

## LCQ18: Support for small and medium enterprises amid the epidemic

Following is a question by the Hon Nixie Lam and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (January 26):

Question:

Given the fluctuating situation of the Coronavirus Disease 2019 epidemic, the anti-epidemic measures announced by the Government are often implemented within a short period of time, affecting the conduct of quite a number of physical commercial activities. Some operators of small and medium enterprises (SMEs) have relayed to me their hope that the Government will enhance its support for them amid the epidemic. In this connection, will the Government inform this Council:

(1) of the measures in place to assist SMEs in expediting the sale of products by the e-commerce model; whether it will provide SMEs with tax concessions, technical support and loan schemes dedicated for assisting them in digital transformation, so as to increase the incentives for them to adopt the e-commerce model; and

(2) as some members of the industries have pointed out that the level of subsidy to be disbursed by the Government under the fifth round of the Anti-epidemic Fund to those business operators affected by the tightening of social distancing measures is just a drop in the bucket, whether the Government will increase the relevant subsidy amounts; whether it will provide those operators with convenience or concessions (e.g. according priority to hire government venues and rental concessions) after the epidemic has stabilised, so as to facilitate their resumption of normal business as early as possible?

Reply:

President,

The Government strives to support small and medium enterprises (SMEs), and through a number of funding schemes encourage them to enhance their competitiveness and explore more diversified markets. In view that SMEs are severely impacted by the pandemic, the Government has also rolled out a series of relief measures under the Budget and the Anti-Epidemic Fund (AEF) to provide financial support to help SMEs weather the storm.

Having consulted the Innovation and Technology Bureau, the Financial Services and the Treasury Bureau and the Human Resources Planning and Poverty Co-ordination Unit, my consolidated reply to the specific question raised is as follows:

(1) The Technology Voucher Programme (TVP) under the Innovation and Technology Fund administered by the Innovation and Technology Commission (ITC) aims to support enterprises to use technological services and solutions to improve productivity, or upgrade or transform their business processes, including the introduction of sale of products by the e-commerce model. Having regard to its operational experience and views from the industry, the ITC introduced enhancement measures for the TVP in 2020. For instance, each approved project can be funded up to three-quarters of the project cost, with a cumulative funding ceiling of \$600,000. The pandemic has accelerated the need for digitalisation, with the number of TVP applications increasing considerably from around 700 in 2018 to around 5 100 in 2021. As at end 2021, about 7 100 TVP applications have been approved with total funding of around \$1.1 billion. In addition, the ITC launched the time-limited Distance Business Programme (D-Biz Programme) under the AEF in 2020, which covers information technology (IT) categories relating to distance business (including the development of online service platforms such as web portals and mobile apps), in order to support enterprises to adopt IT solutions to continue business and provide services during the pandemic. The D-Biz Programme was open for application from May 18 to October 31, 2020. As at January 25, 2022, projects of over 25 740 approved applications have been implemented, involving total funding of around \$1.7 billion. Beneficiaries include a wide range of industries, over 95 per cent of which are SMEs.

Hong Kong Science and Technology Parks Corporation and Cyberport have provided three rounds of rental concessions from 2019 to 2021, with the second round supported by the AEF. The three rounds of initiatives in total benefitted around 2 000 tenants in the Science Park, INNOPARKs and Cyberport, etc.

Furthermore, to alleviate the possible cash flow pressure facing SMEs during the pandemic, on top of the existing 80 per cent and 90 per cent Guarantee Products, the Government introduced the Special 100 per cent Guarantee Product under the SME Financing Guarantee Scheme (SFGS) in April 2020 to provide low-interest concessionary loans to SMEs. Multiple rounds of enhancements have since been made, including raising the Government's total commitment under SFGS to \$218 billion, increasing the maximum loan amount, the maximum repayment period, and the maximum duration of principal moratorium, as well as extending the application period to June 30, 2022. SMEs may use the loans for digital transformation in accordance with their needs. As at end 2021, over 47 000 applications have been approved under the Special 100 per cent Guarantee Product, involving loan guarantees of approximately \$81.6 billion which accounts for half of the SFGS's total approved commitment, benefitting over 29 000 enterprises.

(2) In view of the development of the pandemic, the Government has tightened social distancing measures with effect from January 7, 2022. Having regard to the impact of this decisive tightening of measures on the business of certain sectors, the Government has swiftly deployed the uncommitted balance under the AEF to introduce the fifth-round support measures. In terms of subsidy rates, as premises were required to close for a longer period of time during the fourth-round AEF, the subsidy rates for premises and individuals under

this round of AEF were pitched at half and two-third of the subsidy rates under the fourth-round AEF respectively.

Regarding rental concessions, the Government announced the extension of the 75 per cent rental or fee concessions for eligible tenants of government premises and eligible short-term tenancies and waivers under the Lands Department on August 25, 2021. During the rental concession period, tenants of Government properties who have to close their properties at the request of the Government will continue to receive full rental waiver for the duration of the closure. These concessions remain valid until March 31, 2022.

The Government will continue to, having regard to the development of the pandemic and the impact of the anti-epidemic and social distancing measures, consider providing support to premises and individuals directly affected by the relevant measures. The Government will also continue with the anti-epidemic work with a view to enabling premises currently required to close to resume business as soon as possible.

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## LCQ11: Supporting hotel industry

Following is a question by the Hon Yiu Pak-leung and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (January 26):

Question:

Due to the impacts of the riots and the coronavirus disease 2019 epidemic, the hotel industry has been hard hit as visitor arrivals to Hong Kong have plummeted and the overall hotel occupancy rate as well as room rate have dropped continuously in the past two years. Recently, in view of the spread of the Omicron mutant strain in the community, the Government announced that starting from January 8, the place-specific flight suspension mechanism would be implemented for eight countries. Some members of the industry participating in the Designated Quarantine Hotel (DQH) Scheme have pointed out that Hong Kong residents intending to return to Hong Kong and overseas visitors have cancelled their reservations at quarantine hotels, causing heavy losses to operators participating in the Scheme. In this connection, will the Government inform this Council:

(1) whether it will, in view of the impact of the epidemic, conduct a revaluation of the rateable values of hotel properties for the 2021-2022 financial year, refund all or a major portion of the rates paid for that year, and provide concession on the rates payable for hotel properties for the 2022-2023 financial year; if so, of the details; if not, the reasons for that;

(2) whether it will gain an understanding from the hotel industry of the difficulties it face amid the epidemic, such as the impact of anti-epidemic measures on "gatherings in hotels" (commonly known as staycation) and banqueting business, so as to formulate appropriate measures to support the hotel industry; and

(3) given that the some 40 hotels participating in the DQH Scheme have suffered losses due to the implementation of the place-specific flight suspension mechanism by the Government, whether the Government will provide them with appropriate compensation; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Financial Services and the Treasury Bureau and the Food and Health Bureau, our reply to the question raised by the Hon Yiu Pak-leung is as follows:

(1) The Commissioner of Rating and Valuation has duly prepared the 2021-22 Valuation List in accordance with the Rating Ordinance (Cap. 116). The rateable values of tenements in the 2021-22 Valuation List shall take effect from April 1, 2021, until a new valuation list comes into force.

The Government has provided rates concession for all four quarters of 2021-22 in the 2021-22 Budget, with the concession for non-domestic properties capped at \$5,000 per tenement per quarter for the first two quarters, and capped at \$2,000 for the remaining two quarters. This concession is also applicable to hotel properties.

Regarding the 2022-23 general revaluation of rateable value, the Rating and Valuation Department (RVD) is now assessing the rateable values of tenements in the valuation list based on the annual rental value of the property estimated with reference to changes in market rentals at the designated reference date (i.e. October 1, 2021). Factors affecting the rental levels of different properties can be reflected in the 2022-23 rateable values. The RVD will make available the new valuation list for public inspection upon completion of the revaluation. For changes in market rentals after the designated reference date, they would be considered in the next revaluation exercise.

Through the ongoing public consultation exercise for the 2022-23 Budget, we will gather and examine opinions from all sectors of the community. When assessing any proposals, the Government will take into consideration a range of factors, including the overall economic situation, the Government's fiscal position and the needs of the community, etc.

(2) The Government understands that the business of certain industries has been impacted by the tightening of social distancing measures, especially those premises that have been closed temporarily, and catering premises where

dine-in service during dinnertime has been suspended. The Chief Executive has announced on January 14, 2022, that the fifth round of the Anti-epidemic Fund (AEF) would be rolled out to provide assistance to the industries directly affected by the tightened measures. Although hotels are not among the premises subject to temporary closure, premises within hotels that have to be closed temporarily (e.g. bars, pubs, etc.) and those catering premises where dine-in service during dinnertime has been suspended can benefit from the relevant measures.

In fact, the Government has rolled out various measures to help the hotel industry tackle the difficult business environment. Apart from providing each eligible hotel with a one-off subsidy of \$300,000 or \$400,000 and introducing the Employment Support Scheme to provide assistance to employers in paying wages of their employees under the second round of the AEF, the Government announced in August 2021 the extension of waivers or concessions of various government licence fees and charges till end-September 2022. Approval was also obtained from the Finance Committee of the Legislative Council in October 2021 for injection of an additional \$35 billion to the Special 100 per cent Guarantee Product under the SME Financing Guarantee Scheme to extend the application period to end-June 2022. The hotel industry can also benefit from these measures.

In addition, the Hong Kong Tourism Board (HKTB) has been supporting local tourism through the "Holiday at Home" promotion platform and rolled out two rounds of "Staycation Delights" in April and September 2021 respectively to encourage locals to be a tourist in their own city. The two rounds of "Staycation Delights" had a total quota of 40 000 which translated into an injection of \$20 million to the hotel industry, and were well received by the industry as well as the community.

As a result of the two rounds of "Staycation Delights" and other staycation activities and coupled with the designation of some hotels for quarantine purpose, the hotel room occupancy rate in the first eleven months of 2021 was 62 per cent, representing a year-on-year surge of 17 percentage points.

If the development of the epidemic situation permits, the Government will relax the social distancing measures in a gradual and orderly manner on the basis of "vaccine bubble". The HKTB will continue to maintain close communication with the hotel industry and consider rolling out a new round of "Staycation Delights" when the epidemic situation abates so as to provide continued support for the industry.

(3) According to the arrangement of the Designated Quarantine Hotel Scheme, the Government will provide subsidy to designated quarantine hotels (DQHs) with average occupancy rate lower than 50 per cent. Hotels concerned can apply for the subsidy after the end of the contractual period in accordance with the established mechanism. As at January 24, 2022, the average occupancy rate of DQHs under the sixth cycle of the Scheme (covering the period from December 1, 2021, to February 28, 2022) is about 65 per cent.

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## LCQ10: District administration

Following is a question by Dr the Hon Tik Chi-yuen and a written reply by the Acting Secretary for Home Affairs, Mr Jack Chan, in the Legislative Council today (January 26):

Question:

In 1982, the British Hong Kong Government implemented the District Administration Scheme, aiming to strengthen ties with local communities and enable the Government to better understand real public views. In addition, the then Chief Executive announced in his Policy Address delivered in 2007 that the Government would enhance the roles of District Councils (DCs) and the District Officers, with a view to improving work at the district level and further developing district administration. However, following an upsurge of resignation of DC members and oaths of a number of DC members being ruled invalid in 2021, more than 300 of the 479 seats in the current DC term are vacant. With only a few DC members left, many DCs are unable to maintain normal operation. It has been reported that the Government even decided to terminate the Mutual Aid Committees (MACs) this month. There are comments that the district administration system in Hong Kong is on the verge of existing in name only. In this connection, will the Government inform this Council:

(1) whether it will conduct a review on how to continue to implement district administration effectively; if so, of the details and the timetable;

(2) of the factors taken into consideration in terminating MACs, and whether it conducted any consultation and considered any alternatives before making such a decision;

(3) whether it will consider afresh conducting by-elections for the vacancies in DCs; and

(4) as there are currently a large number of vacancies in DCs, of the differences in the Government's workflow of conducting district consultation in comparison with that in the past, and how it can ensure that the views obtained through consultation truly reflect public opinions?

Reply:

President,

After consulting the Constitutional and Mainland Affairs Bureau, my consolidated reply to the question raised by Dr the Hon Tik Chi-yuen is as follows:

(1) and (3) The Hong Kong Special Administrative Region Government is actively preparing for the Chief Executive Election to be held in March this year. At this stage, there is no plan to arrange for a by-election for the vacant memberships of the District Councils (DCs). As the Chief Executive responded publicly earlier, the current-term Government does not have the capacity to hold a large scale DC by-election within the remainder of its term i.e. from now until June 30. The next-term Government will conduct a comprehensive review on district administration and the way forward of DCs.

(2) The Mutual Aid Committee (MAC) Scheme was launched in the 1970s with a view to promoting neighbourliness and improving living environment, as well as providing a communication channel between the Government and the residents. However, neighbourhood network and modes of building management have evolved in tandem with societal development and changes over the past few decades. For instance, many buildings have already engaged property management companies to take charge of their management or have formed other residents' organisations. In addition, with the development of information technology, there have been more direct communication channels between the Government and the residents.

In fact, the number of MACs was on a continuous decline, down by nearly half to around 1 600 over the past 15 years or so. On the other hand, MAC formation remained at a low level, with an average of less than 30 MACs formed annually in recent years.

Some in the community consider that MACs are playing a diminishing role in the relevant areas. After careful consideration, the Home Affairs Bureau has decided to terminate the MAC Scheme by phases.

That said, the Government will continue to enhance communication at the local level by, for example, strengthening ties with the community through different district committees, including Area Committees, District Fight Crime Committees and District Fire Safety Committees. For private buildings that have not engaged property management companies or formed any residents' organisations, the District Building Management Liaison Teams of the District Offices will assist relevant owners in forming residents' organisations such as owners' corporations.

(4) As regards local consultation, the Government will generally seek the advice of the DCs on district administration affairs and community, recreational and cultural activities, environmental improvement projects and transport issues within the districts as necessary. However, consultation with DCs is only one of the means to collect local views. As mentioned above, in order to ensure that local views are reflected effectively, bureaux and departments will also consult different district organisations as necessary, such as Area Committees, District Fight Crime Committees, District Fire Safety Committees, etc. so that local needs will be suitably addressed.

In addition, a District Management Committee (DMC) chaired by the District Officer is set up in each district, comprising representatives of departments providing essential services in the district. The DMC serves as a

forum for inter-departmental discussions on district matters and co-ordinates the management of public services and facilities in the districts to meet the needs of the local community.

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## **LCQ7: Tender exercise for Site 3 of the New Central Harbourfront**

Following is a question by the Hon Chan Hak-kan and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (January 26):

Question:

In December 2020, the Government launched an open tender exercise for disposal of Site 3 of the New Central Harbourfront. It has been reported that one of the six bidding consortia is a partnership formed between the MTR Corporation Limited (MTRCL) and two real estate developers. The fact that the Government is the majority shareholder of MTRCL has once aroused concern of the community about how the Government ensures the fair conduct of the tender exercise. In this connection, will the Government inform this Council:

(1) whether the four government officials who are members of the Board of MTRCL have participated in the Board's discussion and voting on matters relating to the submission of the bid; if so, how the Government allays the community's concern over any conflict of interest;

(2) as the tender document specifies that the successful bidder will be required to build an underground connection from the site to MTR Central Station, whether the Government approached MTRCL in this regard in the course of preparing the tender document; if so, how the Government ensures that the non-public information involved in any such approach will not let the consortium in which MTRCL has participated gain an advantage in the bidding process; and

(3) whether the Government will comprehensively review this tendering incident and avoid allowing companies in which the Government holds a majority of shares to participate in bidding for contracts awarded by the Government in the future?

Reply:

President,

Site 3 of the New Central Harbourfront (Site 3) is a sizeable premier commercial site in the core business district in Central. Coupled with its

prime harbourfront location, the integrated development will benefit Hong Kong both economically and socially. The Government's vision is for Site 3 to become a new landmark for Hong Kong, setting a benchmark for people-centric design with emphases on sustainable and urban design considerations as well as integration with the surroundings. In this connection, the Government adopted a two-envelope tender process for Site 3 whereby tenderers' proposals were evaluated on the basis of design merits and premium offers so that the proposal achieving the best combination of both could be selected. Equal weighting for premium and non-premium proposals, i.e. 50:50, was adopted in this two-envelope approach. Site 3's tender period ran from December 18, 2020 to June 18, 2021. The Development Bureau (DEVB) announced the tender result on November 3, 2021, and disclosed further tender information on December 8, 2021.

My reply to the question raised by the Hon Chan Hak-kan is as follows:

(1) According to the information provided by the Transport and Housing Bureau, neither the four government members of the MTR Corporation Limited (MTRCL) Board (namely the Secretary for Financial Services and the Treasury, the Secretary for Transport and Housing, the Permanent Secretary for Development (Works) and the Commissioner for Transport) nor their alternate directors have participated in the discussion or voting of the MTRCL Board on tendering for Site 3.

(2) The Government attaches great importance to the fair and impartial conduct of the tender exercise. The Planning and Lands Branch of the DEVB was responsible for tender invitation and tender assessment. A Tender Assessment Panel (TAP) was formed comprising designated public officers, who were subject to rigorous declaration of interests requirements. They were prohibited from disclosing any confidential information they came across in the TAP to any party outside the TAP. None of the four government members of the MTRCL Board mentioned above or their alternate directors was a member of the TAP.

As the development of Site 3 has to complement with the land use for railways and public utilities facilities in the vicinity, when preparing the design requirements of Site 3 in the early years, the Government had to communicate with the MTRCL and relevant public utilities on the technical issues involved, including the relevant underground connection. In the report for the "Urban Design Study for the New Central Harbourfront" issued in 2011, the Government had already recommended providing an underground connection at Site 3 to MTR Central Station. A gazette under the Roads (Works, Use and Compensation) Ordinance was published in November 2017 accordingly to announce the arrangement about the connection. During the tendering process, all tender requirements and site details (including the underground connection and other issues related to railway and public utilities facilities) were also set out in the tender documents, and made known to the public. Besides, in case any potential tenderers requested further information from the Government, and where the Government agreed to provide such information, the information would be announced publicly so that they would be known to other tenderers. We consider that the relevant tender

arrangements could effectively ensure that no individual tenderer has unfair advantage over the others.

(3) As mentioned in the previous paragraphs, an internal mechanism has been put in place to guard against conflict of interests and to effectively ensure the transparency and fairness in the provision of information to all tenderers participating in Government land sale. There is no impropriety in the tender exercise for Site 3.

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## **Places of Amusement Licence Holders Subsidy Scheme under Anti-epidemic Fund starts to disburse subsidies**

The Leisure and Cultural Services Department (LCSD) today (January 26) started to gradually disburse subsidies to successful applicants under the Places of Amusement Licence Holders Subsidy Scheme. The payments will be deposited directly into the specified bank accounts of the applicants today.

Set up under the latest round of the Anti-epidemic Fund, the Scheme has been open for applications from January 17. Vetting of applications has commenced during the application period. As of January 25, more than 36 applications were received, of which 14 were approved, involving subsidies of \$700,000.

The application period for the Places of Amusement Licence Holders Subsidy Scheme, launched under the fifth round of the Government's Anti-epidemic Fund, will end on January 31. The Scheme provides a one-off subsidy of \$50,000 to billiard establishments, public bowling alleys and public skating rinks operating with a licence issued under the Places of Amusement Regulation (Cap.132BA). It aims to provide subsidies to eligible licence holders whose businesses have been directly affected by the anti-epidemic and social distancing measures imposed by the Government.

Eligible licence holders wishing to apply for the subsidy should submit their applications as soon as possible. Application forms and guidelines can be downloaded from the LCSD's website ([www.lcsd.gov.hk/en/licensing/subsidyscheme.html](http://www.lcsd.gov.hk/en/licensing/subsidyscheme.html)).

For enquiries concerning details and application procedure of the Scheme, applicants can contact the Licensing and Prosecution Unit of the department by phone at 2601 8799.