

For discussion
on 17 April 2020

FCR(2020-21)2

ITEM FOR FINANCE COMMITTEE

**HEAD 142 – GOVERNMENT SECRETARIAT :
OFFICES OF THE CHIEF SECRETARY FOR
ADMINISTRATION AND FINANCIAL SECRETARY**

Subhead 700 General non-recurrent

Item 803 Anti-epidemic Fund

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 700 General non-recurrent

New item “Special Scheme of Assistance to the Unemployed”

**HEAD 152 – GOVERNMENT SECRETARIAT :
COMMERCE AND ECONOMIC DEVELOPMENT
BUREAU (COMMERCE, INDUSTRY AND TOURISM
BRANCH)**

Subhead 700 General non-recurrent

**Item 833 SME Financing Guarantee Scheme – Special Concessionary
Measures**

LOAN FUND

HEAD 252 – LOANS TO SCHOOLS/TEACHERS

Subhead 104 Loans to non-profit-making international schools

Subhead 106 Start-up loan for post-secondary education providers

HEAD 254 – LOANS TO STUDENTS

**Subhead 101 Means-tested loan for tertiary students pursuing
publicly-funded programmes**

Subhead 102 Non-means-tested loan scheme

Subhead 103 Means-tested loan for post-secondary students

HEAD 262 – PRIMARY PRODUCTS

Subhead 101 Fisheries Loans

/Members

Members are invited to approve –

- (a) an increase in commitment by \$120.5 billion from \$30 billion to \$150.5 billion under Head 142 Government Secretariat: Offices of the Chief Secretary for Administration and Financial Secretary Subhead 700 General non-recurrent Item 803 for injection into the Anti-epidemic Fund to provide funding for a second round of relief measures targeted at eligible individuals and businesses hard hit by the coronavirus disease-2019 pandemic and various anti-epidemic measures introduced by the Government;
- (b) a new non-recurrent commitment of \$3,520 million under Head 170 Social Welfare Development Subhead 700 General non-recurrent for implementing a six-month unemployment support scheme under the Comprehensive Social Security Assistance Scheme;
- (c)
 - (i) an increase in loan guarantee commitment of the Special 100% Guarantee Product under the SME Financing Guarantee Scheme by \$30 billion from \$20 billion to \$50 billion, resulting in an increase in the expected maximum expenditure by \$8.44 billion from \$5.63 billion to \$14.07 billion; and
 - (ii) the consolidation of the loan guarantee commitment of \$100 billion under Head 152 Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch) Subhead 700 General non-recurrent Item 833 SME

Financing Guarantee Scheme - Special Concessionary Measures (the 80% Guarantee Product), \$33 billion under the 90% Guarantee Product and \$50 billion under the Special 100% Guarantee Product (proposed in (c) (i) above) into a total commitment of \$183 billion under Item 833 to be renamed as SME Financing Guarantee Scheme - Guarantee Products, resulting in a consolidation of the total expected maximum expenditure into \$33.72 billion (being the sum of \$13.15 billion under the 80% Guarantee Product, \$6.5 billion under the 90% Guarantee Product and \$14.07 billion under the Special 100% Guarantee Product);

- (d) relaxation of the prevailing terms and conditions in relation to repayments by self-financing post-secondary institutions under the Start-up Loan Scheme, loans for international schools, as well as the Student Financial Assistance schemes; and
- (e) relaxation of the prevailing terms and conditions in relation to repayments under the Fisheries Development Loan Fund.

PROBLEM

The coronavirus disease-2019 (COVID-19) pandemic has given rise to severe economic repercussions globally and locally. The public health measures that the Hong Kong Special Administrative Region Government has put in place to effectively contain the spread of the virus have caused further hardship and uncertainties to businesses and individuals. We need exceptional measures to deal with an unprecedented crisis.

/PROPOSAL

PROPOSAL

2. We propose to –

- (a) inject a total of \$120.5 billion into the Anti-epidemic Fund (AEF) to provide assistance or relief to individuals and businesses hard hit by the pandemic or affected by anti-epidemic measures;
- (b) provide a funding of \$3,520 million for the Social Welfare Department (SWD) to implement a six-month unemployment support scheme under the Comprehensive Social Security Assistance (CSSA) Scheme;
- (c)
 - (i) increase the loan guarantee commitment of the Special 100% Guarantee Product under the SME Financing Guarantee Scheme (SFGS) administered by the HKMC Insurance Limited (HKMCI) by \$30 billion from \$20 billion to \$50 billion, resulting in an increase in the expected maximum expenditure by \$8.44 billion from \$5.63 billion to \$14.07 billion; and
 - (ii) consolidate the approved loan guarantee commitment of \$100 billion under the 80% Guarantee Product, \$33 billion under the 90% Guarantee Product and the proposed loan guarantee commitment of \$50 billion under the Special 100% Guarantee Product into a total commitment of \$183 billion for the HKMCI to enhance the SFGS, resulting in a consolidation of the total expected maximum expenditure into \$33.72 billion (being the sum of \$13.15 billion¹ under the 80% Guarantee Product, \$6.5 billion² under the 90% Guarantee Product and \$14.07 billion under the Special 100% Guarantee Product);
- (d) grant a one-off interest-free deferral of loan repayment to self-financing post-secondary institutions under the Start-up Loan Scheme, non-profit-making international schools and student loan repayers for a period of two years; and
- (e) defer the repayment and waive the interests incurred for one year for borrowers of loans under the Fisheries Development Loan Fund (FDLF).

/JUSTIFICATION

¹ As a result of the proposed enhancements to the 80% Guarantee Product as detailed in Enclosure F, the expected maximum expenditure of the Product will increase by 2.15 billion from \$11 billion to \$13.15 billion.

² As a result of the proposed enhancements to the 90% Guarantee Product as detailed in Enclosure F, the expected maximum expenditure of the Product will increase by 1.1 billion from \$5.4 billion to \$6.5 billion.

JUSTIFICATION**The Government's response to COVID-19**

3. In light of the development of COVID-19, the Government has been taking stringent anti-epidemic measures to contain the public health risk. Having regard to the impact of these measures on the livelihood of individuals and business operation, the Government secured the approval of the Legislative Council Finance Committee on 21 February 2020 for a commitment of \$30 billion to set up the AEF. At the time of establishment, AEF launched 24 measures aiming at enhancing Hong Kong's overall capacity in combating the epidemic and providing timely relief to some sectors and individuals most affected by the epidemic. The list of those 24 measures and progress made is at Enclosure A. Subsequently, in the 2020-21 Budget, the Financial Secretary announced a whole range of measures to support enterprises, safeguard jobs and relieve people's burden, involving about \$120 billion. These include a \$10,000 cash payout scheme, reduction or waiver of taxes, fees and charges and rental, extra allowances for low-income groups (see the list of measures at Enclosure B), and a Special 100% Guarantee Product, viz. a concessionary low-interest loan with 100% Government guarantee for small and medium enterprises (SMEs). The above measures were projected to result in a consolidated deficit of about \$37.8 billion for 2019-20 and about \$139.1 billion for 2020-21, accounting for respectively 1.3% and 4.8% of GDP.

4. The Steering Committee cum Command Centre chaired by the Chief Executive has been closely monitoring the development of the pandemic and making prompt responses. Drastic border control and social distancing measures, including a total of five Regulations made under the Prevention and Control of Disease Ordinance (Cap. 599), have been taken and remain in force. They include –

- (a) issuing Red Outbound Travel Alert on all places outside China;
- (b) denying entry of all non-Hong Kong residents from overseas or who have been to overseas countries or regions in the past 14 days;
- (c) suspending transit service at the Hong Kong International Airport;
- (d) requiring people arriving from the Mainland, Macao and Taiwan, as well as those from foreign places, to undergo a 14-day compulsory quarantine;
- (e) encouraging enterprises to make flexible work arrangements for their employees, and the community to minimise social contact;
- (f) closing public facilities and adopting special working arrangements for civil servants; and

/(g)

- Encl. C
- (g) prohibiting group gatherings of more than four persons in any public place, as well as restricting specified business or mandating the closure of specified premises (see the list of affected business/premises at Enclosure C).

Need for comprehensive relief measures

5. The pandemic and various anti-epidemic measures, in particular those relating to social distancing, have brought many commercial and daily activities in Hong Kong to an almost frozen state. Furthermore, the global battle against the pandemic has necessitated the imposition of stringent travel restrictions which aggravated the plight of our aviation, travel and hotel industries. As revealed in the latest economic figures, the unemployment and underemployment rates for Hong Kong for the period of December 2019 to February 2020 surged to 3.7% and 1.5% respectively. In particular, the unemployment and underemployment rates of the consumption- and tourism-related segments rose to 6.1% and 2.5% respectively, both the highest in about ten years. For the same period from December 2019 to February 2020, retail sales dropped by 28% in value and 30% in volume. In February 2020, the year-on-year fall in retail sales volume widened sharply to 46.7% and was the steepest for a single month on record. Many employees have been initially on paid leave, followed by half-pay job or even no-pay leave. It is clear that massive staff layoffs are in sight if no timely Government assistance is provided. Economies like the United Kingdom, Singapore and Australia have introduced various job support programmes to prevent significant redundancies.

6. There are loud and clear calls from various business sectors for additional relief measures to cover their loss in business or income, or other facilitation that would help them tide over this difficult time. Other sectors or groups of people complained that they were not covered in the first round of AEF measures, or could not meet the eligibility criteria of the sector-specific measures. We also see a strong need to take bold and prompt actions to safeguard as many jobs as possible so as to preserve the vitality of the economy and the livelihood of the people. Taking into account the requests received from various sectors, the Chief Executive announced on 8 April 2020 a comprehensive package of measures to support eligible individuals and businesses as set out in the ensuing paragraphs. These measures have been drawn up with the following considerations in mind –

- (a) the measures should be simple and easy to understand and access, without involving detailed vetting and means testing which would inevitably delay the provision of relief. Speed is of the essence;

/(b)

- (b) the measures should be sufficiently broad-based to cover as many individuals and businesses as possible, but at the same time acknowledge the more hard-hit sectors like aviation and tourism and others directly affected by government decisions; and
- (c) the measures should, as appropriate, go beyond providing immediate relief and be capable of providing some hope for economic recovery when the situation stabilises.

Comprehensive package of measures

7. The comprehensive package of measures with financial implications to the Government can be broadly divided into three categories, namely –

- (a) Job retention, job creation and job advancement
- (b) Provision of one-off relief to specific sectors
- (c) Easing cash flow and burden of businesses and individuals

The majority of the measures will draw on AEF, some will involve additional funding or commitment outside the ambit of AEF, and the rest will involve revenue forgone by the Government, as stated in the relevant paragraphs below.

Measures under AEF

Job retention, job creation and job advancement

8. We propose to implement the following new measures under AEF for the purposes of retaining, creating and advancing jobs –

- (a) Employment Support Scheme (ESS) – To maintain employment during the epidemic by providing time-limited financial support to employers to retain their employees who will otherwise be made redundant. The ESS will also cover eligible self-employed persons who will be granted a one-off lump-sum subsidy. Details are set out at Enclosure D1. Three sector-specific schemes for employees in taxi/red minibus sectors, the construction industry and the catering business who are not well covered by the Mandatory Provident Fund (MPF) Scheme will be devised separately (details are set out at Enclosures D17, D20 and D23 respectively). In addition, we will relax the asset limits of able-bodied applicants under the CSSA Scheme for a period of six months to enable early and basic assistance for the unemployed (details are set out in paragraph 12 below and Enclosure E).

Encl. D1

Encls. D17,
D20 & D23

Encl. E

/(b)

- Encl. D2 (b) Job Creation – To create around 30 000 time-limited jobs in both the public and private sectors in the coming two years for people of different skill sets and academic qualifications. Details are set out at Enclosure D2. This will be in addition to over 10 000 civil service job openings for replacing retirees and filling new posts to be created in the 2020-21 Estimates and about 5 000 short-term interns for young people.
- (c) Job Advancement – Despite the provision of subsidy under ESS, employees in hard-hit sectors would inevitably have to suffer pay reductions as they may not be fully engaged during a time of slow business. To prepare Hong Kong's economy for recovery and to instill hope for better jobs and higher pay, we intend to support a range of job advancement projects in various professions for staff to learn new skills or for businesses to apply more technology. We have so far identified the following six projects –
- Encl. D3 (i) To set up a LAWTECH Fund to support some SME law firms/ barristers' chambers and related persons to procure/upgrade their information technology systems and arrange relevant LAWTECH training, and implement the necessary support measures following the Judiciary's wider use of technology in the court proceedings. Details are set out at Enclosure D3.
- Encl. D4 (ii) To establish a COVID-19 Online Dispute Resolution Scheme for disputes related to or arising from COVID-19 directly or indirectly. Details are set out at Enclosure D4.
- Encl. D5 (iii) To provide financial incentives for early deployment of 5G in the public and private sectors. Details are set out at Enclosure D5.
- Encl. D6 (iv) To provide subsidy to support enterprises to continue business with technology adoption and related training. Details are set out at Enclosure D6.
- Encl. D7 (v) To offer subsidy to consultant firms in the construction sector to provide continuous professional development training for their professional staff. Details are set out at Enclosure D7.
- Encl. D8 (vi) To provide matching grants for skills upgrading of staff in the public and private sectors, especially those in hard hit industries. Details are set out at Enclosure D8.

/Provision

Provision of one-off relief to specific sectors

9. Since the establishment of AEF, we have received numerous requests for support from the Fund. With more drastic social distancing and border control measures introduced in the past month, even those sectors assisted in the first round of AEF such as tourism and catering sectors are finding it difficult to survive. In addition, a number of prescribed businesses have been ordered to close by legislation. We have identified the following sectors for financial support (in the form of one-off subsidies as in the case of most of the first round items) under AEF –

- | | |
|-----------|---|
| Encl. D9 | (a) private schools offering non-formal curriculum registered under the Education Ordinance as their classes have been suspended by the Education Bureau. Details are set out at Enclosure D9; |
| Encl. D10 | (b) school-related service providers who are severely affected because of the prolonged class suspension for schools and post-secondary education institutions such as service providers of catering, interest groups and school bus services. Details are set out at Enclosure D10; |
| Encl. D11 | (c) registered coaches under the National Sports Associations and Sports Organisations ³ whose coaching services have ceased or have been very significantly affected due to closure of public sports venues and social distancing measures. Details are set out at Enclosure D11; |
| Encl. D12 | (d) interest class instructors at elderly centres, youth centres, etc. subvented by SWD as the classes they serve have been suspended. Details are set out at Enclosure D12; |
| Encl. D13 | (e) private refuse collectors who stepped up cleansing and disinfection of the refuse vehicles but suffered income loss due to reduced business of restaurants and shops. Details are set out at Enclosure D13; |
| Encl. D14 | (f) local primary producers whose business have been affected by the significant drop in catering business. Details are set out at Enclosure D14; |
| Encl. D15 | (g) small and medium-sized exchange participants of the Stock Exchange of Hong Kong and Hong Kong Futures Exchange, and Securities and Futures Commission (SFC) licensees as they mainly serve retail clients who rely heavily on face-to-face contacts are seriously affected by social distancing measures. Details are set out at Enclosure D15; |

/(h)

³ Refers to sports organisations that are receiving subvention (project base) from the Leisure and Cultural Services Department's Sports Subvention Scheme.

- Encl. D16 (h) licensed estate agents (individual) and salespersons whose business is adversely affected by social distancing measures. Details are set out at Enclosure D16;
- (i) passenger transport sector (including franchised bus, ferry, tram and green minibus operators, red minibuses and taxi owners and drivers, as well as owners of non-franchised buses, school private light buses and hire cars) in view of the social distancing measures that substantially bring down patronage. Details are set out at Enclosure D17;
- Encl. D18 (j) commercial cinemas, PMQ, which is a local creative landmark, and the printing and publishing sector, to help sustain their businesses. Details are set out at Enclosure D18;
- Encl. D19 (k) travel industry (including travel agents, their employees and freelance accredited practitioners whose main occupations are tourist guides or tour escorts, hotels, cruise terminals and cruise lines, as well as tour service coach drivers) which is one of the hardest hit sectors. Details are set out at Enclosure D19;
- Encl. D20 (l) construction-related sectors (including workers who generally do not have any active MPF accounts and enterprises which have not benefitted from the first round of AEF measures). Details are set out at Enclosure D20;
- Encl. D21 (m) non-profit-making organisations (NPOs) running projects under the Revitalising Historic Buildings Through Partnership Scheme, PMQ and the Fly the Flyover Operation. Details are set out at Enclosure D21;
- Encl. D22 (n) aviation industry which is one of the hardest hit sectors given the almost total shutdown of international air traffic. Details are set out at Enclosure D22;
- (o) catering outlets (including owners/employers and employees) which are hard hit by the epidemic and social distancing measures. Details are set out at Enclosure D23; and
- Encl. D24 (p) businesses which are ordered by the Government to close or put in place various pre-cautionary measures under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F). Details are set out at Enclosure D24.

The initiatives in support of the passenger transport sector (Enclosure D17), construction-related sectors (Enclosure D20) and catering outlets (Enclosure D23) have made provisions for some form of one-off wage subsidies to help employers in the respective sectors to retain employees in their jobs or support those who are self-employed and likely to fall outside the MPF coverage.

Easing the cash flow and burden of businesses and individuals

10. The Government and several public bodies have been offering rent reductions as well as waiver of fees and charges to reduce burden on individuals and businesses since late 2019. We propose to go deeper in light of the deteriorating economic situation. In addition, we fully appreciate the cash flow strain that many enterprises and individuals are facing in light of the significant drop in business, the late payment or default by buyers or unemployment. To reduce transport expenses during the economic downturn, MTR Corporation Limited (MTRCL) would provide a 20% fare concession for a time-limited period of six months between 1 July 2020 and 1 January 2021⁴. The Government proposes to provide financial support on a 50:50 matching basis, i.e. share out half of the estimated amount of fare revenue forgone by paying \$800 million from AEF to MTRCL. We also intend to temporarily relax the monthly threshold of the Public Transport Fare Subsidy Scheme from \$400 to \$200 for a time-limited period of six months from July to December 2020. However, no additional funding for this measure is required as with reduced patronage due to social distancing, provision in 2020-21 should be adequate to cover the additional expenditure. Details are set out at Enclosure D25.

Encl. D25

11. We will introduce other measures outside the AEF ambit to ease the cash flow and burden of businesses and individuals to tide them over during this very difficult period of time. The relevant measures are set out in paragraphs 13 to 19 below.

CSSA Unemployment Support Scheme

12. In order to provide timely and basic financial support for the unemployed who may not be covered under the ESS, to weather the deteriorating employment conditions as a result of the pandemic, we will implement a time-limited unemployment support scheme under the CSSA framework by relaxing the asset limits of able-bodied applicants by 100% for six months. This is in sync with the theme of employment support, and given CSSA's provision of basic needs on a household basis, this will provide the needed support in a timely manner. Details are set out at Enclosure E.

/Further

⁴ All passengers who use Octopus cards would benefit. Frequent travelers who purchase Monthly Pass Extras and MTR City Saver would also enjoy a flat reduction of \$100.

Further Enhancements to the SFGS

13. As part of the effort to ease the cash flow problem of enterprises which have been severely hit by COVID-19 infections, we will enhance the 80%, 90% and the Special 100% Guarantee Products under the SFGS administered by the HKMCI. Approval is also sought for the HKMCI to use the financial commitments approved under the three guarantee products interchangeably. Details are set out at Enclosure F.

Encl. F

Deferral of Loan Repayment by Self-financing Post-secondary Institutions under the Start-up Loan Scheme, Non-profit-making International Schools and Student Loan Repayers

14. To ease the cash flow concerns of self-financing post-secondary institutions under the Start-up Loan Scheme, non-profit-making international schools and students receiving loans from the Working Family and Student Financial Assistance Agency, approval is sought for introducing one-off interest-free deferral of loan repayment for two years to the self-financing post-secondary institutions (namely, the course providers of full-time locally-accredited self-financing post-secondary programmes), three non-profit making international schools with loans due to the Government and student loan repayers of the means-tested and non-means-tested student financial assistance schemes for tertiary students. Details are set out at Enclosure G.

Encl. G

Relaxation of Government Funding Schemes

15. We have reviewed the existing government funding schemes to identify room for more flexible operation and relaxation, where appropriate, to provide instant relief to scheme participants during this challenging period. Approval is sought for deferring the repayment and waiving the interests incurred for one year for borrowers of loans under the FDLF. Details are set out at Enclosure H.

Encl. H

16. Meanwhile, we have also reviewed other government funding schemes to identify room for relaxation in support of the efforts to ease cash flow and will pursue such measures administratively. For example, under the Pilot Programme to Enhance Talent Training for the Asset and Wealth Management Sector, we will administratively relax the funding cap of the Financial Incentive Scheme for Professional Training (FIS) from \$7,000 per person to \$10,000 per person over a six-year period and the “in-service” eligibility requirement for FIS participants to cover financial services licensees in between jobs within two years, in addition to those under employment. The proposed relaxation will not increase the approved financial commitment of the funding scheme.

/Rental

Rental and Fee Concessions

17. We will enhance/extend existing rental and fee concessions and expand their coverage as appropriate to ease cash flow and provide financial relief. They will involve a total revenue forgone of \$1,300 million. Details are set out at Enclosure I for information

Encl. I

Other Relief through Government Facilitation

18. In light of the downtime due to social distancing and border closures, government departments have been/will be advised to extend the deadline for project completion in accordance with contract mechanism and/or relax the payment schedules of Government works and non-works contracts as well as extend the Building Covenant period by up to six months in land leases. These measures will also help ease cash flow and burden of businesses. Details are set out at Enclosure J for information.

Encl. J

19. Apart from the Government's direct financial support or relief measures, the Airport Authority Hong Kong has provided further relief measures for the aviation sector, while the Hong Kong Monetary Authority has facilitated the introduction of various relief measures by retail banks, including a "principal moratorium" for SME loans and residential mortgages. The Insurance Authority has also supported the insurance industry to provide relief measures mainly for holders of individual life, critical illness and medical policies. Details are set out at Enclosures K, L and M for information.

Encls. K, L
& M**FINANCIAL IMPLICATIONS**

20. The comprehensive package of measures above will involve an estimated funding of **\$137.5 billion**.

21. We propose to inject a total of \$120.5 billion into AEF to implement the following measures –

/Descriptions

	Descriptions	Estimated Expenditure (\$ million)
(I)	Job retention, job creation and job advancement	
(a)	Provide time-limited financial support to employers to retain their employees (Encl. D1)	81,000
(b)	Job creation (Encl. D2)	6,000
(c)	Job advancement	
(i)	Set up a LAWTECH Fund (Encl. D3)	40
(ii)	Establish a COVID-19 Online Dispute Resolution Scheme (Encl. D4)	70
(iii)	Provide incentive for early deployment of 5G (Encl. D5)	60
(iv)	Provide subsidy to enterprises to continue business with technology adoption and related training (Encl. D6)	500
(v)	Provide subsidy to consultant firms in the construction sector to provide professional development training (Encl. D7)	30
(vi)	Provide matching grant for skills upgrading (Encl. D8)	100
	<i>Subtotal for Job retention, job creation and job advancement (I)</i>	<i>87,800</i>
(II)	Provision of one-off relief to specific sectors	
(a)	Registered operators of private schools offering non-formal curriculum (Encl. D9)	120
(b)	School-related service providers (including catering, interest groups, school bus services) (Encl. D10)	419
		/(c)

	Descriptions	Estimated Expenditure (\$ million)
(c)	Registered sports coaches (Encl. D11)	116
(d)	Interest class instructors at elderly centres, youth centres etc. subvented by SWD (Encl. D12)	62
(e)	Private refuse collectors/companies (Encl. D13)	7
(f)	Local primary producers (Encl. D14)	76
(g)	Small and medium-sized intermediaries and SFC licensees (Encl. D15)	140
(h)	Licensed estate agents (individual) and salespersons (Encl. D16)	135
(i)	Passenger transport sector (Encl. D17)	3,409
(j)	Cinemas, PMQ and its tenants and the local printing and publishing sector (Encl. D18)	89
(k)	Travel industry (including travel agents, their employees and freelance accredited practitioners whose main occupations are tourist guides or tour escorts, hotels, cruise terminals and cruise lines, as well as tour service coach drivers) (Encl. D19)	1,070
(l)	Construction-related sectors (including workers and enterprises) (Encl. D20)	4,335
(m)	NPOs running projects under the Revitalising Historic Buildings Through Partnership Scheme, PMQ and the Fly the Flyover Operation (Encl. D21)	36
(n)	The aviation industry (including airlines, aircraft operators, aviation support services and cargo facilities operators) (Encl. D22)	367
(o)	Catering outlets (Encl. D23)	9,500

/(p)

Descriptions	Estimated Expenditure (\$ million)
(p) businesses which are ordered by the Government to close or put in place various pre-cautionary measures by the Government (Encl. D24)	1,163
<i>Subtotal for Provision of one-off relief to specific sectors (II)</i>	21,044
(III) Easing the cash flow and burden of businesses and individuals	
(a) Fare concession of MTR and temporary relaxation of the monthly threshold of the Public Transport Fare Subsidy Scheme (Encl. D25)	800
<i>Sub-total of (I) + (II) + (III)</i>	109,644
Roughly 10% contingency (for meeting administrative costs and unforeseen requirements in all the items above)	10,800
Total	<hr/> 120,444
Say	<hr/> 120,500 <hr/>

22. The implementation of a six-month unemployment support scheme under the CSSA framework (Enclosure E) will require an estimated sum of \$3,520 million, which includes the cost of engaging additional staff for implementation.

23. The loan guarantee commitment under the Special 100% Guarantee Product (Enclosure F) will increase by \$30 billion from \$20 billion to \$50 billion. The enhancements to the SFGS will increase the total expected maximum expenditure by \$11.69 billion from \$22.03 billion to \$33.72 billion. The HKMCI will only provide loan guarantee up to the consolidated loan guarantee commitment of \$183 billion.

24. The one-off interest-free deferral of loan repayment for schools and students (Enclosure G) will involve a total revenue forgone of \$463 million.

25. The deferral of repayment and waiving the interests incurred for one year for borrowers of loans under the FDLF (Enclosure H) will involve a total revenue forgone of \$31 million.

26. For Members' information, we will also enhance/extend existing rental and fee concessions in respect of government premises and government charges and expand their coverage as appropriate to ease cash flow of businesses and provide financial relief (Enclosure I), involving a total revenue forgone of \$1,300 million.

27. We will prepare a piece of subsidiary legislation under the Inland Revenue Ordinance (Cap. 112) to make it clear that all subsidies paid out directly to business/individuals concerned under AEF will be exempted from taxation.

28. The total financial implications for this round of relief measures amount to **\$137.5 billion**. Together with the first round of relief measures under the Fund costing \$30 billion and the relief measures in the 2020-21 Budget costing \$120 billion, the Government will have committed a total of \$287.5 billion to tackle an unprecedented challenge caused by the pandemic. This represents about 10% of Hong Kong's GDP.

PUBLIC CONSULTATION

29. The epidemic has developed into a global pandemic and affected people from all walks of life. The comprehensive package of measures has taken into account the requests raised by members of the public and trade representatives who met with the Chief Executive and other government officials over the past few weeks. The Government has strived to balance the different requests received and the objective of benefiting as many affected individuals and corporations as practicable. We expect that the public will welcome the package though there will be concerns on the mode of delivery, timeliness and adequacy of individual measures. Bureaux and departments will expeditiously iron out the working details. They will also continue to engage their respective stakeholders to explain the proposals and address their concerns, and work with relevant statutory bodies and business chambers to identify more possibilities for collaboration.

/BACKGROUND

BACKGROUND

30. Following the spread of the epidemic globally, the Government has activated the Preparedness and Response Plan for Novel Infectious Disease of Public Health Significance since early January 2020, and taken all necessary measures to contain the public health risk. On 21 February 2020, the Finance Committee approved a commitment of \$30 billion for injection into AEF to enhance our capability in combating the epidemic, and to provide assistance or relief to enterprises and members of the public hard hit by the present epidemic or affected by anti-epidemic measures. In the 2020-21 Budget, the Financial Secretary announced a whole range of relief measures involving about \$120 billion to support enterprises and relieve people's burden.

Chief Secretary for Administration's Office
Civil Service Bureau
Commerce and Economic Development Bureau
Development Bureau
Education Bureau
Environment Bureau
Financial Services and the Treasury Bureau
Food and Health Bureau
Home Affairs Bureau
Innovation and Technology Bureau
Labour and Welfare Bureau
Transport and Housing Bureau
Department of Justice
April 2020

Comprehensive Relief Measures : List of Enclosures

Enclosure A	Measures launched by the Anti-epidemic Fund at the time of establishment and progress of implementation
Enclosure B	2020-21 Budget measures to support enterprises, safeguard jobs and relieve people's burden
Enclosure C	Business/premises affected by the social-distancing measures by regulation under the Prevention and Control of Disease Ordinance (Cap. 599)
Enclosure D	New measures under AEF
Enclosure E	Six-month unemployment support under the Comprehensive Social Security Assistance Scheme
Enclosure F	Further enhancements to the SME Financing Guarantee Scheme
Enclosure G	Deferral of loan repayment for two years by self-financing post-secondary institutions under the Start-up Loan Scheme, international schools and student loan repayers
Enclosure H	Deferral of loan repayment and waiving the interest for one year for borrowers of Fisheries Development Loan Fund
Enclosure I	Rental and fee concessions
Enclosure J	Flexible handling of Government works and non-works contracts and other development projects
Enclosure K	Relief measures for the aviation sector through Government facilitation
Enclosure L	Enhance the banking sector's functioning as a financing channel
Enclosure M	Relief measures pursued by the insurance industry

**Measures launched by the Anti-epidemic Fund (AEF) at the time of establishment and Progress of Implementation
(as at 9 Apr 2020)**

Item	Measure	Commitment approved by the AEF Steering Committee (\$M)	Estimated No. of Beneficiaries	Implementation Progress and Payment Made¹
(I) Enhancing anti-epidemic capability				
1.	Enhancing support to the Hospital Authority (HA) for combating the epidemic	4,700	HA's staff and patients of public hospitals	HA announced on 25 February the implementation of the Special Honorarium Scheme to extend and enhance personnel-related expenditure for frontline staff involved in anti-epidemic efforts. As of 9 April, \$2,350 million (50% of the sum committed) has been paid.
2.	Support local mask production	1,500	To subsidise the setting up of a maximum of 20 local production lines with an undertaking of the Government to buy 480 million masks	The Local Mask Production Subsidy Scheme opened for registration on 2 March 2020. So far, eight production lines have been approved.
3.	Global procurement of personal protective equipment	1,000	All	Procurement is in progress. As of 9 April 2020, around \$44 million (4.4% of the sum committed) has been paid.

¹ The payment figure refers to the payment made to implementing bureaux/departments or agencies entrusted to help implementing the schemes under the Anti-epidemic Fund.

Item	Measure	Commitment approved by the AEF Steering Committee (\$M)	Estimated No. of Beneficiaries	Implementation Progress and Payment Made ¹
4.	Support property management sector in anti-epidemic efforts	1,000	Around 33 000 building blocks involving 200 000 frontline workers	The Scheme started to receive applications on 24 February 2020. As of 9 April 2020, \$210 million (21% of the sum committed) has been paid.
5.	Technology applications to enable reusability of masks	800	All	In progress. As of 9 April 2020, \$280 million (35% of the sum committed) has been used.
6.	Support construction sector ² in anti-epidemic efforts	914	Around 7 400 construction establishments and 486 000 workers	Application period began on 24 February 2020 and will run till 31 August 2020. As of 9 April 2020, \$710 million (78% of the sum committed) has been paid.
7.	Support cleansing and security staff engaged by Government and Hong Kong Housing Authority service contractors in anti-epidemic efforts ³	350	67 000 frontline workers	Disbursement of allowance will be arranged through contractors. The first monthly payment has been made in March 2020. As of 9 April 2020, around \$63 million (18% of the sum committed) has been paid.

² The original estimated financial implication stated in FCR(2019-20)46 was \$710 million. The AEF Steering Committee approved a further \$204 million commitment to expand the coverage of the subsidy scheme to small and medium-sized consultants and registered construction workers without attendance records with Construction Industry Council.

³ The original estimated financial implication stated in FCR(2019-20)46 was \$250 million. The AEF Steering Committee approved a further \$100 million commitment for the subsidy scheme in view of the estimated increase in the number of cleansing and security workers engaged by service contractors.

Item	Measure	Commitment approved by the AEF Steering Committee (\$M)	Estimated No. of Beneficiaries	Implementation Progress and Payment Made ¹
8.	Installation of emergency alert system	150	24 million mobile telephone users	Contracts were entered with local mobile network operators in March 2020. Installation of the emergency alert system is expected to be completed by end-June 2020. As of 9 April 2020, around \$0.6 million (0.4% of the sum committed) has been used.
9.	Home quarantine support	50	Persons who need to observe the home quarantine requirement	As of 9 April 2020, around \$4.4 million (8.8% of the sum committed) has been paid.
10.	Ex-gratia payment to households of the two public housing estates designated as quarantine centres	30	4 700 prospective tenants (700 for Fai Ming Estate and 4 000 for Chun Yeung Estate)	Disbursement of ex-gratia payments commenced in mid-March 2020. As of 9 April 2020, \$27 million (92% of the sum committed) has been paid.
Subtotal of (I)		10,494		

Item	Measure	Commitment approved by the AEF Steering Committee (\$M)	Estimated No. of Beneficiaries	Implementation progress and payment made ¹
(II) Providing relief to enterprises and individuals				
11.	Retail Sector Subsidy Scheme	5,600	70 000 retailers	Eligibility criteria and details of the Scheme were announced on 16 March 2020 with 3-week application period commencing on 23 March. As of 9 April 2020, around \$419 million (7.5% of the sum committed) has been paid.
12.	Food Licence Holders Subsidy Scheme ⁴	3,780	28 000 licensees	As of 9 April 2020, around \$3,152 million has been paid to FEHD. Invitation of applications began on 5 March. As of 9 April 2020, over \$2,970 million (80% of the sum originally committed) has been paid to the successful applicants. (As of 14 April 2020, around \$3,100 million (83% of the sum originally committed) has been paid to the successful applicants.)
13.	Subsidy for the transport sector	3,230	59 000 taxi drivers, 2 000 red minibus drivers, 161 green minibus operators; Franchised Buses, Local Ferries and Tramways	Invitation of application was issued to relevant operators eligible for the scheme starting end-February 2020. As of 9 April 2020, around \$142 million (4.4% of the sum committed) has been paid.

⁴ The original estimated financial implication stated in FCR(2019-20)46 was \$3,730 million. The AEF Steering Committee approved a further \$50 million commitment to extend the scope to cover those with provisional licence or applying for transfer of licence.

Item	Measure	Commitment approved by the AEF Steering Committee (\$M)	Estimated No. of Beneficiaries	Implementation progress and payment made ¹
			operators; Registered owners of Non-Franchised Buses (around 7 400), School Private Light Buses (around 2 200), Hire Cars (around 1 300), Goods Vehicles (around 120 000) and Local Commercial Vessels (around 7 900); Operator of Cross-boundary Ferry Services	
14.	Convention and Exhibition Industry Subsidy Scheme	1,020	Convention/exhibition organisers and participants	The scheme will last for one year, counting from the opportune time for holding events organised by the Hong Kong Trade Development Council or events held at the Hong Kong Convention and Exhibition Centre and AsiaWorld-Expo.
15.	Special allowance for eligible Working Family Allowance (WFA) and Student Financial Assistance (SFA) households	990	58 000 WFA households and 145 000 SFA households	The special allowance will be disbursed in around mid-2020 pending the Working Family and Student Assistance Allowance Office's completion of its data matching on and calculation of the allowance amount for eligible households.
16.	Additional student study grant for 2019/20 school year	900	900 000 students	Disbursement of the grant commenced in end-February 2020. As of 9 April 2020, around \$295 million (33% of the sum committed) has been paid.

Item	Measure	Commitment approved by the AEF Steering Committee (\$M)	Estimated No. of Beneficiaries	Implementation progress and payment made¹
17.	Rental waivers for tenants at the Hong Kong Science Park, industrial estates and Cyberport	380	Science Park, Cyberport & industrial estates tenants (about 1 800)	Hong Kong Science and Technology Parks Corporation and Cyberport announced on 21 February 2020 to give six-month rental waiver to their tenants. The rental waiver took effect from 1 April 2020.
18.	Subsidies for live marine fish wholesale traders and fishing vessels with Mainland deckhands	270	1 800 traders and owners	Application for the subsidies began in early March 2020. As of 9 April 2020, around \$92 million (34% of the sum committed) has been paid.
19.	Support to child care centres (CCCs)	220	258 aided CCCs 299 non-aided CCCs	CCC operators were invited to apply for the subsidy in end- February 2020. As of 9 April 2020, around \$123 million (56% of the sum committed) has been paid.
20.	Arts and Culture Sector Subsidy Scheme	150	Arts and culture groups	Disbursement of subsidy is in progress. As of 9 April 2020, around \$66 million (44% of the sum committed) has been paid.
21.	Licensed Guesthouses Subsidy Scheme	150	1 800 licensed guesthouses	Disbursement of subsidy is in progress. As of 9 April 2020, around 123 million (82% of the sum committed) has been paid.

Item	Measure	Commitment approved by the AEF Steering Committee (\$M)	Estimated No. of Beneficiaries	Implementation progress and payment made¹
22.	Travel Agents Subsidy Scheme	140	1 736 licensed travel agents	Disbursement of subsidy is in progress. As of 9 April 2020, around \$137 million (98% of the sum committed) has been paid.
23.	Support to training bodies	90	80 training bodies	The committed fund has been allocated to Employees Retraining Board in March 2020.
24.	Licensed Hawkers Subsidy Scheme	30	5 500 licensees	Disbursement of subsidy is in progress. As of 9 April 2020, around \$24 million (80% of the sum committed) has been paid.
Subtotal of (II)		16,950		
Total of (I) + (II)		27,444		
Fund Total (include 10% Contingency)		29,800 Say 30,000		

2020-21 Budget Measures to Support Enterprises, Safeguard Jobs and Relieve People's Burden

Proposal	Annual/ Total Amount \$m	Beneficiary
2020-21 Budget Proposals		
(A) One-off Relief Measures		
<u>Expenditure Measures</u>		
1. Cash payout scheme	71,146	Hong Kong permanent residents aged 18 or above
2. Pay the examination fees for school candidates sitting for the 2021 Hong Kong Diploma of Secondary Education Examination (HKDSE)	151	About 44 100 HKDSE school candidates
Sub-total for Expenditure Measures	<u>71,297</u>	
<u>Revenue Measures</u>		
3. Reduce salaries tax and tax under personal assessment for the year of assessment 2019-20 by 100%, subject to a ceiling of \$20,000	18,800	1.95 million taxpayers

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	Proposal	Annual/ Total Amount \$m	Beneficiary
4.	Waive rates for four quarters of 2020-21 subject to a ceiling of –		
	<u>For each rateable domestic property</u> \$1,500 per quarter	13,300	2.93 million domestic properties liable to rates
	<u>For each rateable non-domestic property</u> \$5,000 per quarter in the first two quarters and \$1,500 per quarter in the remaining two quarters	3,200	420 000 non-domestic properties liable to rates
5.	Waive the business registration fees for 2020- 21	3,000	1.5 million business operators
6.	Reduce profits tax for the year of assessment 2019-20 by 100%, subject to a ceiling of \$20,000	2,000	141 000 taxpayers
7.	Waive fees for annual registration (except for late delivery) for two years	212	About 1.4 million companies
8.	Waive the examination fees for pigs to be paid by slaughterhouse licensees for one year	10	2 slaughterhouse licensees
	Sub-total for Revenue Measures	40,522	
	Total for One-off Relief Measures	111,819	

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	Proposal	Annual/ Total Amount \$m	Beneficiary
(B)	Extension of Helping Measures to Support Enterprises, Safeguard Jobs and Relieve People's Burden		
	<u>Expenditure Measures</u>		
9.	Provide an equivalent of one month extra allowance to recipients of social security payments; and apply similar arrangements to recipients of Individual-based Work Incentive Transport Subsidy (I-WITS)	4,225	About 1.39 million persons eligible for social security payments and 27 000 I-WITS recipients
10.	Provide electricity charge subsidy to non-residential electricity accounts for four more months	2,900	Around 430 000 non-residential electricity account holders
11.	Pay one month's rent for lower income tenants living in the public rental units of the Hong Kong Housing Authority (HKHA) and the Hong Kong Housing Society (HKHS)	1,829	About 760 000 households living in HKHA's public rental units; and about 30 000 households living in public rental units of HKHS Group A estates and Elderly Persons' Flats of HKHS Group B estates
12.	Provide rental subsidy for six more months for recycling enterprises through the Recycling Fund	100	Around 500 street-corner recycling stores and 400 open recycling sites
		<hr/> 9,054 <hr/>	
		Sub-total for Expenditure Measures	

/Revenue

Proposal	Annual/ Total Amount \$m	Beneficiary
<u>Revenue Measures</u>		
13. Reduce rental and fees by 50% for six more months for eligible tenants of government properties, lands, and EcoPark, etc.	573	Around 16 800 tenants and operators
14. Waive 75% water and sewage charges for four more months for non-domestic households	340	Around 250 000 non-domestic households
15. Reduce fee by 50% for six more months for eligible operators of properties covered by short-term waivers	265	3 211 waiver holders
16. Reduce the basic hire charges by 50% for six more months for facilities of civic centres managed by the Leisure and Cultural Services Department (LCSD)	23	Some 2 900 hirers of LCSD civic centre facilities
17. Reduce fees and rent for six more months for cruise lines and existing tenants of the Kai Tak Cruise Terminal	18	71 ship calls and five existing tenants
Sub-total for Revenue Measures	1,219	
Total for Extension of Helping Measures	10,273	
Total for One-off Relief / Helping Measures (A+B)	122,092	

**Business/premises affected by the social-distancing measures by regulation
under the Prevention and Control of Disease Ordinance (Cap. 599)**

Types of business/premises	Requirements
Catering business	<p>To observe the following requirements from 6 pm, 28 March to 23 April –</p> <ul style="list-style-type: none"> a. the number of customers at any premises on which food or drink is sold or supplied for consumption on the premises (catering premises) at any one time must not exceed 50% of the normal seating capacity of the premises; b. tables available for use or being used by customers within any catering premises must be arranged in a way to ensure there is a distance of at least 1.5 metres or some form of partition which could serve as effective buffer between one table and another table at the premises; c. no more than four persons may be seated together at one table within any catering premises; d. a person must wear a mask at any time within any catering premises, except when the person is consuming food or drink on the premises; e. body temperature screening on a person must be conducted before the person is allowed to enter the catering premises; and f. hand sanitisers must be provided at any catering premises for any person at the premises. <p>To observe the following requirement from 6 pm, 1 April to 23 April –</p> <ul style="list-style-type: none"> a. any karaoke and mahjong-tin kau activities in catering premises must be suspended.

Types of business/premises	Requirements
	<p>To observe the following requirements from 6 pm, 3 April to 23 April –</p> <ul style="list-style-type: none">a. any premises (commonly known as bar or pub) that is exclusively or mainly used for the sale or supply of intoxicating liquors for consumption in that premises must be closed; andb. any part of a catering premise that is exclusively or mainly used for the sale or supply of intoxicating liquors for consumption in that part must be closed.
<p>Scheduled premises</p> <p>1. Club-houses</p>	<p>To observe the following requirements from 6 pm, 1 April to 23 April –</p> <ul style="list-style-type: none">a. a person must wear a mask at any time within a club-house where practicable (and except when the person is consuming food or drink on the premise);b. body temperature screening on a person must be conducted before the person is allowed to enter a club-house;c. hand sanitisers must be provided at the club-house for any person at the premise; andd. any karaoke and mahjong-tin kau activities in a club-house must be suspended. <p>To observe the following requirement from 6 pm, 3 April to 23 April –</p> <ul style="list-style-type: none">a. any area in a club-house/a catering premise that is exclusively or mainly used for the sale or supply of intoxicating liquors for consumption in that area must be closed.

Types of business/premises	Requirements
<p>2. Beauty parlours</p> <p>3. Massage establishments</p>	<p>To observe the following requirements from 6 pm, 1 April to 9 April –</p> <ul style="list-style-type: none">a. a person must wear a mask at any time where practicable within the beauty parlour and massage establishment premises;b. body temperature screening on a person must be conducted before the person is allowed to enter the beauty parlour and massage establishment premises; andc. hand sanitisers must be provided at any beauty parlour and massage establishment premises. <p>To be closed from 10 April to 23 April, except the following massage establishments –</p> <ul style="list-style-type: none">(1) a hospital or maternity home maintained by the Government or registered under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Cap. 165).(2) a military hospital or a maternity home of the Hong Kong Garrison;(3) an establishment for medical treatment operated by a medical practitioner registered under the Medical registration Ordinance (Cap. 161);(4) an establishment for physiotherapy operated by a physiotherapist registered under the Supplementary Medical Professions Ordinance (Cap. 359);(5) the premises for practising Chinese medicine operated by a registered Chinese medicine practitioner or listed Chinese medicine practitioner as defined in section 2 of the Chinese Medicine Ordinance (Cap. 549); and(6) the premises for chiropractic operated by a chiropractor registered under the Chiropractors Registration Ordinance (Cap. 428).

Types of business/premises	Requirements
4. Amusement game centres 5. Bathhouses 6. Fitness centres 7. Places of amusement 8. Places of public entertainment 9. Premises that are maintained or intended to be maintained for hire for holding social gatherings (commonly known as "party room")	To be closed from 6 pm, 28 March to 23 April.
10. Karaoke establishments 11. Mahjong-tin kau establishments 12. Establishments (commonly known as club or nightclub) that are open late into the night, usually for drinking, and dancing or other entertainment	To be closed from 6 pm, 1 April to 23 April.

New Relief Measures under the Anti-epidemic Fund

(I) Job retention, job creation, job advancement

Enclosure

- D1 Employment Support Scheme
- D2 Job creation
- D3 LAWTECH Fund
- D4 COVID-19 Online Dispute Resolution Scheme
- D5 Subsidy for encouraging early deployment of 5G
- D6 Distance Business Programme
- D7 Training subsidies for consultants in the construction sector
- D8 Matching Grant Scheme for Skills Upgrading

(II) Provision of one-off relief for specific sectors

- D9 Registered operators of private schools offering non-formal curriculum
- D10 School-related service providers (including catering, interest groups, school bus services)
- D11 One-off grant to registered sports coaches
- D12 Relief grants for freelance workers hired by subvented non-governmental welfare organisations to provide training and coaching for service users
- D13 Subsidy for the refuse transfer station account holders for transporting municipal solid waste
- D14 Subsidies for local primary producers

/D15

- D15 Special subsidy to exchange participants and Securities and Futures Commission licensees
- D16 Cash subsidy for individual licensees in the estate agency sector
- D17 Subsidy for the passenger transport sector
- D18 Providing relief to creative industries
- D19 Tourism Industry Support Schemes
- D20 Relief measures for construction sector
- D21 Subsidy to operators of Revitalising Historic Buildings Through Partnership Scheme, PMQ and Fly the Flyover Operation
- D22 Subsidy for the aviation sector
- D23 Catering Business (Social Distancing) Subsidy Scheme
- D24 Subsidy schemes for premises affected by COVID-19

(III) Provision of loans, rental concessions, fee waiver, fare reduction to ease the cash flow and burden of businesses and individuals

- D25 A 20% fare concession of MTR and temporary relaxation of the monthly threshold of the Public Transport Fare Subsidy Scheme

Employment Support Scheme (ESS)

Policy Bureau : Chief Executive's Office supported by Labour and Welfare Bureau

Implementation : Policy Innovation and Coordination Office

Objective

To maintain employment during the epidemic by providing time-limited financial support to employers to retain their employees who will otherwise be made redundant.

Brief description

2. We plan to launch an ESS, which will provide time-limited financial support to employers to retain their employees who will otherwise be made redundant. The ESS should be used for paying wages to maintain employment for their staff currently in the job. Similar schemes have been rolled out by some overseas jurisdictions (e.g. Singapore, UK, Australia) to retain/support jobs.

3. All employers who have been making Mandatory Provident Fund (MPF) contributions or have set up Occupational Retirement Schemes (ORSO schemes) for their employees will be eligible for ESS, except those on the exclusion list, including HKSAR Government, statutory bodies such as Hospital Authority, Housing Authority, Hong Kong Monetary Authority, Urban Renewal Authority, MTR Corporation Limited, Airport Authority, Hong Kong Housing Society, West Kowloon Cultural District Authority, etc. as well as subvented staff in government funded organizations. Staff employed by outsourced service contractors to work for Government contracts will also be excluded.

4. The ESS will also cover self-employed persons (SEPs) who have made MPF contributions in the past 15 months. Eligible SEPs will be granted a one-off lump-sum subsidy of \$7,500.

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5. The amount of subsidy for an employer would be **calculated** on the basis of **50%** of the actual wages paid to employees **at a specified month**¹, with a wage cap at \$18,000 per month² (i.e. maximum subsidy is \$9,000 per month per employee) for six months.

6. Payment will be made in two tranches. Applications for the first tranche will start before the end of May 2020 till the first week of June 2020, with the aim of making the first payout to employers within June to help them pay the wages for June to August 2020. Application dates for the second tranche will be announced in due course, with payment to be made in September 2020 for paying the wages of September to November 2020. The detailed application and payment mechanisms are being worked out in consultation with stakeholders including the MPF trustees.

7. Eligible employers joining the ESS will be required to provide an **undertaking** not to implement redundancy during the subsidy period and to spend all the government wage subsidies in paying wages to their employees. The employees may be engaged in full-time or part-time work as each enterprise's circumstances differ. Should there be any reduction in the number of employees on the payroll within the MPF and the ORSO framework during the period, the ESS subsidy will be adjusted with claw back and other penalty.

8. We estimate that some 260 000 employers who have been making MPF contributions for over 1.5 million employees (discounting the "exclusions"), as well as about 215 000 SEPs with MPF contributions would benefit from the ESS. Employers/employees in the three sectors, i.e. construction, catering and transport, which are not well covered by MPF, will be taken care of by the sector-specific schemes as set out in Enclosures D17, D20 and D23.

Financial implications

9. Assuming that all eligible employers and SEPs would apply for the subsidies, the estimated total expenditure is **about \$81 billion**. The administrative cost will be worked out after consulting the stakeholders including the MPF trustees and to be covered under the overall contingency sought for injection into the Anti-epidemic Fund.

/Urgency.....

¹ Any one month from January to March 2020 to be nominated by the employer.

² Median monthly wage of employees in Q2 2019.

Urgency

10. With the rapid downturn or even total halt in business activities due to the COVID-19 infections, many businesses are fighting hard for survival. Early implementation of the ESS, together with other relief measures and loans, would help the businesses to stay afloat and retain jobs to prepare for quick recovery once the epidemic is over. Such support by the Government at this critical juncture would be crucial to avoid massive staff layoffs.

Implementation

11. The Government is liaising with the MPF trustees and relevant stakeholders to work out the implementation details which will be announced before application for the first tranche is invited.

Job Creation

Policy Bureau : All policy bureaux, coordinated by Civil Service Bureau

Implementation : All policy bureaux and relevant departments and public bodies

Objective

It is our objective to create time-limited jobs to ease the worsening unemployment situation due to the epidemic.

Brief description

2. We propose to create around 30 000 time-limited jobs in both the public and private sectors in the coming two years for people of different skill sets and academic qualifications. Each job placement will last up to 12 months. Extension beyond 12 months would be considered on an exceptional basis. These job holders would not discharge any statutory functions. Some examples include –

- (a) positions for seasoned professionals (e.g. legal, accounting, financial services including Fintech, engineering and architecture) (some 1 640 jobs);
- (b) positions for technicians and supporting staff to carry out various construction projects or maintenance works (such as launching a territory-wide scheme to proactively inspect the external drainage pipe systems of over 20 000 private domestic buildings, for additional maintenance and cleaning of the E&M installations and equipment at Government venues and facilities with a view to enhancing environmental hygiene, as well as beautification of highway structures) (some 4 600 jobs);
- (c) positions for fresh graduates requiring professional or general skills (e.g. graduate programmes in building surveying, town planning, estate surveying, land surveying and engineering, researchers and executive assistants) (over 200 jobs);
- (d) positions to promote arts and culture or green lifestyle, such as jobs in museums, green ambassadors and eco-tour guides (some 550 jobs); and

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- (e) positions to support the city in fighting COVID-19, including stepping up cleansing of government buildings and schools and supporting the production of reusable masks (some 3 300 jobs).

Financial implications

- 3. The financial implication of this initiative is estimated to be around **\$6 billion**.

Urgency

- 4. There is urgency to create these jobs in view of the worsening unemployment situation due to the epidemic and the anti-epidemic measures, as well as the large number of graduates who will have great difficulties in finding jobs this year.

Implementation

- 5. Bureaux and departments will proceed with the recruitment process and procurement of services from their consultants or contractors after funding approval is sought. Bureaux and departments will also engage non-government public bodies and private corporations that used to partner with Government on internship to see whether they are interested in administering a similar programme. We aim to create these jobs as soon as possible such that they would be available in the job market by phases in the coming two years.

LAWTECH Fund

Policy Bureau : Department of Justice (DoJ)

Implementation : The Law Society of Hong Kong and the Hong Kong Bar Association (for law firms/chambers) and DoJ

Objective

Almost 18 per cent^{Note} of the annual caseload of the courts at all levels have been affected in the first two months of the General Adjourned Period (GAP) since 29 January 2020 of the Court proceedings. There are calls for a wider use of technological means to facilitate hearings. As effective from 3 April 2020, the Judiciary has, as the first phase, started with the use of video-conferencing facilities for remote hearings for suitable civil cases of the High Court. In the light of this development and also in alignment with the DoJ's policy objective to promote LAWTECH, we propose to set up a LAWTECH Fund at this time to assist some SME law firms/barristers' chambers and related persons to procure/upgrade their information technology system (such as video conference facilities) and arrange relevant LAWTECH training to their staff; and to implement the necessary support measures following the Judiciary's wider use of technology in the court proceedings.

Brief description

2. The Fund will benefit around 700 SME law firms/barristers' chambers with five or less practising lawyers and related persons.

3. This proposal ties in with the latest developments that the Judiciary, under Phase 1, has started from 3 April 2020 with the use of video-conferencing facilities for remote hearings for suitable civil cases of the High Court. This is also in line with the current measures on social distancing (with clients and counterparts) and conducive to making better use of Webinar or other online educational resources which are increasingly common.

4. The Fund for SME law firms and barristers' chambers will be jointly administered by the Law Society of Hong Kong and the Hong Kong Bar Association, which will process the applications from law firms and chambers,

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^{Note} As announced by the Judiciary as of 25 March 2020

on a reimbursement basis subject to a ceiling of \$50,000 for each firm/chamber to procure/upgrade their information technology systems (such as video conference facilities) or arrange relevant LAWTECH training to their staff (Information Technology System and LAWTECH Training). DoJ in arranging the fund will lay down the conditions for proper management of the Fund.

5. Successful applicants are required to undertake and show proof of their use on Information Technology System and LAWTECH Training in the next two years.

Financial implications

6. The total funding involved under this measure is around **\$40 million** for implementing the necessary support measures following the Judiciary's wider use of technology in the court proceedings.

Urgency

7. Given the prolonged GAP, many cases are put on hold for long and in queues of backlogs. Whilst the Judiciary is exploring different technological means to conduct different types of hearings, the legal profession should be urgently equipped with the necessary infrastructure/equipment, with requisite training to their staff. Since the Judiciary has already started with the first phase of using video-conferencing facilities for remote hearings for suitable civil cases of the High Court, the need for such facilities by the legal profession and related persons is imminent. The Judiciary may also expand the usage in the next phase or in the future, hence, there would be an increasing imminent need for necessary support measures and for the legal profession to have Information Technology System and LAWTECH Training in place.

Implementation

8. Subject to the liaison with the Law Society of Hong Kong and the Hong Kong Bar Association for the administration of funding applications, the Fund should be open for applications in May 2020 the earliest. DoJ will coordinate actions with the relevant parties and department(s) for other necessary support measures to tie in with Judiciary's work.

COVID-19 Online Dispute Resolution (ODR) Scheme

Policy Bureau : Department of Justice (DoJ)

Implementation : The eBRAM Centre¹

Objective

Many disputes are likely to arise in light of the impact of COVID-19 on the economy. There is an imminent need to establish a specialised scheme to provide speedy and cost effective means to resolve disputes, especially disputes involving Micro, Small and Medium-sized Enterprises (MSMEs), many of which are being hard hit by the negative economic impact brought by COVID-19. The Scheme is indeed in line with the development under Asia-Pacific Economic Cooperation (APEC)'s Collaborative Framework on ODR, with MSMEs as the major beneficiary². The Scheme starts from negotiation and mediation so as to prevent entrenched views on the conflicts thereby helping to create harmony in society. It will also provide an alternative dispute resolution mechanism which may help relieve Court's caseload in civil claims especially in view of the growing backlog of cases due to closures of courts in the past several weeks. Moreover, the Scheme will utilize an ODR platform thereby strengthening Hong Kong's LawTech capability. Needless to

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¹ On 27 February 2019, the Financial Secretary announced in the 2019-20 Budget that \$150 million will be provided for the development and initial operation of the online dispute resolution and deal-making platform. The funding sought covers platform development, initial set up and operation costs for a number of years (up to seven years) with a view to becoming self-sustained and sustainable after then. The development of such a platform will enhance the development of LawTech in Hong Kong and consolidate Hong Kong's position as an international legal and dispute resolution services centre. This item first appeared in the agenda of the Finance Committee (FC) meeting on 10 May 2019 but, as at today, has yet to be deliberated on by the FC.

² In APEC, MSMEs account for over 97% of businesses but they only account for 35% of direct exports. A recent APEC study found that dispute resolution was one of the greatest challenges for MSMEs that trade across borders, with 83% reporting that effective and consistent dispute resolution was a problem. Another study reported that as many as 35% of cross-border disputes involving MSMEs remain unresolved with the average value of the dispute being some US\$50,000. For the APEC Framework and the Model Procedural Rules, please refer to http://mddb.apec.org/Documents/2019/EC/EC2/19_ec2_022.pdf. It is crucial that Hong Kong should secure early-mover advantage in taking early action to grasp the opportunity of developing a platform for providing such services by leveraging on our excellent legal foundation, reputable dispute resolution talents and experience, and technological competency to jumpstart our development as a leading ODR centre in the global arena.

say, the Scheme will also have the benefit of job creation and job advancement for mediators and arbitrators (including their pupils) so that they can still handle cases under the social distancing measures and learn how to handle cases online.

Brief description

2. It is a global trend to develop and use ODR to provide reliable and efficient platform to facilitate alternative dispute resolution.³ In anticipation of a large volume of disputes arising out of or in relation to the onset of COVID-19 directly or indirectly (for example, as a result of the disruption to the supply chain), there is a strong and urgent need to provide speedy and cost effective means to resolve disputes. In pursuance of the objectives in paragraph 1, the Scheme will engage eBRAM Centre to provide ODR services for COVID-19 related disputes, with post-dispute dispute resolution agreement by the private parties.

3. eBRAM is the only ODR service provider in Hong Kong of wide representation (with representatives from the Hong Kong Bar Association, Law Society of Hong Kong, Asian Academy of International Law serving on the Board) with support from Logistics and Supply Chain MultiTech R&D Centre. It is also the only service provider from Hong Kong invited to participate as experts in the APEC workshops and meetings in relation to the development of the APEC's Collaborative Framework on ODR and UNCITRAL/UNIDROIT joint workshop on LawTech issues. Recently, eBRAM facilitated, for the first time, the conduct of an online international mooted competition (from 22-29 March 2020) with 71 teams from 25 jurisdictions and about 250 arbitrators from 52 jurisdictions participating, which was the only large-scale international mooted going ahead as scheduled amidst the pandemic. Given its expertise and experience, eBRAM is ready to commence operation in the very immediate future.

4. The funding sought will cover –

- (i) twelve months of the platform development and initial set-up cost (including staff) as well as operation cost in the first year; and
- (ii) fees of mediators and arbitrators in the first year, subject to review as may be necessary.

/5.

³ See, for example, the development under APEC in footnote 2 above.

5. The Scheme seeks to benefit –
- (i) General public and businesses with disputes arising out of or in relation to COVID-19 directly or indirectly; and
 - (ii) mediators, arbitrators and their pupils etc.
6. To be eligible for the Scheme, either one of the Claimants and Respondents (“the Parties”) must be Hong Kong residents/companies. The claim amount for each case should be less than \$0.5 million unless by agreement among all parties involved (including the service provider).
7. The Parties are required to enter into a dispute resolution agreement under the Scheme (and each to pay only \$200 as registration fees).

Financial implications

8. The total funding involved under this measure is around **\$70 million**, whereas (i) \$50 million for 12 months to cover the platform development and initial set-up cost (including staff) as well as operation cost in the first year; and (ii) \$20 million to cover fees of an estimate of 2 000 cases for fees of mediators and arbitrators (assuming \$6,000 per mediation case and \$25,000 per arbitration case) in the first year, subject to review as may be necessary.
9. Once the platform has been established and in operation after one year, eBRAM Centre may continue to make use of the online platform for other purposes, for example, for serving the APEC economies (if it is listed under the APEC Collaborative Framework on ODR). It may also adapt and make necessary modifications to the platform to handle other cases. Any saving in the establishment or set-up cost under the Scheme may be deducted from the \$150 million originally allocated for eBRAM Centre (see footnote 1).

Urgency

10. Disputes are expected to upsurge exponentially very soon (for example, disputes on sale of goods due to late or non-delivery because of the closures of factories or cancellation of flights etc.). Prompt actions should be

/taken

taken to develop a speedy dispute resolution mechanism for the businesses, in particular, the SME businesses. After the court has resumed normal, the court will need to deal with a large number of cases (including the backlog of cases), the Scheme may provide a valuable alternative to the parties to resolve their disputes which help to reduce impending workload of the court. Many businesses may face financial difficulties if they do not receive payment in time due to the disputes in question (for example, disputes on the payment terms due to late delivery of the goods) and it is imperative to provide them with a swift and cost effective means to resolve their disputes as soon as possible.

Implementation

11. It is expected that the Scheme could be launched in June 2020 if funding is provided in April (i.e. about two months lead time for the initial set-up).

12. The \$50 million will be provided to eBRAM at the outset and the fee for mediators and arbitrators will be reimbursed by the Government at regular intervals (e.g. each quarter). DoJ will enter into a Memorandum of Understanding with eBRAM to govern and monitor the use of the funding.

Subsidy for Encouraging Early Deployment of 5G

Policy Bureau : Commerce and Economic Development Bureau

Implementation : Office of the Communications Authority

Objective

It is our objective to provide financial incentives for early deployment of 5G in the public and private sectors to encourage adoption of the latest communications technologies, to foster innovation and smart city applications, to improve efficiency, productivity and quality of service that are crucial to Hong Kong's overall competitiveness.

Brief description

2. Hong Kong has entered the 5G era in April 2020 with major mobile network operators launching 5G services. We propose to launch the subsidy scheme to encourage Government departments, public bodies and the private sector (in the field of health care, transport and logistics, tourism, professional service, building and construction, property management, retail, manufacturing, catering and entertainment etc.) to innovate and improve their competitive edge through early deployment of 5G. The COVID-19 pandemic also brings paradigm shift to many industries. The characteristics of high communication speed, low latency, and support of a large number of connected Internet of Things devices at the same time, 5G will significantly enhance reliability and resilience of services with minimum human intervention through automation and remote control.

3. We propose to subsidise 50% of project costs for worthwhile projects deploying 5G technologies and fostering synergies across sectors, subject to a cap of \$500,000 for each project. When the subsidised project is completed, the beneficiary is required to widely share experience and best practices with the sector. We anticipate that about 100 innovative 5G projects can be supported under the proposal.

Financial implications

4. The estimated total financial implication is **\$60 million**.

/Urgency

Urgency

5. A large number of capital expenditure projects (including investment in the deployment of 5G) have been delayed, shelved or even cancelled during the global economic uncertainty. Without the subsidy scheme, Hong Kong will seriously lag behind other economies in the development of innovation, technology and advance communications.

Implementation

6. We will invite applications within a month upon approval of the subsidy scheme.

Distance Business Programme

Policy Bureau : Innovation and Technology Bureau

Implementation : Innovation and Technology Commission

Objective

To support enterprises to continue business with technology adoption and related training.

Brief description

2. A time-limited, fast-track programme to support private enterprises with (a) business continuation via work-from-home with IT solutions; and (b) training for employees in areas like cyber security, remote payroll management, virtual meeting, e-marketing, remote document management, etc. It is estimated that over 3 000 enterprises and 40 000 individuals will benefit under the programme.

Financial implications

3. Total expenditure is estimated to be **\$500 million**.

Urgency

4. To assist enterprises to continue their business and services during the epidemic.

Implementation

5. A list of pre-approved technologies/service providers to be provided. 100% funding support would be given subject to a cap. This time-limited programme will be rolled out in May 2020 for six months until end October 2020.

Training Subsidies for Consultants in the Construction Sector

Policy Bureau : Development Bureau

Implementation : Construction Industry Council

Objective

It is our objective to offer subsidies to consultant firms in the construction sector to provide continuous professional development training for their professional staff in this difficult period of the epidemic.

Brief description

2. Professionals are the core workforce of consultant firms in the construction sector. To upkeep the service level, consultant firms need to provide continuous training for their professional staff to update professional knowledge as well as enhance professional expertise, in particular the adoption of the latest construction technologies as advocated by the Development Bureau, such as Modular Integrated Construction, Design for Manufacture Assembly, etc. Such continuous training is also a necessity for construction professionals to maintain their professional qualification.

3. Hard hit by the social events in 2019 and the outbreak of COVID-19, the consultant firms are adopting various measures to reduce budgets so as to be able to survive in the prevailing difficult economic environment, and cutting of training expenditure is highly likely to be one of such measures.

4. In this connection, we propose to provide training subsidies to some 600 consulting firms¹ through the Construction Industry Council (CIC). The subsidy for each eligible company will be \$50,000. Companies receiving the subsidies will be required to sign an undertaking to spend the money on related training.

/Financial

¹ Covering consultant firms on the lists maintained by the Engineering and Associated Consultants Selection Board (EACSB) and Architectural and Associated Consultants Selection Board (AACSB) of the Government, as well as the company members of recognised professional institutions/associations (but not on the EACSB and AACSB lists).

Financial implications

5. The funding requirement for the subsidy scheme is **\$30 million**².

Urgency

6. Urgent financial support is required to help consultant firms in the construction sector to continue to provide necessary training for their professional staff in this difficult period.

Implementation

7. Upon approval of funding, we will invite applications from eligible consultant firms as soon as practicable with a view to disbursing the training subsidies to successful applicants in about two months.

² Including \$0.6 million to cover the CIC's actual expenses on employment of extra staff to help implement the measure.

Matching Grant Scheme for Skills Upgrading

Policy Bureau : All policy bureaux, coordinated by the Civil Service Bureau

Implementation : Relevant Statutory Bodies, industry associations and related bodies

Objective

It is our objective to provide skills upgrading support and measures to individuals to enhance labour productivity of our workforce for economic development.

Brief description

2. A well-educated and trained labour force is key to supporting Hong Kong's economic growth.

3. To secure skills upgrading opportunities for our workforce so that they can stay resilient amidst the prevailing economic headwinds and enhance their competitiveness, we propose to collaborate with relevant statutory bodies, industry associations and related bodies by providing training funds on a matching basis to upgrade employees in various sectors, especially those hard-hit by the epidemic. The measure will enhance the skill sets of our workforce.

Financial implications

4. The total amount of subsidy involved is approximately **\$100 million**.

Urgency

5. There is urgency to provide training funds to enable relevant statutory bodies, industry associations and related bodies to organise training programmes for individuals, in particular for those who have been adversely affected by the economic downturn as a result of the epidemic, so that they will be better equipped with enhanced skills to prepare for the economic turnaround.

/Implementation

Implementation

6. After the funding is secured, bureaux or departments will initiate discussion with the statutory bodies, industry associations and related bodies under their purview to identify the training needs of workers in relevant sectors and invite the statutory bodies, industry associations and related bodies to organise the training courses. The relevant bureaux and departments will disburse funding to the statutory bodies, industry associations and related bodies after the training programmes have been drawn up and agreed upon with them.

Relief Grant for Tutorial Schools

Policy Bureau : Education Bureau

Implementation : Education Bureau

Objective

The proposal aims to provide immediate financial relief to operators of private schools offering non-formal curriculum (PSNFCs) (generally referred as “tutorial schools”) as they have not had any or have had a drastic drop in income since all their classes have been suspended from end January 2020 under the strategy of social distancing to minimize the risk of spread of the COVID-19 in schools.

Brief description

2. PSNFCs are registered by the Education Bureau (EDB) under the Education Ordinance. They have been hard hit by the epidemic as many parents choose to withdraw their children from the tuition classes or refuse to pay any fees, and no or only limited services (e.g. through e-means) could be provided under class suspension for all schools in Hong Kong since end January 2020.

3. To relieve the financial difficulties of PSNFCs, we propose to offer a one-off relief grant of \$40,000 to each PSNFC registered under the Education Ordinance and are in operation in the three months immediately before class suspension, i.e. November and December 2019 and January 2020. Should a PSNFC operates both day and evening sessions at the same premises, it will be considered as one school irrespective whether it has one or two registrations. For PSNFCs of the same group operating at different locations and having a separate registration for the school at each location, each separately-registered school will be counted as one school. Centres for Designated Evening Adult Education Courses, which offer evening secondary courses for adult learners, will also be eligible. We estimate that the above measure will benefit about 3 000 PSNFCs.

Financial implications

4. The total expenditure is estimated to be about **\$120 million**.

/Urgency

Urgency

5. There is urgency to provide financial relief to PSNFCs as all classes at their premises have been suspended since February 2020 while they still have to pay for basic expenditure such as rent, management fee, staff salaries.

Implementation

6. The EDB will invite applications within a few days after obtaining funding approval. It is targeted to disburse the funding in about four weeks from receiving the applications.

Relief Grants for Providers of Catering Services for Schools and Post-secondary Education Institutions and Providers of Interest Group and School Bus Services for Schools

Policy Bureau : Education Bureau

Implementation : Education Bureau

Objective

To provide relief grants to providers of catering services for schools and post-secondary education institutions, and providers of interest group and school bus services for schools as these services have been forced to cease since February 2020 with class suspension, generally followed by suspension of on-campus teaching activities in post-secondary education institutions.

Brief description

2. The relief grants are explained as follows:

- (i) Catering outlets (namely, tuck shops, canteens, and restaurants) at primary schools, secondary schools, University Grants Committee-funded universities, the Vocational Training Council, and self-financing post-secondary education institutions (no. of operators: approximately 900)
 - Catering outlets in these premises (except tuck shops which are not subject to licensing requirements imposed on food establishments) are exempted under law from the requirement to apply for a relevant licence from the Food and Environmental Hygiene Department (FEHD) and are therefore not eligible under the Food Licence Holders Subsidy Scheme implemented by the FEHD in the first round of the Anti-epidemic Fund. While other food establishments in the open market may have a drastic drop in business but are still open to date, these catering outlets (including tuck shops) are forced to close down altogether on day 1 of schools' class suspension, which post-secondary education institutions generally followed.

/Proposal

- Proposal: a one-off relief grant of \$80,000 to each outlet provided that the outlet has not applied for relief grant under any other scheme in the first and second rounds of the Anti-epidemic Fund other than under the Employment Support Scheme.
- (ii) Lunchbox providers of primary and secondary schools ¹ (approximately 1 000 schools have lunchbox providers)
- Lunchbox providers hold food factory licence and although they have benefitted under the Food Licence Holders Subsidy Scheme implemented by the FEHD in the first round of the Anti-epidemic Fund (\$80,000 for each licence holder), unlike many other beneficiaries under the Scheme, their plight is more serious as they have been forced to come to a standstill since early February 2020 with class suspension.
 - Proposal: for each provider, a one-off relief grant of \$10,000 per school the provider is serving.
- (iii) School bus drivers, school private light bus drivers and escorts (commonly called “nannies”) who have not applied for relief grant under any other scheme in the second round of the Anti-epidemic Fund (except a proprietor of a fleet or vehicle who is also a driver for whom application for subsidy under the Employment Support Scheme as a self-employed person and application for relief grant under this Scheme are both allowed), including those who were in employment before the Chinese New Year school holidays but were laid off or have been forced to take prolonged no-pay leave since then (approximately 3 000 school buses, 2 200 school private light buses and 5 200 escorts)
- School bus drivers and escorts are forced to stop working since early February 2020. Some school bus drivers might have been re-deployed by operators to other driving duties or have been laid off or forced to take prolonged no-pay leave. Escorts required to be provided on board school buses are not needed for any other type of transport service thus have to cease working.

/Proposal

¹ These should be public sector, Direct Subsidy Scheme and private schools providing a formal curriculum.

- Proposal: A one-off relief grant of \$10,000 for each school bus driver, school private light bus driver and \$10,000 per vehicle for escorts provided that he / she has not applied for relief grant under any other scheme in the second round of the Anti-epidemic Fund (except a proprietor of a fleet or vehicle who is also a driver for whom application for subsidy under the Employment Support Scheme as a self-employed person and application for relief grant under this Scheme are both allowed).
- (iv) Instructors, coaches, trainers and operators of interests classes engaged by schools² to offer instructions and training to students or to develop students' interests and potentials in arts, sports and other areas who have not applied for relief grant under any other scheme in the second round of the Anti-epidemic Fund other than under the Employment Support Scheme as a self-employed person (approximately 27 000)
- All the service they provided has come to a stop and they have lost most of their income from the service/tuition fees they charged.
 - Proposal: A one-off relief grant of \$7,500 for each instructor, coach, trainer or operator of interests classes engaged by a school provided that he / she has not applied for relief grant under any other scheme in the second round of the Anti-epidemic Fund other than under the Employment Support Scheme as a self-employed person.

Financial implications

3. The total amount of the relief grants estimated for the catering outlets is **\$72 million**; for lunchbox providers is **\$10 million**; for school bus drivers, school private light bus drivers and escorts is **\$134 million** and for instructors, coaches, trainers and operators of interest classes engaged by schools is **\$203 million**. The total estimates for all these items will be **\$419 million**.

/Urgency.....

² Definition of schools is the same as in footnote 1.

Urgency

4. The class suspension which has lasted from early February 2020 until now and will probably last for some more time has deprived all these operators and service providers with their usual income. The class suspension is into its third month and there is a dire need to provide some relief to this group.

Implementation

5. Application forms will be made available for operators under this scheme. An operator will need to complete the form and obtain certification from the school it is serving (except a school bus driver, school private light bus driver or escort). A school bus driver, school private light bus driver and escort will need to have the certification of his/her employer, i.e. the school bus or school private light bus operator. For a school bus or school private light bus operator who is self-employed, he/she will have to obtain certification from one of the schools which he/she is serving. For catering outlets, lunchbox suppliers and nannies of school buses/school private light bus, payment can generally be made in 3 – 4 weeks upon receipt of fully completed and certified application forms. For school bus/school private light bus drivers and interest groups instructors/coaches, payment can generally be made in about 6 – 8 weeks upon receipt of fully completed and certified application forms after ascertaining that there is no duplication of application with other schemes.

One-off Grant to Registered Sports Coaches

Policy Bureau : Home Affairs Bureau

**Implementation : Leisure and Cultural Services Department and
National Sports Associations/Sports Organisations**

Objective

To provide one-off grants to registered coaches under National Sports Associations (NSAs) and Sports Organisations (SOs)^{Note} with proven record of active coaching in the past one year and who have not applied for relief grants under other schemes in the first and second rounds of the Anti-epidemic Fund.

Brief description

2. Due to closure of sports venues of the Leisure and Cultural Services Department (LCSD), schools and sports clubs, many sports and recreational programmes and activities were cancelled. The livelihood of many coaches who rely on income from sports coaching has been seriously affected. In addition, many sports coaches are engaged by non-governmental organisations, schools or self-employed to provide private coaching lessons in the market. As such, we propose to extend the Anti-epidemic Fund to provide a one-off grant of \$7,500 to sports coaches registered under NSAs and SOs who have active service (with supporting document) in the past one year.

Financial implications

3. The financial implication is estimated to be **\$116 million**. There are around 17 000 sports coaches registered under NSAs and SOs. The estimated financial implication is based on the assumption that 90% of them have active

/service

^{Note} Refers to sports organisations that are receiving subvention (project base) from LCSD's Sports Subvention Scheme.

service in past one year and are entitled to receive the proposed \$7,500 grant, plus an administration fee of \$0.75 million to be provided to NSAs and SOs concerned for implementation of the scheme.

Urgency

4. The livelihood of large number of sports coaches has been seriously affected since the outbreak of the epidemic. Given the closure of schools and sports venues of LCSD and sports clubs as well as social distancing, their sports lessons and private coaching have either ceased or been substantially affected; and there is an urgent need to provide assistance to them.

Implementation

5. LCSD will implement the scheme via the NSAs and SOs. The NSAs/SOs will be responsible to vet the eligibility of the coaches (i.e. whether they are registered under their respective sports disciplines and whether they have documentary proof of their active coaching in the past one year). The registered coaches concerned will be asked to make a declaration on (a) he has been coaching in the past one year; (b) he has not submitted application for the subsidy through another NSAs/SOs as some coaches may have registered in more than one sport with different NSAs/SOs; and (c) he has not submitted an application for relief grant administered by the Education Bureau (EDB) and the Labour and Welfare Bureau (LWB)/Social Welfare Department (SWD) for interest group instructors and interest class instructors respectively under the second round of AEF. LCSD will discuss with relevant NSAs and SOs in consultation with the Sports Federation & Olympic Committee of Hong Kong, China on the vetting and disbursement mechanism upon funding approval. We target to invite applications within one month then.

6. As regards coaches not registered with NSA/SO, many of them may provide coaching in schools and would be covered by the EDB's scheme for private tutors of interest classes in schools and relevant schemes administered by LWB/SWD for coaches providing sports training activities. We are liaising with EDB and SWD to work out mechanisms to discourage duplication of applications from the same applicants and facilitate the detection of duplication of grants.

**Relief Grants for Freelance Workers Hired by
Subvented Non-governmental Welfare Organisations
to Provide Training and Coaching for Service Users**

Policy Bureau : Labour and Welfare Bureau

Implementation : Social Welfare Department

Objective

To provide relief grants for freelance workers hired by subvented non-governmental organisations (NGOs) for providing training and coaching for service users of welfare service units such as youth centres, elderly centres, community centres, rehabilitation centres, etc. where the services have since February 2020 been suspended in the light of the epidemic situation.

Brief description

2. As the service units have not been in operation since February 2020, these freelance trainers and instructors have lost much of their income. The number of freelance trainers and instructors concerned is estimated to be around 8 200. It is proposed that a one-off relief grant of \$7,500 be given to eligible individuals. Individuals receiving the relief grants must not be on the staff payroll of the NGOs providing the service and must not be benefiting from the relief grants administered by the Education Bureau (EDB) and the Home Affairs Bureau (HAB)/Leisure and Cultural Services Department (LCSD) for interest group instructors and registered sports coaches respectively under the second round of the Anti-epidemic Fund.

Financial implications

3. The total amount of the relief grants for the NGO welfare sector is estimated to be \$61.5 million.

Urgency

4. The service suspension has started from February 2020 and will probably last for a further period of time. All this has affected the income of freelance trainers and instructors. There is a dire need to provide some relief to this group.

/Implementation

Implementation

5. Individual freelance workers may apply for the relief grants, with a declaration that they have not applied for the grants under EDB and HAB/LCSD as mentioned in paragraph 2 above, through the subvented welfare service units which have engaged them for work during the COVID-19 period but whose service has been suspended during the period. Individual service units will draw up a list of these workers and pass it to their NGO Headquarters for compilation and submission to the Social Welfare Department (SWD). A mechanism will be worked out among SWD, EDB and HAB/LCSD for checking duplication of applications from the same individual. Relief grants for eligible freelance workers will be allocated to the NGOs concerned for disbursement to individual freelance workers. NGOs are required to submit to SWD individual freelance workers' acknowledgement of receipt of the relief grants.

**Subsidy for the Refuse Transfer Station Account Holders
for Transporting Municipal Solid Waste**

Policy Bureau : Environment Bureau

Implementation : Environmental Protection Department

Objective

We aim to provide financial support to the municipal solid waste (MSW) transport sector to cope with the challenging business environment.

Brief description

2. The MSW transport sector is responsible for transporting MSW to the refuse transfer stations and landfills in an orderly manner, making significant contributions to the Hong Kong's environmental hygiene.

3. Due to the outbreak of the epidemic, the trade needs to enhance the provision of personal protective equipment such as disposable masks, disinfectants and cleaning supplies for workers and practitioners to minimise the risk of virus infection. The trade also needs to arrange additional staff to strengthen cleansing and disinfection of the refuse transport vehicles to curb risk of virus transmission and maintain environmental hygiene. All these have incurred additional operating costs imposing extra financial burden to the trade.

4. Moreover, the MSW transport business is generally operated on a monthly payment basis. Recent financial difficulties and even closure of shops and restaurants have led to reported cases of arrears in monthly fees or deduction of transportation fees. This has directly affected the trade's cash flow and made it difficult to meet daily expenses (such as fuel costs and staff salaries). The situation is particularly challenging for the self-employed and small and medium enterprises.

5. To support the trade in rising to the challenges, we propose to provide a special allowance of \$8,000 to each eligible private MSW collector in operation in the first quarter of 2020, i.e. every private refuse transfer station account holder who transported MSW to the refuse transfer stations or landfills during the period from 1 January 2020 to 31 March 2020. We expect the above measures will benefit about 800 private refuse collectors/companies.

/Financial

Financial implications

6. The total amount of expenditure involved is approximately **\$7 million.**

Urgency

7. As the trade is generally facing financial difficulties due to the outbreak of the epidemic and the current economic downturn, there is an urgency to provide short-term relief to help alleviate the difficulties the trade is facing. If the trade could not maintain its services due to financial hardship, MSW produced in the community could hardly be cleared efficiently and significant environmental hygiene problem will result, adding great obstacles to our fight against the epidemic during this difficult time.

Implementation

8. After the fund has been set up, the Environmental Protection Department will pay the special allowance to all eligible private refuse transfer station account holders in about two weeks.

Subsidies for Local Primary Producers

Policy Bureau : Food and Health Bureau

Implementation : Agriculture, Fisheries and Conservation Department

Objective

We aim to provide immediate financial relief to local primary producers, the business or operation of whom have been affected by the COVID-19 pandemic.

Brief description

2. The operation and business of local primary producers have been mainly affected by the serious and prolonged impact of the COVID-19 pandemic on the food business sector.

3. To help the local primary producers combat the effect of the COVID-19 pandemic, we propose to offer a subsidy of \$10,000 to each local primary producer (including owners of vegetable farms, hydroponic farms, flower farms and nurseries, marine fish culture farms, pond fish culture farms, fishing vessels and fish collector vessels, but excluding livestock farms). Those who have already benefited from the Subsidies for Live Marine Fish Wholesale Traders and Fishing Vessels with Mainland Deckhands in the first round of the Anti-epidemic Fund will not be eligible.

4. We estimate that the above measure will benefit about 7 600 local primary producers.

Financial implications

5. The total amount of subsidy involved is approximately **\$76 million**.

/Urgency

Urgency

6. There is urgency to provide relief to alleviate the immediate financial burden of the local primary producers, who have been affected by the pandemic for a considerable period of time.

Implementation

7. The Agriculture, Fisheries and Conservation Department will invite applications from eligible local primary producers within about two weeks, with a target of disbursing subsidies to the applicants within about two weeks from their respective applications.

**Special Subsidy to Exchange Participants and
Securities and Futures Commission Licensees**

Policy Bureau : Financial Services and the Treasury Bureau

**Implementation : Financial Services and the Treasury Bureau in
collaboration with the Hong Kong Securities and
Investment Institute**

Objective

It is our objective to provide financial support to small and medium-sized intermediaries and licensed individuals in the securities industry whose businesses are seriously affected by the pandemic.

Brief description

2. Due to the COVID-19 outbreak, the business opportunities and hence income of small and medium-sized intermediaries and licensed individuals of the Securities and Futures Commission (SFC) (i.e. brokerage firms and their responsible officers/representatives) have been adversely affected. Small and medium-sized intermediaries serving primarily retail clients are particularly hard-hit by the adverse business environment. The reduced face-to-face contact and the recent market volatility have impeded the businesses of these small and medium-sized intermediaries, notwithstanding the recent surge in market turnover.

3. To help reduce the financial burden of the small and medium-sized intermediaries and licensed individuals under the unprecedented business environment, we propose to offer the following special subsidy schemes to the trade –

- (a) a cash subsidy of \$50,000 to each of the some 790 Category B and Category C exchange participants (i.e. brokers ranked 15th onwards by market turnover); and
- (b) a cash subsidy of \$2,000 to each of the some 44 000 SFC licensed individuals.

/Financial

Financial implications

4. The proposal will require a total of about **\$140 million** (with administrative cost included).

Urgency

5. There is an urgency to provide relief as the sector has been adversely affected amidst the economic downturn and global financial turmoil. An immediate support will help alleviate the financial burden of the small and medium-sized intermediaries as well as their responsible officers/representatives.

Implementation

6. Hong Kong Securities and Investment Institute will be engaged to disburse the subsidies to eligible exchange participants and SFC licensed individuals. The first batch of subsidies is expected to be disbursed within a month.

Cash Subsidy for Individual Licensees in the Estate Agency Sector

Policy Bureau : Transport and Housing Bureau

Implementation : Estate Agents Authority

Objective

It is our objective to provide some timely financial support to individual licensees in the estate agency sector in view of the adverse impact of the COVID-19 epidemic on their practice of estate agency work.

Brief description

2. The estate agency sector has been adversely affected by the COVID-19 epidemic. Market sentiment continues to be fraught with uncertainties under the threat of the epidemic. Besides, with implementation of further social distancing measures in the community, the practice of estate agency work has become increasingly difficult. For example, there may be practical difficulties for estate agents to arrange for viewing of properties.

3. To reduce the impact of the epidemic on estate agents, we propose to provide a one-off cash subsidy to each eligible licensee of a salesperson's licence and an estate agent's licence (individual). The subsidy amount is equal to the 24-month licence fee of the respective licences (i.e. \$2,510 for salesperson's licence and \$3,930 for estate agent's licence (individual)). We estimate that the above measure will benefit about 40 000 individual licencees.

Financial implications

4. The estimated total financial implication is **\$135 million**.

Urgency

5. Early provision of the subsidy will help alleviate the financial burden of licensed estate agents (individual) and salespersons under the current business environment, which in turn help facilitate their continued practice of estate agency work.

/Implementation

Implementation

6. We aim to effect payment by batches through the Estate Agents Authority. The first batch of payment is expected to be made around one month after fund availability.

Subsidy for the Passenger Transport Sector

Policy Bureau : Transport and Housing Bureau

Implementation : Transport Department

Objective

The passenger transport sector is facing financial cliff edge in view of the prolonged COVID-19 pandemic and the necessary social distancing measures that substantially bring down patronage and revenue. For example, franchised buses faced further drop in patronage in March 2020, by at least 35%, as compared with that in January 2020. Over the past two months, taxi drivers' income already dropped by some 50% whereas rental dropped by 60%, and about 30% of taxis are left idle in spite of a much lower daily taxi rental charged by the taxi owners. As for green minibus (GMB), the patronage has dropped, ranging from 30% to 80%, and some 30% of GMBs are left idle. In the case of red minibus (RMB), revenues have also dropped by 50% whereas rental dropped by as much as 67%, and about 30% of the vehicles are left idle. It is our objective to provide financial support to the various passenger transport trades including the affected frontline drivers.

Brief description

I. OVERVIEW

2. Under the first round of Anti-epidemic Fund approved by the Legislative Council Finance Committee on 21 February 2020, we have earmarked some \$3.2 billion to provide the fuel subsidy and one-off subsidy to the transport trades to help them cope with the operating pressure in the prevailing economic environment. However, given the worsening difficulties faced by the passenger transport sector, more relief measures are considered necessary. With the above considerations in mind, we propose the following new relief measures –

- (a) **Franchised buses, local ferries and tramways** – Reimburse 100% of the actual regular repair and maintenance costs and insurance premium for six months (from 1 April to 30 September 2020) for the five franchised bus companies, nine franchised/licensed ferry operators¹ and Hong Kong Tramways Limited;

/(b)

¹ Those ferry routes receiving the Special Helping Measures (SHM) will not be entitled to reimbursement of the repair and maintenance and insurance cost, as the SHM has already covered these cost items.

- (b) **Non-franchised buses (NFBs)², school private light buses (SPLBs) and hire cars³** – Provide a one-off non-accountable subsidy of \$30,000 per vehicle to the registered owner of each NFB, SPLB and hire car; and
- (c) **Taxis, RMBs and GMBs** - Provide a one-off non-accountable subsidy of \$30,000 per vehicle to the registered owner of taxi and RMB, as well as per GMB to the passenger service licence (PSL) holder who has been approved to operate relevant packages of the GMB routes; and a monthly subsidy of \$6,000 for each eligible active taxi and RMB driver for a period of six months from 1 April to 30 September 2020.

II. DETAILS

(a) *Franchised buses, local ferries and tramways*

3. The prolonged COVID-19 pandemic, coupled with the necessary anti-pandemic measures including suspension of schools, strict boundary control measures and work from home arrangement, leads to significant drop of patronage, and hence revenue, of the operators of franchised buses, local ferries and tramways. They are in dire need for Government's financial support to maintain their financial viability.

4. In view of the above, we propose reimbursing 100% of the actual regular repair and maintenance costs and insurance premium for six months (from 1 April to 30 September 2020) for the five franchised bus companies, nine franchised/licensed ferry operators and Hong Kong Tramways Limited. Reimbursement will be arranged based on actual expenses on the repair and maintenance expenses and insurance premium. The Transport Department (TD) will make verification before the subsidy can be disbursed.

/(b)

² These refer to public buses operating under Passenger Services Licence, as differentiated from those operating under Franchise.

³ "Hire car" refers to cars issued with hire car permits.

(b) NFBs, SPLBs and hire cars

5. NFBs cover a wide range of services, including residents' services, student services, employees' services, tour services, hotel services, contract hire services as well as cross-boundary coach (CBC)⁴ services. Their business has been seriously affected. In particular, the operation of CBCs has basically been put to a halt following the implementation of strict boundary control measures.

6. The business of SPLBs has also been hard hit following the prolonged suspension of schools and extra-curricular activities for students. Domestic hire cars mostly provide services for business purposes, tour, airport limousine and hotel private limousine services; cross-boundary hire cars serve cross-boundary passengers. The business of both domestic and cross-boundary hire cars also drops significantly as a result of the drastically reduced numbers of cross-boundary and foreign visitors.

7. Some of the owners of these vehicles are self-employed drivers themselves, while some others are employers who face tremendous pressure in keeping their businesses afloat and are in dire need for funding to meet their on-going operating expenses such as vehicle insurance fee, vehicle mortgage and other administration overheads. We therefore propose providing an additional one-off non-accountable subsidy of \$30,000 to the registered owners of every licensed NFB, SPLB and hire car. Owners of about 7 400 NFBs, 2 200 SPLBs and 1 300 hire cars will benefit from the above measures.

(c) Taxis, RMBs and GMBs

8. Over the past two months, commuting has been greatly reduced due to the need to contain COVID-19 pandemic through social distancing. As a result, patronage and revenue of taxi, RMB and GMB trades suffered significantly. We propose providing registered owners of each taxi and RMB with a one-off non-accountable subsidy of \$30,000. For GMBs, we propose providing a one-off non-accountable subsidy of \$30,000 per vehicle to the PSL holder who has been approved to operate relevant packages of the GMB routes. This would help these owners and/or operators to tide over the current difficult operating environment and allow the taxi and RMB owners to charge a lower daily rental for the self-employed rentee-drivers. We expect that owners of all the 18 163 taxis and about 1 010 RMBs, as well as 165 GMB PSL holders involving about 560 routes and about 3 340 GMBs, will benefit from the above measures.

/9.

⁴ CBCs include long-haul and short-haul CBCs, cross-boundary shuttle buses operating at Lok Ma Chau Boundary Control Point (i.e. the Yellow Bus), as well as cross-boundary shuttle buses at Hong Kong-Zhuhai-Macao Bridge Hong Kong Port (i.e. the Gold Bus).

9. As regards taxi and RMB drivers, the proposed Employment Support Scheme (ESS) will help keep jobs of employees employed by public transport operators of various scale, ranging from larger bus franchisees to smaller GMB operators; it is however not applicable to taxi and RMB drivers, most being grassroots rentee-drivers whose income has been greatly impacted during the pandemic. Under the fuel subsidy and one-off subsidy to the transport trades in the first round of Anti-epidemic Fund as mentioned in paragraph 2 above, we will offer a \$1.0 discount per litre of liquefied petroleum gas (LPG) (i.e. approximately a one-third discount) for 12 months for LPG taxis and public light buses (PLBs) including RMBs, and reimburse one-third of the actual fuel cost for 12 months for petrol taxis and diesel PLBs. TD is in active discussion with oil companies on the implementation details. Subject to the system readiness of the oil companies, our target is to roll out the initiative by July 2020.

10. The above one-year LPG discount is not enough to relieve the taxi and RMB drivers from their imminent financial pressure. In the interim, with a view to directly assisting the taxi and RMB drivers who are facing threat to their livelihood, we propose a sector-specific scheme to provide each eligible active taxi and RMB driver with a monthly subsidy of \$6,000 for a period of six months from 1 April to 30 September 2020, alongside with the fuel subsidy as mentioned in paragraph 9 above. In particular, we aim to target the above subsidy at genuine active taxi and RMB drivers. The key eligibility criteria include: (i) they have to hold a valid taxi or PLB driver identity card (as the case may be) any time during the three-month period between 1 January and 31 March 2020; (ii) a valid rental agreement or declarations by drivers and/or owners in respect of vehicle rental for not less than one month during the above three-month period; and (iii) a valid rental agreement or declarations by drivers and/or owners in respect of vehicle rental for at least two months during the six-month period from 1 April to 30 September 2020 at time of the application for the subsidy. For those who may not fully meet the afore-mentioned eligibility requirements but hold a valid taxi or PLB driver identity card (as the case may be) any time during the three-month period between 1 January and 31 March 2020 and are able to present a valid rental agreement/an owner driver declaration of vehicle rental for at least one month during the period between 1 January and 31 March 2020, TD will assist such drivers by way of disbursement of a lump sum of \$7,500, an amount same as that of the subsidy for the self-employed under the ESS. We expect that 59 000 taxi drivers and 2 500 RMB drivers will benefit from the above measures.

11. GMBs operate under a PSL regime as a route package, and their services are regulated by TD. The one-off subsidy will help the GMB PSL holders tide over the difficult operating environment and improve their financial viability, so as not to affect the service to the public.

/Financial

Financial implications

12. The total amount of expenditure involved is approximately **\$3,409.15 million**.

Urgency

13. The drop in business of passenger transport trades is significant and prolonged. The livelihood of frontline drivers and vehicles owners, as well as the financial viability of passenger transport operators are at stake. The ready availability of funding will help them tide over; otherwise large-scale retrenchment of drivers and supporting staff or even winding up of operators will take place and the livelihood of the frontline drivers would be greatly threatened.

Implementation

14. Subject to funding availability, the reimbursement to franchised bus, local ferry and tram operators can be disbursed within one month upon receipt of applications and completion of the checking. The one-off subsidy to registered owners of taxis, RMBs, NFBs, SPLBs and hire cars, as well as GMB PSL holders, can be disbursed within one month upon receipt of the application from the registered owners/PSL holders (as the case may be) concerned and completion of the checking. The first payment can be disbursed within one to two months following the funding approval.

15. As for the subsidy for taxi and RMB drivers, it can be disbursed within one month upon receipt of the applications and completion of the checking through TD's electronic platform which will be developed to facilitate application, submission of supporting documents, and processing of payment. The first payment is expected to be disbursed by end June 2020.

Providing Relief to Creative Industries

Policy Bureau : Commerce and Economic Development Bureau

Implementation : Create Hong Kong

Objective

It is our objective to provide relief measures to (a) cinema operators; (b) PMQ and its tenants; and (c) the printing and publishing sector, to help sustain their businesses which are suffering from unprecedented pressure caused by the COVID-19 outbreak.

Brief description

(a) Cinemas Subsidy Scheme

2. The COVID-19 outbreak has caused a sharp drop in box office receipts as audience are avoiding indoor entertainment venues with large crowds. To further enhance social distancing, the Secretary for Food and Health has made directions under Cap. 599F to close places of public entertainment (including cinemas) during the specified periods.

3. We propose to provide a subsidy of \$100,000 per screen to each cinema licensed as a place of public entertainment with commercial operation in March 2020. The maximum subsidy for a cinema circuit is \$3 million. There are about 300 screens operated by about 60 cinemas in Hong Kong. The estimated cost of this support measure is \$24 million.

(b) Financial Assistance to PMQ

4. The social events in 2019 and the COVID-19 outbreak have caused a sharp decrease in the number of visitors to PMQ and cancellation/postponement of large-scale flagship creative events in Hong Kong. While PMQ has introduced 25% rental concession to its tenants since October 2019, its tenants, who are mainly creative industries-related start-up entrepreneurs, are not able to survive without a further rental waiver. PMQ also faces grave financial difficulties with the drop in commercial revenue (partly due to the rental concession), sponsorship, venue charges and government funding for approved activities.

5. We propose to provide a subsidy of \$25 million to PMQ so that it can waive its tenants' rental while sustaining its operation. We will require PMQ to submit reports on the number of tenants benefiting and rental involved.

(c) *Printing and Publishing Sector Subsidy Scheme*

6. The printing and publishing sector has been hard hit with drastic drop in business volume as many promotional activities and international book fairs have been either cancelled or postponed. The annual Hong Kong Book Fair is the single most important sales and promotional platform of the sector for launching new books and products, and for connecting with readers. Support measure of the previous round of Anti-epidemic Fund for the convention and exhibition sector (50% of participation fee subject to a cap of \$10,000) is insufficient for printing and publishing companies, particularly small and medium enterprises (SMEs), to mitigate the risk posed by market uncertainty. We propose to meet all the participation fees of eligible participants of the sector in the next Hong Kong Book Fair. The maximum amount of subsidy for each participant is \$100,000. The estimated cost of this measure is \$40 million.

Financial implications

7. The total financial implication of the three support measures is **\$89 million**.

Urgency

8. Cinemas are a key player in the film sector and assistance to the sector during this challenging time is important to help them tide over this period and to preserve the unique movie-going culture of the audience.

9. Immediate relief has to be provided to PMQ to preserve this iconic creative landmark and the unique ecosystem of this clustering of creative talent.

10. We need to make an early commitment to support the printing and publishing sector so that they can prepare themselves to relaunch when the opportunity arises.

/Implementation

Implementation

11. Upon approval of the proposals, payment can be made to the eligible cinemas within two weeks. Rental relief for PMQ tenants can take effect from 1 May 2020. Implementation of the measure for the printing and publishing sector will depend on the timing for holding the next Hong Kong Book Fair.

Tourism Industry Support Schemes

Policy Bureau : Commerce and Economic Development Bureau (in collaboration with the Transport and Housing Bureau and Home Affairs Bureau as relevant)

Implementation : Tourism Commission (in collaboration with Transport Department and Home Affairs Department as relevant)

Objective

It is our objective to provide financial support to travel agents, their employees and freelance accredited practitioners whose main occupations are tourist guides or tour escorts, hotels, cruise terminals and cruise lines, as well as drivers of tour service coach and international passenger service coach (thereafter together referred as “tour service coach”), as they are doubly hard hit by social incidents and the outbreak of the Coronavirus Disease 2019 (COVID-19).

Brief description

2. The tourism industry bears the brunt of the negative impact arising from the past social incidents and current COVID-19 outbreak. In view of proliferation of the disease around the world, Hong Kong and many other countries and regions have implemented and stepped up control over cross-boundary flow of people, including closure of borders and suspension of immigration service at cruise terminals, rendering both inbound and outbound travel markets essentially in a stalemate.

3. As a result, travel agents remain faced with challenging economic conditions, with the livelihood of their staff as well as freelance accredited practitioners whose main occupations are tourist guides or tour escorts severely affected. Furthermore, the demand for tour service coach has plunged. In January and February 2020, the average hotel room occupancy rates plunged to 59% and 29% with year-on-year drops of 33 and 62 percentage points, and average achieved hotel room rates declined by about 25% and 30% respectively. Hotels have been cutting their costs and reducing or even suspending operation due to the downturn in business. For cruise, 18 ship calls involving 13 cruise lines were cancelled in February and March 2020. Looking ahead until 31 August 2020, there will be another 62 ship calls. If the suspension of immigration service remains in force until then, these calls will be cancelled, resulting in about 40% drop of total ship calls in 2020.

4. In view of the above, we propose the following financial help to the various groups as follows –

- (a) to provide each of the licensed travel agents with cash subsidy ranging from **\$20,000 up to \$200,000** (see the table below). Some 1 730 agents are expected to benefit from this scheme. Total commitment is **\$61 million**;

No. of employees	Amount of cash subsidy
< 5	\$20,000
$\geq 5 - < 20$	\$50,000
$\geq 20 - < 50$	\$100,000
≥ 50	\$200,000

- (b) to provide each travel agents' staff and freelance accredited practitioners whose main occupations are tourist guides or tour escorts, a monthly subsidy of **\$5,000 for six months**. Some 26 000 persons are expected to benefit from this scheme. Total commitment is **\$790 million**;

- (c) to provide each of the licensed hotels with cash subsidy **up to \$400,000** (see the table below). About 300 hotels are expected to benefit from this scheme. Total commitment is **\$115 million**;

No. of rooms	Amount of cash subsidy
1 – 100	\$300,000
101 or above	\$400,000

- (d) to provide each tour service coach driver with a one-off subsidy of **\$10,000**. About 9,300 drivers are expected to benefit from this. Total commitment is **\$93 million**;
- (e) to waive monthly fixed rent, management fees of Kai Tak Cruise Terminal **for six months**. Total commitment is **\$6 million**; and
- (f) to refund cruise lines of berth deposits for cancelled ship calls during the suspension of immigration service if they schedule before 31 May 2021 a prospective ship call anytime at Kai Tak Cruise Terminal or Ocean Terminal. Total commitment is **\$5 million**.

Financial implications

5. The total funding required is about **\$1,070 million**.

/Urgency

Urgency

6. As explained above, the tourism sector has been suffering from business downswing which has been made worse by the COVID-19 outbreak not just in Hong Kong but also worldwide over the past few months. The early provision of financial relief will help the sector and the relevant practitioners tide over the current challenging period.

Implementation

7. Upon receipt of application information, the first payments can start to be made in about four to six weeks' time upon the setting up of the initiatives.

Relief Measures for Construction Sector

Policy Bureau : Development Bureau

Implementation : Construction Industry Council (CIC)

Objectives

Our objectives are to help construction workers tide over the hard time brought by the pandemic, and support the construction-related enterprises which cannot benefit from the original measures in the first round of the Anti-epidemic Fund (first-round measures).

Brief description

2. The effects of the pandemic are rippling across the construction sector, with many stakeholders operating in an intertwined supply chain. In recent months, we have witnessed a surge in the unemployment rate of the construction sector, from 4.5% half a year ago to the latest 6.8%. Many frontline workers are facing salary cut and job losses, and the situation is getting worse. Given the rather unique work arrangements applicable to frontline and casual construction workers, many of them do not have any active accounts under the Mandatory Provident Fund (MPF) and will not benefit from the proposed Employment Support Scheme which is MPF-based.

3. Furthermore, since the construction sector was only covered in the first-round measures¹ in terms of enhancing their anti-epidemic capability, instead of directly providing relief, there have been calls from the industry stakeholders and the relevant Legislative Council Members to cover them as beneficiaries, in particular, small-scale contractors whose work nature is similar to that of enterprises eligible to receive subsidies under the first-round measures.

/4.

¹ Under the first-round measures, a subsidy of \$50,000/\$20,000 is provided for each eligible contractor, subcontractor and consultant, and \$1,500/\$1,000 for each eligible construction worker.

4. In view of the unprecedented impact of the pandemic, we propose to offer a one-off subsidy to eligible workers of the construction industry, and extend the support to construction-related enterprises outside the scope of the first-round measures². We propose to offer the following subsidies through the CIC –

- (i) a subsidy of \$7,500 to each Registered Construction Worker under the Construction Workers Registration Ordinance (Cap. 583), Registered Minor Works Contractor (individual) and Registered Inspector under Buildings Ordinance (Cap. 123), Registered Electrical and Mechanical trade practitioner³, Licensed Plumber under Waterworks Ordinance (Cap. 102), and Registered Fire Service Installation Contractor in Class 3 under the Fire Service (Installation Contractors) Regulations (Cap. 95 sub. leg. A);
- (ii) a subsidy of \$20,000 to each eligible contractor, specialist contractor or supplier on the list of Approved Contractors for Public Works and the list of Approved Suppliers of Materials and Specialist Contractors for Public Works maintained by the Development Bureau, contractor on the list of Works Contractors maintained by the Housing Authority, and company member of major construction-related trade associations⁴; and
- (iii) a subsidy of \$10,000⁵ to each Registered Minor Works Contractor (Company) under Buildings Ordinance (Cap. 123), Registered Electrical Contractor under Electricity Ordinance (Cap. 406), Registered Gas Contractor under Gas Safety Ordinance (Cap. 51), Registered Lift / Escalator Contractor under Lifts and Escalators Ordinance (Cap. 618), Registered Contractor under Builders' Lifts

/and

² Since the safety requirements they face might not be as stringent as those faced by the enterprises covered under the first-round measures, the proposed level of subsidy is lower.

³ These include Registered Electrical Workers under Electricity Ordinance (Cap. 406), Competent Persons under Electricity Supply Lines (Protection) Regulation (Cap. 406 sub. leg. H), Registered Gas Installers under Gas Safety Ordinance (Cap. 51), Registered Lift/Escalator Engineers and Registered Lift/Escalator Workers under Lifts and Escalators Ordinance (Cap. 618) and Registered Examiners under Builders' Lifts and Tower Working Platforms (Safety) Ordinance (Cap. 470).

⁴ Major construction-related trade associations refer to the eight parties listed in the Construction Industry Council Ordinance (Cap. 587), including: the Hong Kong Construction Sub-Contractors Association Limited; The Hong Kong Construction Association, Limited; Hong Kong Construction Materials Association Limited; The Hong Kong Federation of Electrical and Mechanical Contractors Limited, Hong Kong General Building Contractors Association Limited; Hong Kong Hydraulic Truck Cranes Association Limited; Hong Kong Licensed Plumbers Association Limited; and The Registered Elevator and Escalator Contractors Association Limited.

⁵ These contractors are generally working outside construction sites and have a lower risk of infection, and hence will be offered a lower level of subsidy.

and Tower Working Platforms (Safety) Ordinance (Cap. 470), Registered Fire Service Installation Contractor in classes 1 and/or 2 under the Fire Service (Installation Contractors) Regulations (Cap. 95 sub. leg. A), and each eligible supplier of construction-related machineries and equipment rental.⁶

5. We estimate that the number of construction-related workers eligible to receive \$7,500 is around 530 000, and the number of construction-related enterprises eligible to receive \$20,000 and \$10,000 is around 3 000 and 27 000 respectively. Enterprises which have received or will receive subsidies under the first-round measures will not be eligible to this round of subsidies, and each enterprise can receive only one of the subsidies stated in paragraph 4 above. We will work out further details of the measures with the CIC.

Financial implications

6. The required funding for the three kinds of subsidies above will be **\$4,335 million**.⁷

Urgency

7. Urgent financial aid is required to support the construction-related enterprises and workers to better cope with the current public health challenge. However, the continued survival of Hong Kong's construction sector would depend on the availability of works projects, many of which in the public sector are awaiting approval by the Finance Committee of the Legislative Council.

Implementation

8. Upon approval of funding, the CIC will invite applications from eligible enterprises and workers as soon as practicable with a view to disbursing subsidies to the applicants in about four weeks' time upon receipt of the applications.

⁶ Applicants will be required to produce documentary proof for vetting, e.g. documents showing its ownership of construction machinery fulfilling relevant statutory and/or government requirements.

⁷ This includes around \$25 million contingency and about \$5 million to cover the CIC's actual expenses on employment of extra staff as well as development of software and database to help implement the measures, in particular for cross-checking records to avoid duplicate applications.

Subsidy to Operators of Revitalising Historic Buildings Through Partnership Scheme, PMQ and Fly the Flyover Operation

Policy Bureau : Development Bureau

**Implementation : (a) Commissioner for Heritage's Office and
(b) Energizing Kowloon East Office**

Objective

To provide subsidy to the non-profit-making organisations (NPOs) running the projects under the Revitalising Historic Buildings Through Partnership Scheme (R-Scheme), PMQ (revitalised from the Former Police Married Quarters on Hollywood Road), and the Fly the Flyover Operation, which are essentially government-owned premises, with a view to helping them meet the cash flow for their continued operation and safeguard the employment of their staff and workers during this difficult time.

Brief description

R-Scheme and PMQ

2. Since the outbreak of the novel coronavirus, the R-Scheme projects¹ and PMQ are more or less on stoppage or providing limited/scaled-down/minimal services, with all guided tours/exhibitions/organised activities suspended. Some, like the Tai O Heritage Hotel (i.e. Old Tai O Police Station) and YHA Mei Ho House Youth Hostel (i.e. Mei Ho House), are open for their hotel and hostel rooms, though their occupancy and related business revenue have dropped significantly as a result of reduced patronage. Others, such as Green Hub (i.e. Old Tai Po Police Station), Hong Kong News-Expo (i.e. Bridges Street Market) and Haw Par Music (i.e. Haw Par Mansion) have been closed. Irrespective of their mode of operation, the R-Scheme projects and PMQ have suffered greatly financially as a result of a significant drop of visitors and hence business revenue. Meanwhile, the NPOs of the R-Scheme projects and PMQ still need to incur on-going fixed overhead operating costs including staff cost, utilities cost, maintenance cost, cleansing fees, security fees, etc., hence facing severe cash flow problems.

/3.

¹ As at 1 April 2020, there are 11 operating R-Scheme projects from the first three batches. For the purpose of providing financial assistance, we will exclude the Savannah College of Art and Design (Hong Kong) which has indicated that it will discontinue operation and return the Former North Kowloon Magistracy building to the Government on 1 August 2020. There are therefore ten operating R-Scheme projects under this proposal (see Annex).

3. While the R-Scheme projects and PMQ are diverse in nature and each has its mode of operation hence different cash flow needs, on average and for simplicity sake, we note that they would need around \$3 million each as cash flow for the aforementioned fixed overhead operating costs for six months. In this connection, we propose that we provide direct subsidy of \$3 million each to the NPOs of the ten R-Scheme projects as well as PMQ², totaling \$33 million, with the NPOs of the R-Scheme projects and PMQ having to undertake that they will keep all their existing staff in place.

Fly the Flyover Operation

4. Similarly, the NPO of the Fly the Flyover Operation is operating and managing the three Fly the Flyover sites for the Government, and is paying overheads for staff salaries, security and cleaning services, insurance, utilities and other expenses. Due to the outbreak of the novel coronavirus and the need for implementing social distancing measures on government-owned venues, almost all event bookings at the Fly the Flyover sites have been cancelled or substantially scaled-down. The NPO has been suffering from significant loss of business since late January 2020 and the situation is expected to remain critical in the next few months. Should the operation close down due to cash flow problem, much of these overhead expenses would have to be borne by the Government in order to maintain the venues open. To help the NPO tide over this difficult period, it is proposed to provide a direct subsidy of \$3 million to them to cover their operating expenses for six months, which would in turn help to retain jobs for their staff and workers in the relevant service sectors. The NPO should undertake keeping all their existing staff.

Financial implications

5. The total subsidy involved is **\$36 million**. Each of the 12 NPOs will get \$3 million for them to address the cash flow problem.

6. Given any proceeds from the R-Scheme, PMQ and Fly the Flyover Operation projects are required to be ploughed back to the projects, there is no issue of the NPOs gaining undue public coffers and taking away the funding for their own use. Also, the NPOs are required to submit audited accounts each year and the proper usage of subsidies will be ensured. Separately, some of these NPOs might be eligible for other government subsidies under the Anti-epidemic Fund given their business nature. We suggest that the NPOs be allowed to apply for different government subsidies given they are non-profit-making in nature and that all proceeds from the projects need to be re-invested in the projects themselves.

/Urgency

² Commerce and Economic Development Bureau is separately seeking \$25 million under the Anti-epidemic Fund to subsidise the rental expenditure of the creative industries tenants of PMQ. Our \$3 million subsidy focuses on helping the PMQ operator to meet its fixed overhead operating costs in relation to the well-being of the graded historic building. The two funding ambits are therefore different.

Urgency

7. The operating environment of the R-Scheme, PMQ and Fly the Flyover Operation projects have deteriorated for a prolonged period of time. Immediate relief has to be provided to the NPOs which will help promulgate the Government's heritage conservation and Energizing Kowloon East initiatives.

Implementation

8. This relief measure can be implemented immediately upon approval.

R-Scheme Projects from Batches I to III

Batch I

- Tai O Heritage Hotel (revitalised from Old Tai O Police Station)
- Hong Kong Baptist University School of Chinese Medicine – Lui Seng Chun (revitalised from Lui Seng Chun)
- YHA Mei Ho House Youth Hostel (revitalised from Mei Ho House)
- Jao Tsung-I Academy (revitalised from Former Lai Chi Kok Hospital)

Batch II

- Green Hub (revitalised from Old Tai Po Police Station)
- Stone Houses Family Garden (revitalised from Stone Houses)
- Viva Blue House (revitalised from Blue House Cluster)

Batch III

- Hong Kong News-Expo (revitalised from Bridges Street Market)
- Hong Kong Federation of Youth Groups Leadership Institute (revitalised from Former Fanling Magistracy)
- Haw Par Music (revitalised from Haw Par Mansion)

Subsidy for the Aviation Sector

Policy Bureau : Transport and Housing Bureau

**Implementation : Civil Aviation Department and Airport Authority
Hong Kong**

Objective

The impact of the global outbreak of the novel coronavirus (COVID-19) to our aviation industry is grave and pressing, resulting in massive suspension of passenger services and uncertainties in job security for workers of the aviation industry. It is our objective to provide financial support to the aviation industry for its survival and safeguard employment.

Brief description

2. The Airport Authority Hong Kong (AAHK) has introduced two rounds of relief measures in September 2019 and February 2020 amounting to \$1.6 billion. Further to that, the Government and AAHK jointly announced a package of \$1 billion on 23 March 2020 in view of the challenges the industry has to face due to the outbreak of COVID-19. However, the overall difficulties faced by the aviation industry has since continued to markedly deteriorate. The Hong Kong International Airport (HKIA) has recorded the historical low passenger record of about 1 800 on 1 April 2020. The drastic decline in passenger traffic the HKIA is experiencing merits urgent consideration in rolling out another round of relief measures.

3. Many aviation-related businesses are facing intense liquidity pressure, apart from implementing extensive cost saving measures such as overtime reduction and mandatory unpaid leave, it is noted that there are redundancy plan emerging in the aviation industry which can become widespread if uncertainties arising from COVID-19 continue. To help the aviation sector combat the effect of the COVID-19, we propose to offer the following subsidies –

/(a)

(a) *One-off non-accountable subsidy of \$1 million per large aircraft and \$200,000 per small aircraft registered in Hong Kong*

4. The average daily air traffic movements for passenger services at the HKIA has dropped significantly by 90% from end January to end March 2020. While the aircraft may not be operated, there are substantial overhead costs borne by the Air Operator's Certificate (AOC) holders, for example, maintenance costs for aircraft to keep its airworthiness and staffing support etc. Before COVID-19 comes under control and air traffic resumes, cash flow is the most pressing issue for the aviation sector. AOC holders will need liquidity to tide over this outbreak.

5. We propose offering a one-off non-accountable subsidy of \$1 million per large aircraft¹ and \$200,000 per small aircraft² registered in Hong Kong by AOC holders with AOC valid as at 1 April 2020 for no less than six months³). To be eligible for the subsidy, the aircraft should have a valid Certificate of Airworthiness (CoA) as at 1 April 2020. It is estimated that some 270 aircraft will benefit from the subsidy with an estimated total amount of subsidy at \$267 million.

(b) *One-off non-accountable subsidy of up to \$3 million to aviation support services and cargo facilities operators at the HKIA*

6. Apart from airlines and aircraft operators, aviation support services are suffering collateral losses. On the other hand, the COVID-19 outbreak has seriously affected global supply chains and the demand for air cargo service is expected to fall significantly in tandem with the global economic downturn. These operators are suffering from significant revenue reduction which results in shortage of cash flow for paying their staff and may force them to lay-off of their labour.

7. It is proposed that a one-off non-accountable subsidy will be provided to each of these operators at the HKIA. There are some 40 aviation support services (e.g. aircraft maintenance, ground services, aviation catering, aviation fuel supply, logistics services and inter-modal transport services, etc.) and cargo facility operators at the HKIA. There will be two tiers of subsidies for these operators based on their staff size. A \$3 million subsidy will be provided for operators with 100 or more employees, while it will be \$1 million for operators with less. For these companies, staff costs represent roughly 70% of their total costs, and the proposed subsidy will help alleviate their cost pressure during this period. The estimated amount of funding required is \$100 million.

/Financial

¹ The maximum total weight authorised is above 54 500 kg.

² The maximum total weight authorised is at or below 54 500 kg.

³ In case the validity is less than six months, the AOC holder concerned should have applied for renewal before applying the subsidy and disbursement of the subsidy is subject to successful renewal of AOC.

Financial implications

8. The total amount of funding required is estimated at **\$367 million**.

Urgency

9. The ready availability of funding will help the operators tide over; otherwise, large-scale retrenchment of supporting staff will take place, thus impeding the recovery of the aviation industry as well as the Hong Kong economy.

Implementation

10. The proposal will be implemented as soon as possible after funding approval. Details as follows –

Subsidy	Implementation timetable
(a) One-off non-accountable subsidy of \$1 million per large aircraft and \$200,000 per small aircraft registered in Hong Kong	Civil Aviation Department will approach the AOC holders within one week upon funding approval with a view to disbursing the first batch of subsidies in about two weeks' time upon receipt of the applications with valid supporting documents.
(b) One-off non-accountable subsidy of up to \$3 million to aviation support services and cargo facilities operators at the HKIA	AAHK will approach eligible companies within one week upon funding approval with a view to disbursing the first batch of subsidies in about two weeks' time upon receipt of the applications with valid supporting documents.

Catering Business (Social Distancing) Subsidy Scheme

Policy Bureau : Food and Health Bureau

Implementation : Food and Environmental Hygiene Department

Objective

It is our objective to provide immediate financial relief to catering outlets carrying on a business to sell or supply food for consumption on their premises, the business of which is hard hit by the social distancing measures imposed by the Government to combat the Coronavirus Disease 2019 (COVID-19) in a public health emergency.

Brief description

2. Over the years, the food business sector has made a significant contribution towards the economic development of Hong Kong. In 2018, the sector generated value added of around \$60 billion, representing about 2.2% of Hong Kong's Gross Domestic Product (GDP) in the year. In September 2019, the number of persons engaged in the sector was around 239 000, accounting for about 8.4% of the total number of persons engaged in Hong Kong. The sector has been seriously affected by the novel coronavirus epidemic and facing a difficult business environment.

3. With funding approval by the Finance Committee on 21 February 2020, Government rolled out in early March a Food Licence Holders Subsidy Scheme (FLHSS) under the Anti-epidemic Fund for the food business sector¹ with a total subsidy estimated at about \$3.7 billion. As at 9 April, financial subsidy totally about \$2.97 billion has been disbursed to over 22 000 eligible food licence holders.

4. We have reached a critical stage in our combat against COVID-19. As social distancing is key to delaying the spread of the disease, the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F) took effect on 28 March 2020 to restrict the operation of

/catering

¹ Under FLHSS, an eligible food licence holder may receive a one-off subsidy of \$80,000 or \$200,000.

catering business and specified premises and empower the Secretary for Food and Health (SFH) to issue directions to them for preventing and controlling the incidence or transmission of the disease. The requirements² applicable to catering business were set out in a direction issued on the same day, initially for a period of 14 days, and subsequently extended to 23 April 2020.

5. Under other directions issued by SFH under Cap. 599F that took effect from 28 March 2020, certain premises were required to close, initially for a period of 14 days and subsequently extended to 23 April 2020. They include karaoke establishments, nightclubs and bars/pubs, which are concurrently holding a food licence.

6. To provide further financial relief to catering outlets selling or supplying food for consumption on their premises, the business of which is hard hit by the epidemic and the above social distancing measures imposed by the Government, we propose to offer a subsidy to –

- (a) eligible holders of any of the following premises-based food licences in operation –
 - (i) general restaurant licence;
 - (ii) light refreshment restaurant licence;
 - (iii) marine restaurant licence; and
 - (iv) factory canteen licence;and
- (b) cooked food/light refreshment stalls at public markets managed by the Food and Environmental Hygiene Department (FEHD).

/7.

² These requirements include (a) the number of customers at the premises at any one time must not exceed 50% of the normal seating capacity of the premises; (b) tables for use or being used by customers within the premises must have a distance of at least 1.5 metres apart or some form of partition which could serve as effective buffer between one table and another table; (c) no more than four persons seated together at one table; (d) a person must wear a mask at any time, except when consuming food or drink; (e) body temperature screening on a person must be conducted, before entry to the premises; and (f) hand sanitisers must be provided at the premises.

7. Each holder of the four types of relevant food licences in operation is eligible for a subsidy according to the licensed area of its premises, as set out in the table below, primarily in support of payment of employees' salaries³ during a six-month period following approval of its application –

Licensed area	Level of subsidy (to be disbursed in 2 tranches on equal splitting basis)
Not exceeding 100m ²	\$250,000
>100m ² - 200m ²	\$500,000
>200m ² - 400m ²	\$900,000
>400m ² - 700m ²	\$1,650,000
>700m ²	\$2,200,000

8. To provide immediate relief to the catering sector, the subsidy will be dished out upfront, in two tranches. Safeguard measures would be put in place to avoid abuse with regard to proportionality, reasonableness and practicability. Among other things, an applicant would be required, at the time of application –

- (a) to undertake that there would be no redundancy of staff for three months on receipt of the first tranche of subsidy and another three months on receipt of the second tranche;
- (b) to undertake that not less than 80% of the subsidies for respective months would be used for staff salaries;
- (c) to undertake to submit within a specified period a certificate issued by an auditor on its total staff salaries and total number of salaried staff for each of the months covered by the subsidy;
- (d) to submit a certificate issued by an auditor on its total staff salaries and total number of staff (salaried or otherwise) for the month of March 2020 which would be taken into account in checking compliance after disbursement of subsidy; and
- (e) to declare that it has not submitted any application under the Employment Support Scheme, to avoid double benefits⁴.

/9.

³ Given the nature of operation of catering business selling or supplying food for consumption on the premises (which involves a large number of temporary jobs), a high percentage of persons engaged are not enrolled on the Mandatory Provident Fund (MPF) schemes and may not benefit from the Employment Support Scheme proposed separately.

⁴ Holders of relevant food licences eligible for this scheme may apply for subsidy under the Employment Support Scheme if they so wish, but they could only apply under either of the two schemes, not concurrently in respect of all or some of their staff.

9. Each eligible catering outlets directed to close whole of its licensed premises, including karaoke establishments, nightclubs and bars/pubs, is eligible for a further one-off subsidy of \$50,000.

10. Cooked food/light refreshment stalls at public markets⁵ managed by FEHD would each be eligible for a one-off subsidy of \$50,000.

11. We estimate that the above measures will benefit **about 17 000** catering outlets, and their employees. This includes some 16 000 licensed catering outlets and about 920 cooked food/light refreshment stalls at public markets.

Financial implications

12. The total amount of subsidy involved is approximately **\$9.5 billion**. Administrative costs would also be incurred in conducting compliance checks after disbursement and other necessary tasks.

Urgency

13. There is urgency to provide relief, as there is a significant drop in business and rise in underemployment in the catering sector generally. Without immediate support, a lot of operators would be driven out of business and their staff would be laid off, thus jerking up the unemployment rate.

Implementation

14. Upon funding approval by Finance Committee, FEHD will invite applications from eligible catering outlets in early May immediately following the conclusion of FLHSS, with the target of disbursing the first tranche of subsidies to the applicants within about two to three weeks from receiving their respective applications.

⁵ Public market tenants, including FEHD cooked food stall operators, have been benefitting from 50% rental concessions for six months from October 2019 to March 2020. They would benefit from further concessions by way of a 75% rental waiver for another six months from April to September 2020.

Subsidy Schemes for Premises Affected by COVID-19

Policy Bureau : Home Affairs Bureau, Food and Health Bureau and Chief Secretary for Administration's Office

Implementation : Office of the Licensing Authority under the Home Affairs Department, Food and Environmental Hygiene Department, Leisure and Cultural Services Department, Human Resources Planning and Poverty Co-ordination Unit under the Chief Secretary for Administration's Office, National Sports Association and Home Affairs Bureau

Objective

It is our objective to provide immediate financial relief to operators whose businesses have been hard-hit by the epidemics and social distancing measures imposed by the Government.

Brief description

2. The Secretary for Food and Health has made a direction to prohibit group gathering in public places as a measure on social distancing with effect from 29 March 2020, initially for a period of 14 days and subsequently extended to 23 April 2020, in accordance with the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Cap. 599G).

3. The following premises have been ordered to **close** or **put in place specified pre-cautionary measures**¹, initially for a period of 14 days and subsequently extended to 23 April 2020 under the directions issued by the Secretary for Food and Health pursuant to the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F) –

- (a) Amusement game centre
- (b) Bathhouse
- (c) Fitness centre
- (d) Place of amusement

/(e)

¹ The pre-cautionary measures are (1) a person must wear a mask at any time where practicable within the premises; (2) body temperature screening on a person must be conducted before the person is allowed to enter the premises; and (3) hand sanitizers must be provided thereat.

- (e) Place of public entertainment
- (f) Mahjong-tin kau premises
- (g) Beauty parlour
- (h) Massage establishment premises
- (i) Premises (commonly known as party room) that are maintained or intended to be maintained for hire for holding social gatherings
- (j) Establishment (commonly known as club or nightclub) that is open late into the night, usually for drinking, and dancing or other entertainment
- (k) Karaoke establishment
- (l) Any premises (commonly known as bar or pub) that is exclusively or mainly used for the sale or supply of intoxicating liquors as defined in section 53(1) of the Dutiable Commodities Ordinance (Cap. 109) for consumption in that premises
- (m) Where a catering business sells or supplies food or drink for consumption on its premises, any part of the premises that is exclusively or mainly used for the sale or supply of intoxicating liquors for consumption in that part

Club-houses are also required to put in place pre-cautionary measures. Club-houses offering any of the above services have also been either closed or subject to equivalent restrictions on operation.

4. Other than the above, **sports and recreational facilities on sites granted by the Government** have been suspended with the Government's appeal for social distancing on 23 and 24 March 2020.

(a) Amusement game centre

5. The operation of amusement game centre under the definition stipulated in the Amusement Game Centres Ordinance (Cap. 435) has been suspended with the direction issued under Cap. 599F.

6. To provide immediate financial relief to these affected operators, we propose to provide a subsidy of \$100,000 to around 240 amusement game centre operators which include operators of licensed amusement game centres, operators of e-sports venues that have been duly exempted, or have applied for but not yet obtained exemption, from Cap. 435 and operators of internet computer services centres ("ICSC") registered with the Office of the Licensing Authority under the Home Affairs Department. To forestall abuse, operators whose application for the amusement game centre licence/exemption or ICSC

/registration

registration is submitted after the commencement of Cap. 599F will not be eligible under this subsidy scheme even though its operation is affected by Cap. 599F.

7. The amount of subsidy involved is around \$24 million.

(b) Bathhouse

8. Commercial bathhouses are affected by the epidemics and required to be closed under the directions issued under Cap. 599F. To provide financial relief to such operators, we propose to offer a one-off subsidy of \$100,000 to each commercial bathhouse. Holders of a commercial bathhouse licence issued by the Food and Environmental Hygiene Department (FEHD) are eligible.

9. We estimate that some 50 commercial bathhouses will benefit from the subsidy. The total amount of subsidy involved is approximately \$5 million.

(c) Fitness centre

10. Fitness centres, which refer to any premises providing exercise machines or equipment of use and/or providing advice, instruction, training or assistance on improving physical fitness, including bodybuilding, dancing, yoga, pilates or body stretching; and martial arts, have suffered seriously in the epidemic. The income of these fitness centres mainly come from students joining the classes. The close and highly interactive nature of the services provided in these fitness centres exposes the participants to a higher risk of infection. All these centres have been suspended with the introduction of requirements and restrictions imposed by the directions issued under Cap. 599F.

11. To provide immediate financial relief to the operators of these fitness centres, we propose to provide a subsidy of \$100,000 to each affected centre.

12. There is no licensing regime for fitness centre. Based on the latest statistics and information from the industry, it is estimated that there are about 1 660 fitness centres in the market. We will, in collaboration with the “national sports associations” and industry organisations, identify and reach out to the affected parties. The total amount of subsidy involved is around \$171 million.

/(d)

(d) Place of amusement

13. Billiard establishments², public bowling-alleys and public skating rings are licensed under the Places of Amusement Regulation (Cap. 132BA). These establishments are within the meaning of Scheduled Premises of Cap. 599F and have been directed to close for business for a period of 14 days commencing from 28 March 2020 and subsequently extended to 23 April 2020. We propose to provide a one-off subsidy of \$100,000 for each of these licensed establishments which had a valid Places of Amusement licence on 28 March 2020. As at 28 March 2020, there are 49 billiard establishments, 5 public bowling-alleys and 5 public skating rinks. The total beneficiaries of the proposal are 59 such business establishments.

14. The amount of subsidy involved is around \$6 million (\$100,000 X 59 licensed establishments).

(e) Place of public entertainment

15. It is proposed that holders of a place of public entertainment licence (PPEL) (except cinema operators to be dealt with under a scheme proposed by the Commerce and Economic Development Bureau) or a temporary PPEL (TPPEL)³ issued under the Places of Public Entertainment Ordinance (Cap. 172) may each apply for a one-off subsidy as follows –

- (a) \$100,000 for a holder of PPEL; and
- (b) \$20,000 for a holder of TPPEL.

16. A wide range of activities may be operated with a PPEL or a TPPEL. Family amusement centre is one of the major types of places which is operated under a PPEL, while TPPEL covers operations of short-term performance and exhibition. These places of public entertainment are affected by the epidemics and required to be closed under the directions issued under Cap. 599F.

/17.

² A billiard establishment having less than four tables for the playing of billiards, snooker, pool or similar games is exempt from the requirement of having a valid licence issued by the Leisure and Cultural Services Department. These establishments would not be entitled to the proposed subsidy.

³ TPPEL covers public entertainment events of temporary nature. The validity of TPPEL is less than one year.

17. Around 180 PPEL and 300 TPPEL holders should be eligible under the scheme. To forestall abuse, PPEL/TPPEL holders whose applications for the PPEL/TPPEL are submitted after the announcement of Cap. 599F will not be eligible under this subsidy scheme even though its operation is affected by Cap. 599F.

18. The amount of subsidy involved is around \$24 million.

(f) Mahjong-tin kau premises

19. The operation of Mahjong/Tin Kau parlours has been suspended with the direction issued under Cap. 599F.

20. To provide immediate financial relief to these affected operators, we propose to provide a subsidy of \$100,000 to the holders of Mahjong/Tin Kau Licence issued under the Gambling Ordinance (Cap. 148). A total of 66 holders should be eligible under the scheme. To forestall abuse, licence holders whose application for the licence is submitted after the commencement of Cap. 599F will not be eligible under this subsidy scheme even though its operation is affected by Cap. 599F.

21. The total amount of subsidy involved is around \$6.6 million.

(g) Beauty parlour

22. Beauty parlours are seriously affected by the pandemic and are subject to the requirements and restrictions imposed by the directions issued under Cap. 599F. We propose to provide a one-off three-tiered subsidy (at \$30,000, \$60,000 and \$100,000) to each affected establishment depending on the scale of operation, subject to a cap of \$3 million for each beauty parlour chain. Beauty parlours operating inside bathhouses, massage establishments or club-houses will be covered under items (b), (h) and (j) respectively and hence will be excluded.

23. There is no licensing regime for beauty parlours. According to the latest figures published by the Census and Statistics Department, there were about 7 000 beauty parlours in Hong Kong in 2019. The total amount of subsidy involved is estimated to be about \$700 million.

/(h)

(h) Massage establishment premises

24. Massage establishments are also seriously affected by the pandemic and are subject to the requirements and restrictions imposed by the directions issued under Cap. 599F. We propose to provide a one-off three-tiered subsidy (at \$30,000, \$60,000 and \$100,000) to each affected establishment depending on the scale of operation, subject to a cap of \$3 million for each massage establishment chain. Massage establishments in bathhouses, beauty parlours or club-houses will be covered under items (b), (g) and (j) respectively and hence will be excluded.

25. According to an internal crude estimate based on business registration records, there were about 1 400 massage establishments in Hong Kong in 2019, including around 110 such establishments licensed under the Massage Establishments Ordinance (Cap. 266). The total amount of subsidy involved is estimated to be about \$140 million.

(i) Premises (commonly known as party room) that are maintained or intended to be maintained for hire for holding social gatherings

26. For such establishments/premises under (i), if they hold a food licence, they will be dealt with by the Food and Health Bureau (FHB) and FEHD separately. For premises under (i) that do not hold a food licence, a one-off subsidy of \$40,000 will be provided to each such premise. We reckon that there are about 500 such premises. The estimated total amount of subsidies would be around \$20 million.

(i) Club-houses

27. Club-houses operating with a Certificate of Compliance (CoC) issued under the Clubs (Safety of Premises) Ordinance (Cap. 376) are premises affording facilities for exclusive use by a club and its members for the purpose of social interaction or recreation. Many club-houses provide their club members with a wide range of services and facilities, such as catering, fitness facilities, karaoke facilities, mahjong playing, bars, beauty services, etc. All these businesses have been seriously affected by the epidemics, and some have been suspended with the introduction of requirements and restrictions imposed by the directions issued under Cap. 599F.

28. To provide immediate financial relief to the operators of club-houses, we propose to provide a subsidy of \$100,000 to around 580 holders of CoC issued under the Clubs (Safety of Premises) Ordinance (Cap. 376).

29. The total amount of subsidy involved is around \$58 million.

(j) Sports and Recreational (S&R) facilities on Government sites

30. These operators of S&R facilities are not-for-profit organisations such as “national sports associations”, district sports associations, uniformed groups and non-governmental organisations. They provide various S&R facilities such as water sports centres and ball games training centres, etc. All the S&R facilities on the sites have been suspended with the Government’s appeal for social distancing on 23 and 24 March 2020.

31. To provide immediate financial relief to the operators of S&R facilities on Government sites, we propose to provide a subsidy of \$100,000 to each affected site.

32. The total amount of subsidy involved is around \$8 million.

Financial implications

33. The total amount of subsidy involved is around **\$1,163 million**.

Urgency

34. The operation of the above premises has been hard hit by the epidemics and social distancing measures imposed by the Government. Without immediate and effective relief measures, a lot of operators would be driven out of business, and their staff would be laid off, thus jerking up the unemployment rate.

Implementation

35. The relevant licensing authority and implementing bureaux/departments/bodies will take forward the proposals after funding approval has been secured.

**A 20% fare concession of MTR and
temporary relaxation of the monthly threshold of
the Public Transport Fare Subsidy Scheme (PTFSS)**

Policy Bureau : Transport and Housing Bureau

**Implementation : MTR Corporation Limited (MTR fare concession)
Transport Department (PTFSS)**

Objective

The local economy is hard hit in the midst of the coronavirus pandemic. With a view to easing the transport fare burden of passengers, and promoting business activities in general, it is the Government's objective to put in place one-off, time-limited, but substantial, fare relief measures.

Brief description

MTR fare concession

2. Railways are safe, efficient, reliable, comfortable and environmentally friendly mass carriers. They are the backbone of Hong Kong's public transport system which normally accounts for more than 40% of all trips made on public transport each day. The railways normally carry more than 5.5 million passenger trips daily. However, owing to the outbreak of coronavirus and therefore the introduction of various measures including suspension of schools, promoting working from home arrangements and social distancing, the railway patronage is now short of 3 million passenger trips daily.

3. To assist the vast number of railway commuters, which consists of practitioners of basically all trades and sectors of the community, the MTR Corporation Limited (MTRCL) would top up the current 3.3% fare concession being provided, to a 20% fare concession during 1 July 2020 to 1 January 2021. This would benefit all passengers who use Octopus cards. Frequent travelers who purchase Monthly Pass Extras and MTR City Saver would also enjoy a flat reduction of \$100.

4. The MTRCL is no less affected by the pandemic, with a significant drop of patronage and decline of its other businesses. The Government would provide financial assistance to the MTRCL in providing the abovementioned fare concession, on a 50:50 matching basis.

PTFSS

5. Since 1 January 2020, the PTFSS has been enhanced by increasing the subsidy rate from one-fourth to one-third of public transport expenses in excess of \$400 and raising the subsidy cap from \$300 to \$400 per month per Octopus. However, with the economic activities hard hit by coronavirus pandemic over the past few months, the general public start to suffer from unemployment and underemployment during this difficult time. Also, the number of commuters has been greatly reduced due to the need to contain coronavirus pandemic through social distancing. While the policy objective of PTFSS is to relieve fare burden of commuters with relatively high public transport expenses, we propose to adopt a special measure to temporarily relax the monthly threshold of monthly public transport expenses from \$400 to \$200 for a time-limited period of six months between July 2020 and December 2020 with a view to supporting more general public during and after the pandemic.

6. During the six-month period of the temporary relaxation threshold of PTFSS, the Government will provide a subsidy amounting to one-third of the actual public transport expenses in excess of \$200, subject to a maximum of \$400 per month per Octopus. The estimated number of beneficiaries will increase from around 2.2 million to around 3.8 million while the estimated average monthly subsidy amount per beneficiary will also increase from \$75.7 to \$99.9 for the six-month period.

Financial implications

7. The total amount of revenue foregone for the MTRCL is estimated to be \$1.6 billion. The Government will share out half of the amount, i.e. \$0.8 billion, while the MTRCL will shoulder the other half.

8. The temporary enhancement of PTFSS would be funded by saving in the original funding of PTFSS due to lower than expected patronage. No additional funding is required from the Anti-epidemic Fund.

/Urgency

Urgency

9. To assist MTRCL in providing the fare concession to benefit the vast number of railway passengers, the funding should be ready as soon as possible.

Implementation

10. The 20% fare concession will take place during 1 July 2020 – 1 January 2021. MTR fares will return to normal with effect from 2 January 2021.

11. We aim to implement the temporary enhancement of PTFSS in July 2020, so that the beneficiaries could collect the enhanced subsidy from mid August 2020 onwards.

**Six-month Unemployment Support
under the Comprehensive Social Security Assistance Scheme**

Policy Bureau : Labour and Welfare Bureau
Implementation : Social Welfare Department

Objective

It is our objective to provide timely and basic financial support for grassroots households, in particular those facing unemployment, to weather the deteriorating economic and employment conditions as a result of the COVID-19 epidemic.

Brief description

2. The Comprehensive Social Security Assistance (CSSA) Scheme has been serving as the safety net for those who cannot support themselves financially to meet their basic needs. This important function is particularly visible during economic downturns. Having regard to the experience of the SARS outbreak in 2003 and the financial tsunami in 2008, we expect there would be a significant increase in CSSA caseloads in the coming months. As a matter of fact, the Social Welfare Department (SWD) received a total of 2 800 CSSA applications in February 2020, which represented a 15% increase as compared with February 2019. Of note, the applications from the unemployment category increased by a rather staggering 102% from February 2019.

3. While the CSSA Scheme will continue to effectively perform its safety net function, having considered the unprecedented adverse impact of the COVID-19 epidemic on the economy, the Government will implement a time-limited unemployment support scheme under the CSSA framework to enable early and basic assistance for the unemployed during such difficult times. Specifically, SWD will relax the CSSA asset limits for able-bodied applicants by 100% for six months. For example, the asset limit for an able-bodied singleton applicant will increase from \$33,000 to \$66,000 during this six-month period, while the limits for households with four-or-more able-bodied recipients will be raised from \$88,000 to \$176,000. SWD will process the relevant applications according to the established arrangements. For instance, under the existing CSSA arrangements, the value of an owner-occupied residential property of households with able-bodied persons only will be disregarded for a grace period of 12 months. This facilitation arrangement will also apply to applicants under the proposed scheme.

4. For financial planning purpose and having regard to the recent increasing trend of CSSA cases, it is roughly estimated that the six-month support scheme would benefit an additional 40 000 households, or 100% increase in able-bodied caseload from February 2020.

Financial implications

5. The total expenditure for the proposed time-limited special arrangement is estimated to be about \$3,520 million. This involves the engagement of additional staff to ensure smooth implementation of the proposal, as well as the payments and provision of employment support services for the newly eligible able-bodied recipients, plus 10% of the proposed financial provision as contingency.

Urgency

6. Grassroots households are facing unemployment or a drastic drop of income as a result of the rapidly deteriorating economic and employment conditions amid the COVID-19 epidemic. With the unemployment rate expected to further increase, it is necessary to put in place the proposed time-limited support scheme to enable fast-track disbursement to these households as soon as practicable.

Implementation

7. Subject to the timely approval of the Legislative Council, the increased CSSA asset limits for able-bodied persons will take effect from 1 June to 30 November 2020, i.e. the CSSA asset limits will be restored to the existing levels starting from 1 December 2020.

Further Enhancements to the SME Financing Guarantee Scheme

Policy Bureau : Commerce and Economic Development Bureau
Implementation : HKMC Insurance Limited

Objective

To help ease the cash flow problem of Hong Kong enterprises which have been severely hit by the COVID-19 infections by enhancing the various loan guarantee products under the SME Financing Guarantee Scheme (SFGS).

Brief description

2. The Hong Kong Mortgage Corporation Limited (HKMC)¹ launched the market-based SFGS on 1 January 2011 with a view to helping Hong Kong enterprises, particularly small and medium enterprises (SMEs), to obtain financing to meet their needs. In May 2012, the Government provided a total loan guarantee commitment of \$100 billion for the HKMC to launch the special concessionary measures under the SFGS by providing 80% guarantee on loans at a substantially reduced guarantee fee (the 80% Guarantee Product).

3. Since 2018, various enhancements have been implemented to the 80% Guarantee Product, including reducing the annual guarantee fee rates by 50%, increasing the maximum loan amount per enterprise from \$12 million to \$15 million; and lengthening the maximum loan guarantee period from 5 years to 7 years. The application period of the 80% Guarantee Product and the associated enhancement measures have also been extended to 30 June 2022.

4. In December 2019, we further introduced the 90% Guarantee Product under the SFGS, aiming to help smaller-sized enterprises and businesses with relatively less operating experience and professionals seeking to set up their own practices. The Government provides a total loan guarantee commitment of \$33 billion for the 90% Guarantee Product, with an application period up to 30 June 2022. The maximum loan amount is \$6 million per enterprise, and the maximum loan period is five years.

/5.

¹ To cope with the business development of the HKMC, effective from 1 May 2018, the SFGS business has been transferred to and carried out by the HKMC Insurance Limited (HKMCI), a wholly owned subsidiary of the HKMC.

5. On 20 March 2020, we sought approval from the Finance Committee (FC) for a Budget initiative to introduce a concessionary low-interest² loan under the SFGS, for which the Government will provide 100% guarantee for approved loans. Loan applicants need to provide proofs that they have suffered at least a 30% decline in sales turnover in any month since February 2020 compared with the monthly average of any quarter in 2019. The application period will be for six months from launch, which may be reviewed and extended if necessary. The Government will provide a total loan guarantee commitment of \$20 billion, with an expected maximum expenditure of \$5.625 billion. The maximum loan amount per enterprise is up to the total amount of employee wages and rents for six months, or \$ 2 million, whichever is the lower; and the maximum loan period is three years. We aim to launch the Special 100% Guarantee Product within April 2020.

6. With the rapid deterioration of the business environment following the outbreak and spread of the COVID-19, there is an urgent need for the Government to further enhance the various loan guarantee products under the SFGS to provide our enterprises with the much needed financial support to ease their cash flow problems in the following ways –

- (a) for the 80% Guarantee Product, to –
 - (i) increase the maximum loan amount per enterprise from \$15 million to \$ 18 million;
 - (ii) provide, for a one-year period, interest subsidy for the loans at a level so as to bring the interest rate per annum on par with that of the Special 100% Guarantee Product (i.e. 2.75 % at the moment) subject to a subsidy cap of 3%; and
 - (iii) extend, for a one-year period, the eligibility criteria to cover publicly listed companies in Hong Kong subject to personal guarantee by individual shareholder(s) directly or indirectly holding more than 50% of the equity interest of the enterprise;
- (b) for the 90% Guarantee Product, to –
 - (i) increase the maximum loan amount per enterprise from \$6 million to \$8 million;

/(ii)

² Means an interest rate of the Hong Kong Prime Rate as specified by HKMC from time to time minus 2.5% per annum (or equivalent).

- (ii) provide, for a one-year period, interest subsidy for the loans at a level so as to bring the interest rate per annum on par with that of the Special 100% Guarantee Product (i.e. 2.75 % at the moment) subject to a subsidy cap of 3%; and
 - (iii) extend, for a one-year period, the eligibility criteria to cover publicly listed companies in Hong Kong, subject to personal guarantee by individual shareholder(s) directly or indirectly holding more than 50% of the equity interest of the enterprise;
- (c) for the Special 100% Guarantee Product, to –
- (i) increase the total guarantee commitment from \$20 billion to \$50 billion;
 - (ii) increase the maximum loan amount per enterprise from \$2 million to \$4 million;
 - (iii) extend the application period from 6 months to 12 months; and
 - (iv) provide the option for principal moratorium for the first 12 months instead of first 6 months.

7. The application period for the enhancement measures for the 80% and 90% Guarantee Products will last for 12 months from launch.

8. The SFGS is targeted at local non-listed business enterprises, covering all sectors. With the enhancements in paragraph 6 (a) and (b) above, publicly listed companies can also make use of the scheme to help solve their cash flow problems. In addition, for the enhancements to the 80% and 90% Guarantee Products, some 6,500 business enterprises which have ongoing loans under the SFGS³ will immediately benefit from the interest subsidy and the increased loan caps. Though the number of additional beneficiaries will depend on the financing needs of enterprises, we estimate that the remaining guarantee commitment can cover an addition of about 20,000 business enterprises. For the Special 100% Guarantee Product, with the increase of guarantee commitment from \$20 billion to \$50 billion, we estimate that a total of about 20,000 to 50,000 enterprises can benefit from the Product.

/Control

³ As of end February 2020, a total of about 10,000 enterprises have joined the SFGS (80% and 90% Guarantee Products) since its launch in 2012.

Control and safeguard mechanism

9. The control and safeguard measures under the three guarantee products of the SFGS will remain intact. As the 80% and 90% Guarantee Products will be opened for application by local publicly listed companies for a one-year period, the current requirement of provision of personal guarantee by individual shareholder(s) directly or indirectly holding more than 50% of the equity interest of non-listed companies will equally apply to loan applicants who are listed companies during the one-year period.

Financial implications

10. The additional financial guarantee commitment and estimated expenditure are set out below –

- (a) for the 80% Guarantee Product – estimated expenditure of \$2.15 billion;
- (b) for the 90% Guarantee Product – estimated expenditure of \$1.1 billion; and
- (c) for the Special 100% Guarantee Product – additional guarantee commitment of \$30 billion and estimated expenditure of \$8.44 billion.

11. In view of the volatile market situation, the number of loan applications for the various guarantee products under the SFGS and the loan amounts sought can fluctuate. In order to allow HKMCI the flexibility to provide loan guarantees to enterprises with differing needs, we propose that the approval of the FC be given for HKMCI to use the financial commitments approved⁴ and to be approved under the three guarantee products interchangeably, on condition that the Government's total commitment for guaranteeing loans under the SFGS will remain within \$183 billion, i.e. the sum of the additional commitment of \$30 billion proposed in paragraph 10(c) above and the total approved commitment of \$153 billion.

/12.

⁴ The loan guarantee commitments approved by the FC for the 80% Guarantee Product, 90% Guarantee Product and Special 100% Guarantee Product are \$100 billion, \$33 billion and \$20 billion respectively (vide FC papers FCR(2012-13)12, FCR(2019-20)39 and FCR(2019-20)48).

12. As a corollary, the estimated maximum expenditure approved⁵ and to be approved under the three guarantee products of the SFGS can also be disbursed interchangeably, on condition that the Government's total estimated expenditure for the three guarantee products of the SFGS will remain within \$33.72 billion, i.e. the sum of the total additional expenditure of \$11.69 billion as set out in paragraph 10(a)-(c) above and the total approved maximum expenditure of \$22.03 billion.

Urgency

13. With the rapid downturn or even total halt in business activities due to the COVID-19 infections, many SMEs are fighting hard for survival. If the cash flow problem cannot be resolved immediately, large-scale business closures and layoffs may ensue. There is an urgent need to enhance our support for our enterprises during this extremely difficult period.

Public consultation

14. We briefed the Trade and Industry Advisory Board (TIAB)⁶ on the proposed enhancements to the SFGS on 9 April 2020. TIAB members in general expressed support, and urged an early implementation of the proposals.

15. Apart from extending the period of principal moratorium from 6 months to 12 months under the Special 100% Guarantee Product, there is a common request from the trade that banks should proactively offer such option to loan applicants under the 80% and 90% Guarantee Products⁷. To facilitate the banks to do this, we would extend the guarantee period of loans which have reached the maximum loan period of 7 years or 5 years respectively under the 80% and 90% Guarantee Products to also cover the period granted for principal moratorium.

/Implementation

⁵ The maximum expenditure approved by the FC for the 80% Guarantee Product, 90% Guarantee Product and Special 100% Guarantee Product are \$11 billion, \$5.4 billion and \$5.625 billion respectively (vide the FC papers mentioned in Footnote 4 above).

⁶ TIAB is established to advise the Secretary for Commerce and Economic Development on matters affecting Hong Kong's trade and industry.

⁷ Starting from September 2019, borrowers under the 80% Guarantee Product may apply to their lending institutions for principal moratorium of up to 12 months in total. The same arrangement was introduced under the 90% Guarantee Product when the product was launched in December 2019.

Implementation

16. HKMCI will immediately liaise with the banks on the implementation details once the enhancement measures are announced, with a view to rolling out the new measures as soon as possible.

**Deferral of loan repayment for two years
by self-financing post-secondary institutions under the Start-up Loan
Scheme, international schools, and student loan repayers**

Policy Bureau : Education Bureau (EDB)

**Implementation : EDB and the Working Family and Student Financial
Assistance Agency (WFSFAA)**

PURPOSE

It is proposed to grant a one-off interest-free deferral of loan repayment for a period of two years to –

- (a) self-financing post-secondary institutions which have taken out loans under the Start-up Loan Scheme (SLS)¹ administered by the Education Bureau (EDB);
- (b) three non-profit making international schools with loans due to the Government²; and
- (c) student loan repayers of the means-tested and non-means-tested student financial assistance (SFA) schemes for tertiary students (except those defaulters on whom legal recovery actions have been taken),

with a view to easing their cash flow concerns amidst the epidemic of COVID-19. This note sets out the proposed implementation arrangements for the approval by the Finance Committee of the Legislative Council (FC).

/JUSTIFICATIONS

¹ In July 2001, FC approved a commitment of \$5,000 million for the introduction of the SLS vide FCR(2001-02)30 to provide interest-free loans to non-profit-making institutions offering full-time locally accredited self-financing post-secondary programmes. Loans borrowed under the SLS can be used for purchasing, renting or building campuses, as well as basic refurbishment and equipment. FC also approved twice the increase in the commitment for the SLS up to \$9,000 million in total in February 2010 and May 2012 respectively.

² To facilitate the development of the international school sector, it is an established policy of the Government to provide capital assistance in the form of interest-free loan for the construction of school premises to non-profit-making international school operators allocated with greenfield sites on an application basis. Details of the policy have been set out in the LegCo Brief (Ref EMBCR15/581/94 III) issued to Members in October 1995. The three loans concerned were approved by FC in 2012 vide FCR(2012-13)15, FCR(2012-13)28 and FCR(2012-13)40.

JUSTIFICATIONS AND IMPLEMENTATION ARRANGEMENTS

A. Self-financing post-secondary institutions

2. In view of the imminent economic downturn arising from the epidemic, the donation income from the private sector, which is an important source of income for the self-financing post-secondary education sector, is expected to be severely affected. The financial pressure on the borrowing institutions to repay their outstanding loans under the SLS may jeopardise the quality of teaching and learning, which is not conducive to upholding the quality of self-financing post-secondary education especially when institutions are expected to invest more in technological solutions to implement e-learning amid the epidemic.

3. As at 4 April 2020, 40 loans taken out by self-financing post-secondary education institutions totalling about \$7,680 million have been approved under the SLS. A total of 13 borrowing institutions (including five self-financing arms of the University Grants Committee-funded universities, the self-financing arm of the Vocational Training Council, and seven other independent self-financing institutions) still have outstanding loan repayments, amounting to a total of about \$3.3 billion. Details of the loans are set out in Annex A. Deferring the loan repayments under the SLS for two years will ease the cash flow burden for these institutions in this challenging time.

Annex A

4. Subject to FC's approval, EDB will invite all borrowing institutions to indicate, within a month, whether they wish to accept the deferral arrangement. Should the arrangement be accepted, the repayment schedule for the loan concerned would be deferred for two years with effect from the implementation date. The existing terms applicable to the loan concerned will be amended correspondingly.

Financial implications

5. Given that the proposal is a deferral of repayment schedule, no additional financial commitment will be required. Assuming that all borrowing institutions accepted the deferral arrangement, the total loan repayment of about \$889 million would be deferred by two years. The financial implications of the proposal will be a two-year deferral of return of the interest on the loans to the Government for investment purposes. Taking into account the investment opportunities foregone, the financial implications are estimated to be about \$204 million.

/B.

B. International schools

6. The Government is committed to supporting the development of a vibrant international schools sector so as to meet the demand for school places from non-local families living in Hong Kong/coming to Hong Kong for work or investment. This policy objective is crucial in sustaining Hong Kong as an international financial and business centre. Whilst international schools are private schools operating on a self-financing and market-driven principle, the Government has been supporting the development of the sector by providing greenfield sites or vacant school premises for international schools via School Allocation Exercises when there is a projected shortage of such school places and by providing interest-free loans to non-profit-making international school operators, on an application basis, for the construction of new school buildings on greenfield sites allocated or for extension purposes. The loan is capped at 100% of the cost for constructing a standard-design public sector school accommodating the same number of students.

7. At present, three loans for developing international schools, namely, Kellett School, Hong Kong Academy and Harrow International School (Hong Kong), with a repayment period of ten years have yet to be fully repaid. Details of the loans drawn are set out in Annex B.

Annex B

8. In view of COVID-19 infection, international schools are facing unprecedented challenging times as schools are required to have their classes suspended since late January 2020. On the revenue side, tuition fee is the major income source for schools and it has been severely impacted. The epidemic development and class suspension have resulted in a much higher than normal attrition rates of non-local students as many have moved back to their hometowns with their families. There is great uncertainty if these families will be relocated back to Hong Kong in the coming school year or so. Also, international schools have received much fewer applications for school places in the 2020-21 school year compared with previous years. On the cost side, major items such as expenses on staff and contractors could not be easily adjusted in the short term in view of contractual obligations and the importance of maintaining a steady school environment. With the significant drop in revenue, schools have found their earlier financial planning for operations significantly impacted.

9. It is important to maintain a stable international school sector so that demands for international school places from non-local families could be met when the infection situation subsides and the economy re-bounces. We therefore propose offering a loan repayment holiday of two years with the loan settlement date

/deferred

deferred by the same period to the three international schools mentioned in paragraph 7 above as a relief measure to help them tide over this difficult period. The proposed relief measure is useful in helping the schools to delay large outlays so as to allow sufficient time for the schools to implement appropriate cost control measures, and revise its financial planning for the years ahead.

10. Subject to FC's approval, we will invite the three international schools to indicate, within a month's time, whether they wish to accept the two-year loan repayment holiday. Should the offer be accepted, we will proceed with the execution of a deed of variation with each of the schools for the respective loan deeds to effect the repayment holiday.

Financial implications

11. As the loans are interest-free, there will be no interest foregone. However, the deferral of 24 monthly repayments (a total of about \$5.3 million per month for the three loans) during the repayment holiday beyond the original loan settlement dates (i.e. August/November 2024) would result in a deferral of return of the said amount back to the Loan Fund for investment purposes. Taking into account the investment opportunities foregone, the financial implication for the proposed repayment holiday is estimated to be about \$18 million.

C. Student loan repayers under various SFA schemes

12. Currently, there are five SFA schemes for tertiary students administered by the Student Finance Office of the Working Family and Student Financial Assistance Agency (WFSFAA), i.e. two means-tested assistance schemes, namely the Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS) and Financial Assistance Scheme for Post-secondary Students (FASP); and three non-means-tested loan schemes, namely the Non-means-tested Loan Scheme for Full-time Tertiary Students (NLSFT), Non-means-tested Loan Scheme for Post-secondary Students (NLSPS) and Extended Non-means-tested Loan Scheme (ENLS).

13. For means-tested loans, the interest rate is currently set at 1% per annum, which is charged upon loan repayment. For non-means-tested loans, the current interest rate of 1.106% per annum is derived based on a non-gain-no-loss principle and comprises a risk-adjusted-factor (RAF) rate, which has been reduced from 1.5% to zero since the 2012/13 academic year as one of the relief measures to ease the repayment burden of student loan borrowers. Interest is charged upon loan drawdown. An annual administrative fee at \$180 is charged upon application until full repayment of loans.

14. Following the implementation of a package of improvement measures to student loan schemes in June 2012, the standard repayment period of both means-tested and non-means-tested loans are set at 15 years. Student loan borrowers who have proven difficulties (due to financial hardship, further studies or serious illness) can apply to defer repayment of their loans without interest up to a maximum of two years. For these students, the repayment period can be up to 17 years.

Annex C

15. A breakdown of the types of loan repayers and the amount of loans is provided at Annex C.

16. In view of the deteriorating economic and employment conditions as a result of the epidemic, student loan borrowers may face difficulties in seeking employment (especially those young graduates) and/or having a drastic drop of income. It is proposed to offer a two-year loan repayment holiday to borrowers of all means-tested student loans and non-means-tested loans to ease their cash flow burden from 1 April 2020 to 31 March 2022 (“referred to as “suspension period” hereunder). During the suspension period, they will not need to repay their loan installments and interests. No interest will be accrued during this period and their repayment period will be extended accordingly.

17. The proposed arrangement will be applicable to loan borrowers with active loan repayment accounts of all the five student loan schemes (i.e. TSFS, FASP, NLSFT, NLSPS and ENLS), as well as those with new repayment accounts that will be activated during the suspension period.

18. Under the existing arrangements, fresh graduates are given a choice to defer the commencement of their loan repayments for one year upon graduation. Such deferment is interest-free for means-tested loans and interest-bearing for non-means-tested loans. Following the implementation of the proposed initiative, fresh graduates, as with existing repayers, will be able to have interest-free deferment of loan repayment during the suspension period. For those graduates who have started the one-year deferment before the suspension period, they will be offered an option for a deferral of the loan repayment for the remaining months after the suspension period, but interest will be charged for the period after the lapse of the suspension period for non-means-tested loans. For those graduates who would have the one-year deferment commenced during the suspension period, they will be offered, upon expiry of the suspension period, an option for a further deferral of the commencement of their loan repayment to a full period of one year.

19. For loan repayers who have already applied for deferment of loans under the existing arrangement, their existing deferment period will be superseded by the suspension period. Upon expiry of the suspension period, they may apply for further deferment on the grounds of financial hardship, further full-time studies or serious illness, up to the remainder of their original deferment period.

20. As for defaulters, there are currently around 10 800 defaulters³. For those defaulters on whom legal recovery actions have not yet been taken, we propose that the interest-free deferment of loan repayment be applied to them, same as with existing repayers. However, for cases on which legal recovery actions have been taken (including cases referred to the Department of Justice, filed to the Small Claims Tribunal or issued with Bankruptcy Order or under Individual Voluntary Arrangement (a total of around 7 000 defaulters)), given the legal implications, they will be excluded from the proposed deferral.

21. Subject to FC's approval, WFSFAA will issue notification letters to the loan repayers concerned to inform them of the deferral arrangement. Given the large number of loan repayers involved, to save the administrative work, only those loan repayers who choose to opt out from the deferral arrangement and continue repaying their loans and interest according to their original repayment schedules will be required to reply to WFSFAA within eight weeks.

22. As part and parcel of the relief measure, we also propose to waive the annual administrative fee of \$180 charged on the non-means-tested loan repayers during the suspension period. The RAF rate for setting the interest rate for non-means-tested loans is also proposed to be maintained at zero.

Financial implications

23. Assuming that no student loan repayer will opt out from the deferral arrangement, the total loan repayment of about \$2,712 million would be deferred by two years. Taking into account the administrative fee (for non-means-tested repayers) waived during the suspension period and the investment opportunities foregone, the financial implications are estimated to be about \$241 million. Another \$2 million will be required for system enhancement.

/NEXT

³ Defaulters are loan repayers who have failed to repay two or more consecutive quarterly instalments or six or more consecutive monthly instalments.

NEXT STEPS

24. In order to implement the proposed deferral of loan repayment, we need to secure FC's approval on relaxing certain prevailing terms and conditions in relation to repayments under the SLS, loans for international schools, as well as SFA schemes as endorsed by FC before –

- (a) For SLS, in May 2008⁴, FC approved that loans granted in or before May 2008 would be eligible for an extension of the repayment period to no more than 20 years, subject to proven financial difficulty of the borrowing institutions and the payment of interest at the no-gain-no-loss (NGNL) rate after the interest-free period of the first ten years. In February 2010, FC further approved⁵ the extension of the loan repayment period to no more than 20 years for institutions borrowing loans after May 2008 for constructing new college premises, subject to proven financial difficulties, payment of first five repayment instalments and interest at the NGNL rate after the interest-free period of the first 10 years. In order to provide a two-year deferral to institutions as proposed, we will need to seek FC's approval;
- (b) For loans to international schools, when we sought the approval of FC for the loan applications in 2012, the concerned FC papers set out that the loans are repayable in ten years and that the first installment of repayment would become due one year after the drawdown. As the proposed provision of repayment holiday would involve an extension of the loan repayment period beyond ten years, FC's approval is required for extending the loan period;
- (c) For student loans, FC approved in June 2012⁶ that student loan borrowers who have difficulty in repaying their loans (e.g. on ground of financial hardship) could apply for deferral of loan repayment for a maximum of two years, and hence the extended loan repayment period could be up to 17 years. FC's approval is sought to relax the maximum loan repayment period from 17 years to 19 years, as well as the requirement for a loan borrower to apply for deferral of loan repayment. FC's approval is also sought to waive the administrative fee of \$180 charged to non-means-tested loan borrowers⁷, and keep the RAF rate at zero during the period.

/25.

⁴ vide FCR(2008-09)17

⁵ vide FCR(2009-10)53

⁶ vide FCR(2012-13)41

⁷ vide FCR(97-98)74

25. Subject to FC's approval on the above –
- (a) EDB will invite all borrowing institutions under the SLS and the three international schools to indicate, within a month's time, whether they wish to accept the two-year loan repayment holiday; and
 - (b) WFSFAA will issue notification letters to student loan repayers concerned to inform them of the two-year loan repayment holiday. Only those who choose to opt out will be required to reply to WFSFAA within eight weeks.

Annex A to Enclosure G

**List of Outstanding Loans under the Start-up Loan Scheme
(as at 4 April 2020)**

No.	Applicant	Operator	Use of Loan	Approved Loan Amount (\$)	Outstanding Loan Amount (\$) (Note)	Date of Final Repayment
1.	The University of Hong Kong [*]	HKU School of Professional and Continuing Education	Purchasing and renovating commercial premises in North Point	176,124,000	8,128,800	March 2022
2.	Lingnan University [*]	The Community College at Lingnan University	Constructing new buildings at the Tuen Mun campus	205,735,000	27,431,327	April 2024
3.	The University of Hong Kong [*]	HKU School of Professional and Continuing Education	Constructing a new campus in Kowloon Bay	279,256,000	86,879,642	September 2026
4.	Hong Kong Baptist University [*]	School of Continuing Education	Constructing a new campus in Shek Mun	359,200,000	111,751,105	February 2027
5.	Caritas – Hong Kong [*]	Caritas Bianchi College of Careers	Constructing a new campus in Tseung Kwan O	188,000,000	84,600,000	January 2029
6.	The Hong Kong Polytechnic University [*]	Hong Kong Community College and The Hong Kong Polytechnic University	Constructing a new campus in Hung Hom	424,714,000	191,121,300	November 2028
7.	The Chinese University of Hong Kong – Tung Wah Group of Hospitals Community College ^{*#}	The Chinese University of Hong Kong – Tung Wah Group of Hospitals Community College	Constructing a new campus in Mongkok	346,050,000	107,660,000	January 2027

No.	Applicant	Operator	Use of Loan	Approved Loan Amount (\$)	Outstanding Loan Amount (\$) (Note)	Date of Final Repayment
8.	The Hong Kong Polytechnic University*	Hong Kong Community College and The Hong Kong Polytechnic University	Constructing a new campus in West Kowloon	458,100,000	229,050,000	September 2029
9.	HKCT Group Limited	Hong Kong College of Technology	Renovating a vacant government premises in Ma On Shan	29,000,000	2,900,000	December 2020
10.	Chu Hai College of Higher Education	Chu Hai College of Higher Education	Constructing a new campus in Tuen Mun	350,000,000	245,000,000	July 2026
11.	The Open University of Hong Kong	The Open University of Hong Kong	Constructing a new campus in Ho Man Tin	317,000,000	126,800,000	February 2024
12.	Hang Seng School of Commerce	Hang Seng Management College	Constructing new buildings at the Siu Lek Yuen Campus	308,000,000	92,400,000	February 2023
13.	The Chinese University of Hong Kong	School of Continuing and Professional Studies	Renovating a vacant government premises in Tseung Kwan O	40,000,000	12,000,000	February 2023
14.	Caritas – Hong Kong	Caritas Institute of Higher Education	Constructing a new campus in Tseung Kwan O	300,000,000	210,000,000	February 2027
15.	Vocational Training Council	Technological and Higher Education Institute of Hong Kong	Constructing a new campus in Chai Wan	670,000,000	536,000,000	October 2027
16.	Hong Kong Arts Centre	Hong Kong Art School	Renovating the Chai Wan and Shau Kei Wan campuses	2,500,000	1,000,000	January 2024

No.	Applicant	Operator	Use of Loan	Approved Loan Amount (\$)	Outstanding Loan Amount (\$) (Note)	Date of Final Repayment
17.	Hang Seng School of Commerce	Hang Seng Management College	Constructing an academic and administration building, a sports and amenities centre, and student hostels at the Siu Lek Yuen Campus	800,000,000	560,000,000	September 2026
18.	HKCT Group Limited	Hong Kong College of Technology and HKCT Institute of Higher Education	Renovating a vacant government premises in Ma On Shan	30,000,000	18,000,000	October 2025
19.	Chu Hai College of Higher Education	Chu Hai College of Higher Education	Constructing a new campus and student hostels in Tuen Mun East	250,000,000	200,000,000	April 2028
20.	The Open University of Hong Kong	The Open University of Hong Kong	Constructing a new campus in Ho Man Tin	400,000,000	400,000,000	Subject to the date of final drawdown
				Total	3,250,722,174	

Note: Outstanding loan amount refers to the approved loan amount (i.e. including the amount approved but not yet disbursed to institutions) less repayment from institutions.

* Loans with approval granted for extending the loan repayment period from 10 years to 20 years, subject to the payment of interest at the NGNL rate after the interest-free period of the first 10 years.

Transfer of loan to Tung Wah Group of Hospitals was approved by the EDB in July 2012.

Annex B to Enclosure G

Interest-free Loans to Non-profit Making International Schools

<u>School</u>	<u>Total Loan amount</u>	<u>Monthly instalment</u>	<u>Loan settlement date</u>
Kellett School	\$ 204M	\$ 1.7M	Nov 2024
HK Academy	\$ 158M	\$ 1.3M	Aug 2024
Harrow International School (Hong Kong)	\$ 273M	\$ 2.3M	Nov 2024

Annex C to Enclosure G**Loan Repayers under Student Financial Assistance Schemes**

	No. of Repayers	Amount of Outstanding Principal
1. Existing loan repayers excluding defaulters –	165 000	\$9,600M
(a) Means-tested loan	42 000	\$2,000M
(b) Non-means-tested loan	123 000	\$7,600M
2. New loan repayers with accounts to be activated for repayment during suspension period –	40 000	\$4,000M
(a) Means-tested loan	10 000	\$1,000M
(b) Non-means-tested loan	30 000	\$3,000M
3. Existing defaulters –	10 800	\$508M
(a) Not yet under legal recovery actions	3 800	\$203M
(b) Cases under legal recovery actions	6 700	\$296M
(c) Cases under Bankruptcy Order/Individual Voluntary Arrangement	300	\$9M

**Deferral of loan repayment and waiving the interest for one year for
borrowers of Fisheries Development Loan Fund**

Policy Bureau : Food and Health Bureau (FHB)

**Implementation : Agriculture, Fisheries and Conservation Department
(AFCD)**

Objective

It is our objective to provide financial relief to loan borrowers of the Fisheries Development Loan Fund (FDLF) amidst the COVID-19 pandemic.

Brief description

2. Owing to the COVID-19 pandemic, fishing operations in Mainland waters have been suspended for more than one month after the Chinese New Year as the Mainland fishing deckhands are restricted to resume work under the anti-epidemic measures on the Mainland. Moreover, the annual fishing moratorium in the South China Sea will commence in May and last for three and a half months. The combined effects of the above have caused great operational difficulties to these fishing vessels. We anticipate that the income of the fishermen will be adversely affected this year and over 100 loan borrowers of FDLF¹ will have genuine difficulties in repaying the loans (both principal and interest) as pledged. Most of them have taken out a loan for construction of a better equipped vessel for operating in more distant waters in the Mainland after the implementation of trawl ban in Hong Kong.

3. In view of the above, it is proposed to grant a one-off interest-free deferral of loan repayment for a period of one year to loan borrowers of FDLF with a view to helping them tide over the period, easing their financial hardships amidst the COVID-19 pandemic. During the period, they will not need to repay their loan instalments and interests. No interest will be accrued during this period and their repayment period will be extended accordingly.

/Financial

¹ In April 2012, the Finance Committee of the Legislative Council approved the provision of one-off loans under the FDLF to owners of trawlers and fish collectors affected by the trawl ban if the application was submitted on or before 31 December 2015, for upgrading their vessels to operate outside Hong Kong waters or switching to more sustainable fisheries operations and other fisheries-related operations, or for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort). The interest rate is 1% per annum for the full term of the loan tenure. There are over 100 outstanding one-off loans as at 31 March 2020.

Financial implications

4. Assuming that all borrowers will accept the above proposed arrangement, the total loan repayment of about \$100 million would be deferred by one year without any interest accrued. The financial implications of the proposal are estimated to be about **\$31 million**².

Urgency

5. Given the financial difficulties faced by FDLF loan borrowers, it is of paramount urgency and importance that the Government defer their loan repayments as soon as possible.

Implementation

6. Subject to the approval of the Finance Committee of the Legislative Council, AFCD will invite all FDLF loan borrowers to indicate, within two months' time, whether they wish to accept the one-year loan repayment holiday. Subject to their acceptance of the above, we will proceed with the execution of a deed of amendment with each of the borrower for the respective loan deeds to effect the repayment holiday.

² The Government could not earn investment return on loan repayment as a result of the one-year deferral and interest waiver for the loans.

Rental and Fee Concessions

Policy Bureau : Financial Services and the Treasury Bureau

Implementation : All relevant Bureaux and Departments

Objective

In the four rounds of helping measures launched in late 2019 and the Budget for 2020/2021, the Government has rolled out a wide range of rental concession and fee waiver initiatives to reduce the operating costs of businesses in face of the economic downturn. As COVID-19 has dealt a serious blow to a wide range of sectors, it is the Government's objective to enhance our support for businesses.

Brief description

2. Specifically, we propose to –
- (a) increase rental concessions for eligible businesses/organisations operating in and hires/tenants of government premises from 50% to 75% for the period from April to September 2020^{Note}. Businesses which have completely ceased operation (such as cross-border ferry piers and tuck shops in government schools) will receive a 100% rental waiver. The Government will urge public bodies such as the Housing Authority, the Housing Society, the Urban Renewal Authority and the Airport Authority to follow suit and appeal to landlords in the private sector to reduce rental;
 - (b) increase the rental or fee concessions from 50% to 75% in respect of eligible short-term tenancies and waivers administered by the Lands Department from April to September 2020;
 - (c) expand the scope of the enhanced 75% rental concessions and waiver fee concessions to more businesses/organisations not covered by previous rounds of helping measures, such as depots, driving schools, /regulators'

^{Note} As a corollary of the proposed increase in rental concessions for businesses operating in government premises from 50% to 75%, the rental subsidy provided to the recycling trade through the One-off Rental Support Scheme under the Recycling Fund will also increase by the same magnitude.

regulators' offices for public transport operators and advertising signboards. Short-term tenancies and waiver holders which are ordered to close or have chosen to close due to Government's closure orders or other restrictions for safeguarding public health under Cap. 599F may apply for 100% concession;

- (d) extend the 75% waiver of water and sewage charges payable by non-domestic households for another four months from August to November 2020, subject to a monthly cap of \$20,000 and \$12,500 respectively per household. This waiver is an extension of the eight months' waiver already offered; and
- (e) waive the registration/enrolment fees for some 125 000 healthcare professionals for three years starting from July 2020 in recognition of their dedication in combating COVID-19.

Financial implications

- 3. The above measures will reduce Government revenue by about \$1.3 billion.

Urgency

- 4. In view of the cashflow strain that many affected sectors are facing, the measures set out in paragraph 2 above should be put in effect as soon as possible to tide them over during this difficult period.

Implementation

- 5. The Government will implement measures set out in paragraph 2(a) to (c) above administratively, and the relevant Bureaux/Departments will inform the beneficiaries accordingly. As the measures in paragraph 2(d) and (e) above involve statutory fees and charges, we will seek approval from the Legislative Council by way of subsidiary legislation as soon as possible.

**Flexible Handling of Government Works and Non-works Contracts and
Other Development Projects**

**Policy Bureau : Development Bureau and Financial Services and the
Treasury Bureau (FSTB)**

Implementation : All relevant Government bureaux and departments

Objective

It is our objective to handle Government works and non-works contracts and other development projects flexibly with a view to easing the cash flow difficulties of the relevant contractors of the Government and addressing the challenges to timely completion of development projects arising from the outbreak of COVID-19.

Brief description

2. For works contracts, the Government will forgo liquidated damages¹ for public works contracts through granting extension of time (EOT) up to six months under the contract provisions upon receipt of applications from the contractors, save for contracts with provision for General Damages. In parallel, more frequent milestones will be introduced to government contracts where practicable and shorten payment processing time² with a view to expediting payments to contractors and consultants.

3. For non-works contracts, the Government will handle contract payment schedules in a compassionate manner while ensuring that the operational needs of the procuring bureaux/departments (B/Ds) and reasonable protection of the Government's interests are not compromised. We would encourage B/Ds to, where appropriate, provide more frequent payments, break up milestones in payment schedules into more deliverables to enable more frequent payments, and provide larger sums for upfront payments. To help contractors improve their liquidity further, the Government has urged procuring B/Ds to settle payments to contractors expeditiously upon satisfactory completion of deliverables and receipt

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¹ Arising from the outbreak of the COVID-19 only.

² For works contracts and consultancies, although there is little room to shorten the processing time for payment which is already compressed to an extremely tight timeframe of about 21 days, works departments are encouraged to process payment applications at soonest possible.

of invoices with the required information. Procuring B/Ds have been advised to exercise maximum flexibility and do their best to compress their normal payment cycle from 30 days to two weeks, or, where possible, one week.

4. Noting that the COVID-19 epidemic has led to unforeseen circumstances which may pose additional challenges to the timely completion of development projects, the Government will offer free extension of Building Covenant (BC) period for up to six months, for leases with BC not yet discharged as at 8 April 2020. To be eligible the lessee has to submit an application, or has to have an application for BC extension already under processing as at 8 April 2020.

Financial implications

5. The implementation of the measures mentioned in paragraphs 2 and 3 above will not give rise to additional financial implications³. In respect of the measure in paragraph 4, the Lands Department (LandsD) has established practice to grant free BC extension on a case-by-case basis for unforeseen circumstances. Hitherto, the Government has been conveying to developers the message that the challenge posed by COVID-19 would be taken into account when processing such applications. A policy statement giving certainty on the grant of such free extension amid COVID-19 should therefore not be considered as giving rise to additional financial implications.

Urgency

6. In view of the cashflow difficulties of relevant Government contractors and challenges facing development projects, the measures mentioned in paragraphs 2 to 4 above would be put into effect as soon as possible.

Implementation

7. For facilitation measures related to works contracts, imposition of liquated damages can be withheld by relevant works departments immediately, pending processing of contractors' EOT applications pursuant to contract mechanism. On introducing additional milestones in Government contracts, relevant works departments can commence immediately upon negotiating with contractors and consultants.

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³ For works contracts, although the granting of EOT shall be deemed to be full compensation, some minor time-related expenses will incur as a result, which could be met by relevant project votes. For non-works contracts, the proposed facilitation measures would not involve any increase in the original contract values.

8. Separately, the FSTB has issued a memo to B/Ds to seek their assistance in implementing the facilitation measures related to non-works contracts.

9. On free extension of BC period, LandsD will issue appropriate public notice, e.g. a Practice Note to be issued by LandsD and uploaded on its website, to promulgate the detailed arrangements.

Relief measures for the aviation sector through Government facilitation

Policy Bureau : Transport and Housing Bureau

Implementation : Airport Authority Hong Kong

Objective

The impact of the global outbreak of the novel coronavirus (COVID-19) to our aviation industry is grave and pressing, resulting in massive suspension of passenger services and uncertainties in job security for workers of the aviation industry. It is our objective to provide financial support to the aviation industry for its survival and safeguard employment.

Brief description

2. The Airport Authority Hong Kong (AAHK) has introduced two rounds of relief measures in September 2019 and February 2020 amounting to \$1.6 billion. Further to that, the Government and AAHK jointly announced a package of \$1 billion on 23 March 2020 in view of the challenges the industry has to face due to the outbreak of COVID-19. However, the overall difficulties faced by the aviation industry has since continued to markedly deteriorate. The Hong Kong International Airport (HKIA) has recorded the historical low passenger record of about 1 800 on 1 April 2020. The drastic decline in passenger traffic the HKIA is experiencing merits urgent consideration in rolling out another round of relief measures.

3. Many aviation-related businesses are facing intense liquidity pressure, apart from implementing extensive cost saving measures such as overtime reduction and mandatory unpaid leave, it is noted that there are redundancy plan emerging in the airport community which can become widespread if uncertainties arising from COVID-19 continue. Apart from the earlier rounds of relief measures and the two subsidies for aviation industry, the Government has invited the AAHK to put together the following package to help the aviation sector combat the effect of the COVID-19.

4. The AAHK will directly purchasing an estimate of 500 000 air tickets from our four local airlines for giving away for free as part of the aviation sector's market recovery programme to be coordinated by the AAHK. The targeted recipients of the air tickets will include both Hong Kong residents and visitors from major markets in Asia and other regions. This initiative has two key advantages. The direct purchase of air tickets is the most straightforward way to inject the much needed liquidity for the airlines. As the validity of the air tickets will allow the tickets be used when the COVID-19 pandemic is over, it will help stimulate the passengers flow and speed up the recovery of the airlines, as well as the up and down stream supporting services. The stimulated increase in visitors will eventually benefit the whole tourism ecosystem. The purchase of the tickets, including the amount and prices, will be negotiated between AAHK and individual airlines on commercial basis, tying in with the airlines' respective business recovery and marketing plans and subject to AAHK's financial situation.

5. To tailor enhanced support to the aviation support services sector, the AAHK will offer an immediate cash flow relief to ease this acute liquidity pressure faced by these companies. The AAHK will offer a "sale-and-rent" arrangement for Ground Services Equipment (GSE) of the aviation support services operators at the HKIA, together with a rental waiver for an initial period. Aviation support services operators may participate on a voluntary basis. The arrangement seeks to help improving cash flow of these operators and to tide over this challenging period.

Financial implications

6. The total amount of funding required is estimated at **\$2,000 million**, which will be funded by AAHK.

Urgency

7. The new round of relief measures for airlines and the immediate supporting operators are timely and indispensable in easing their cashflow pressure and containing the temporary shock to our international aviation hub from becoming a long-term one.

Implementation

8. The proposals will be implemented as soon as possible subject to AAHK's financial situation and the liaison between AAHK and individual airlines and aviation support services.

Enhance the banking sector's functioning as a financing channel

Policy Bureau : Financial Services and Treasury Bureau

Implementation : Hong Kong Monetary Authority (HKMA)

Objective

It is the objective of HKMA to ensure that regulatory requirements are suitably adjusted or clarified to enable banks to lend during these rough times.

Brief description

2. The HKMA has encouraged banks to be accommodative and sympathetic to borrowers affected by the coronavirus outbreak, and to roll out specific relief measures. In response, 20 retail banks have launched various relief measures for SME and personal customers, including –

- (a) principal moratorium for SME loans and residential mortgages;
- (b) extension or rescheduling of repayment periods;
- (c) reductions to various fees and charges, e.g. credit card fees and credit card overdue charges;
- (d) provision of short-term cash and overdraft facilities; and
- (e) sector-specific measures. These include, for instance, conversion of trade financing lines into temporary overdraft facilities, and special loans to customers engaging in sectors affected by the outbreak.

3. As at end-March, 16 banks active in SME financing have approved nearly 9 000 applications for principal moratoriums, extensions of repayment schedules, contingent loans, and other supportive measures, involving over HK\$57 billion. Business sectors hard hit by the outbreak, such as transportation, import and export, retail and tourism, account for a vast portion of these approved cases (nearly 7 800 applications with total loans exceeding HK\$40 billion). For personal customers, banks have approved some 2 800 principal moratoriums for residential mortgages and relief loans, amounting to more than HK\$8 billion.

4. The HKMA met representatives from the commercial sector on 3 April 2020 to exchange views on banks' support measures and follow-up work. As the outbreak continued, the HKMA put forward a new round of initiatives to further support SMEs in addressing cash-flow pressure –

- (a) the HKMA lowered the current level of banks' regulatory reserves by 50% to release HK\$200 billion of lending capacity, providing banks with more room to cater for future financing needs;
- (b) banks have been asked to consider arrangements to automatically offer loan tenor extensions or principal moratoriums to qualified SMEs without requiring them to make an application; and
- (c) some banks would allow SME customers in the import-export and manufacturing sectors facing cash-flow pressure because of delays to shipments to further extend the repayment period of trade financing facilities. They would also consider allowing more customers to apply to convert trade financing lines into temporary overdraft facilities.

5. The HKMA has also announced on 3 April a number of measures aimed at increasing the banking sector's liquidity so that banks will have sufficient funds to support local economic activities. These include preparing to obtain US dollars from the US Federal Reserve for lending to local banks, clarifying operational aspects of the HKMA's Hong Kong dollar liquidity facilities, and explaining the supervisory expectations on liquidity regulatory requirements to encourage banks to deploy their funds more flexibly to support lending. What's more, the HKMA announced on 9 April a plan to suitably reduce the issuance size of Exchange Fund Bills in order to increase the overall Hong Kong dollar liquidity in the interbank market. The additional liquidity will help ensure continued smooth operation of the Hong Kong dollar interbank market amidst a volatile global macro environment brought about by the spread of coronavirus.

6. Meanwhile, the HKMC Insurance Limited is working with the banking industry in full steam to prepare for the special 100% Loan Guarantee under the SME Financing Guarantee Scheme announced in the Financial Secretary's Budget.

Financial implications

7. Not applicable.

/Urgency

Urgency

8. There is urgency to work with the banking industry to implement the above measures so as to provide liquidity to the businesses to ride out these difficult times.

Implementation

9. The measures in paragraphs 4 and 5 were announced in early April. For the scheme mentioned in paragraph 6, the date for some banks to start receiving applications from SMEs will be advanced to the third week of April.

Relief Measures Pursued by the Insurance Industry

Policy Bureau : Financial Services and the Treasury Bureau

Implementation : Insurance Authority and insurance industry

Objective

The objective is to provide timely support to policyholders during this challenging period.

Brief description

2. The Insurance Authority (IA) has been working closely with industry stakeholders and a package of relief measures was rolled out in February 2020 to provide timely support to policyholders. For instance, **all major insurance companies** have, on a voluntary basis, **offered grace period of premium payment for holders of individual life, critical illness and medical policies lasting from 30 days to 180 days**. The policyholders should contact their insurance companies or intermediaries to enquire about the procedures for deferment of premium payment. The Hong Kong Federation of Insurers has also launched a sitelet (<https://www.hkfi.org.hk/covid19/index.html>) to provide information about the relief measures.

Financial implications

3. Not applicable. The packages of relief measures have been launched by the insurance industry with the support of the IA. No government expenditure or revenue forgone is involved.

Urgency

4. It is desirable to facilitate policyholders of life, critical illness and medical policies to secure appropriate insurance protection amidst the COVID-19 outbreak.

Implementation

5. The package of relief measures was already rolled out in February 2020.
