden of the financial services industry, he suggested that the Securities and Futures Commission ("SFC") should consider waiving payment of annual licensing fees for a period of not less than 6 months. Mr CHEUNG considered that the initiative (costing SFC only around HK\$200 million in revenue) was within the Government's resource capacity and would benefit around 46 000 intermediaries in Hong Kong.

47. SCED said that the Administration was well aware of the pressure borne by SMEs and members of the public amidst the economic downturn. The impact of the social conflict had spread to all business sectors. Among them, tourism, retail and catering industries bore the brunt. To counter the challenging external and local economic environment, FS had announced rounds of measures to

Admin support enterprises and safeguard jobs. In addition to those tailored for the hard-hit industries, some of the support measures aimed to support all enterprises, in particular SMEs, to cope with the operating pressure in the current economic environment. SCED added that he would convey Mr CHEUNG's suggestion to the Secretary for Financial Services and the Treasury for further consideration.

*Summing up*

48. The Chairman concluded that the Panel supported in principle the Administration's proposed further injection into the BUD Fund and EMF, as well as the proposed introduction of a new 90% guarantee product under SFGS.

**VI. Any other business**

49. There being no other business, the meeting ended at 4:37 pm.