(Translation)

**Minutes of the 437th Meeting of the**

**Kadoorie Agricultural Aid Loan Fund Committee (KAALFC)**

**Held at 4:00 p.m. on Thursday, 1 December 2016**

**in Room 701A, 7th Floor, AFCD Headquarters,**

**Cheung Sha Wan Government Offices, Kowloon**

**Present**

 Dr LEUNG Siu-fai, JP Chairman

 (Director of Agriculture, Fisheries and Conservation)

 Dr S T CHIU Member

 Ms Judy KIU Member

 Ms M L CHUNG Member

 Mr William LEE, JP Member

 Dr K K LIU, JP Member

 (Assistant Director (Agriculture))

 Mr T M WU Secretary

 (Agricultural Officer (Agricultural Extension) (Atg))

**In Attendance**

 Mr Alex CHEUNG Senior Treasury Accountant

Dr K W PAU Senior Agricultural Officer (Extension and Funds)

 Mr K H CHAN Senior Fisheries Officer (Fisheries Supporting Services)

 Ms Christina CHIU Official Languages Officer I

**Absent with Apologies**

 Mr Eric TAM Member

**Opening Remarks**

16/16 The Chairman welcomed everyone to the meeting.

Agenda Items

**I. Confirmation of Minutes of the Last Meeting**

17/16 The minutes of the 436th KAALFC meeting were confirmed without amendment.

**II. Discussion of KAALF Schedules and Report on Loans**

1. Schedule A1 – Cash Statement of the KAALF for the Quarter Ending 30 September 2016

18/16 Mr Alex CHEUNG reported that the total asset of the KAALF as at 30 September this year was about $15.11 million, of which the total amount of outstanding normal loans stood at about $4.39 million, involving two overdue cases. The bank balance of normal loans stood at about $10.68 million. Fixed deposits increased from about $8.98 million in the same period last year to about $9.20 million this year, with an average interest rate of around 0.66%.

19/16 Mr Alex CHEUNG continued that the total amount of outstanding special loans to mariculturists affected by red tide stood at about $1.46 million, involving four overdue cases. Senior Fisheries Officer Mr K H CHAN would report on the recovery progress later.

1. Schedule A2 – Summary of Outstanding Loans of the KAALF for the Quarter Ending 30 September 2016
2. Normal Loans

20/16 Dr K W PAU reported that as at 30 September this year, there were a total of 47 outstanding normal loans involving about $4.39 million. The number of overdue cases dropped from four in the same period last year to two this year, involving about $58,000. An overdue case of $1,000 involved a farmer, who had repaid the outstanding amount in September this year. We would continue to recover the outstanding interest totalling about $2,000.

21/16 Mr K H CHAN reported that there were currently two overdue cases of fisheries loans. One of the cases involved a mariculturist, and the outstanding principal was $20,000. The case had been referred to the Department of Justice (D of J) for follow-up. In response to the Department’s enquiry, D of J advised that in February and September this year, the borrower and the guarantor had been served a reminder in writing again for repayment. As for another case involving pond fish farmers, the outstanding principal currently stood at about $38,000 on the accounting records. Given that the borrower had already repaid $5,000 to D of J, which would later return the sum to the KAALF, the actual outstanding amount was only $33,000. The borrower had repaid $1,000 each month according to the repayment schedule.

1. Special Loans Issued to Mariculturists Affected by Red Tide

22/16 Mr K H CHAN pointed out that one-off special loans were funded by the government and granted under the Scheme established in 1998 to mariculturists affected by the red tide that occurred in the same year. As at 30 September this year, there were four overdue cases, in which four borrowers had jointly and severally covenanted to repay the loans, involving about $1.46 million. The four cases had been followed up by D of J, and the initial amounts of loans were $1.54 million in total. However, all four of the borrowers had gone bankrupt, and the bankruptcy orders had been discharged in 2006 to 2012. At the beginning, three fishing vessels were used as security for the four loans. While pursuing the outstanding amounts, it was confirmed by the Marine Department (MD) that one of the vessels had sunk already; another one had been auctioned by the Bailiff, but after deducting the administrative cost, the proceeds were not sufficient to settle the outstanding amounts; as for the third one, its whereabouts had been unknown all along, and no applications for licence renewal had been made to MD throughout the years. Apart from the three vessels, there was also a guarantor of the loans, who had, nonetheless, already passed away in 2005. After D of J had noticed that there were individuals who intended to administer the deceased’s estate, it tried to contact their legal representatives, but received no response. Recently, the Department enquired D of J again, which recommended the Department to consider writing off the four loans. D of J’s two major considerations were: firstly, the bankruptcy orders of the borrowers of the four loans had been discharged already; and secondly, the only guarantor of the loans had passed away in 2005, more than 10 years ago, but no-one had ever formally applied to administer the deceased’s estate. All along, D of J had taken a prudent approach, hoping to recover the outstanding amounts, but now it held that the chance of recovering the outstanding amounts was indeed minimal, thus recommended writing off the four loans. In the past years, the Department had also been reporting the updates on the follow-up to the four cases. As the principal of the four loans totalled $1.46 million, it was required to apply to the Secretary for Financial Services and the Treasury for writing off the amounts. Moreover, since the four loans were one-off loans funded by the government, they would not affect the financial integrity of the KAALF. He invited comments from members. As members had not made any comments, the Department would submit the application for writing off the outstanding amounts as soon as possible.

**III. Discussion of J. E. Joseph Trust Fund Schedules and Report on Loans**

1. Schedule B1 – Cash Statement of the J. E. Joseph Trust Fund for the Quarter Ending 30 September 2016

23/16 Mr Alex CHEUNG reported that as at 30 September this year, the J. E. Joseph Trust Fund (the Trust Fund) had received about $280,000 of loan repayments in the quarter, resulting in a drop of its outstanding loan balance from about $1.05 million in the same period last year to about $540,000 this year. The bank balance of the Trust Fund was about $18.79 million, in which fixed deposits increased from about $17.88 million in the same period last year to about $18.32 million this year, with an average interest rate of around 0.72%. The total assets of the Trust Fund increased to $19.38 million.

1. Schedule B2 – Summary of Outstanding Loans of the J. E. Joseph Trust Fund for the Quarter Ending 30 September 2016

24/16 Dr K W PAU reported that as at 30 September this year, there were a total of five loans involving about $540,000 of outstanding loans, among which one was a special loan granted in early years for assisting chicken farmers to install bird-proof metal meshes for preventing avian influenza. Loans totalling $9.20 million had been granted. The only outstanding special loan, involving about $13,000, was expected to be fully repaid by the end of this month. There were no overdue cases at the moment.

25/16 Dr S T CHIU asked whether there had been new loan applications for the Trust Fund. Dr K W PAU replied that according to statistics, there had been new loan applications from time to time, mostly for purchasing feed, pesticides or other farming materials. Mr K H CHAN also responded that fisheries loans were usually used as working capital for purchasing fish fry and bait. The Chairman added that there were about 3 000 to 4 000 farmers eligible for the loans, and they basically fell into four categories: mariculturists, pond fish farmers, vegetable and mushroom farmers, and livestock farmers. Dr K W PAU pointed out that the loans for farm operation, including purchasing seeds and fertiliser, were virtually interest-free, as the interest rate currently stood at only 0.007%. The Chairman said the main purpose of granting the loans was to provide assistance to farmers. As the demand for loans was not too high, the Trust Fund was able to cope with it. Dr K W PAU responded that chicken and pig farming had been more profitable in recent years; therefore, not many loan applications had been received, and the Trust Fund was able to meet the demand.

**V. Any Other Business**

26/16 The Chairman said that Ms M L CHUNG would withdraw from the KAALFC next year due to personal reasons. He thanked Ms CHUNG for her contribution to the KAALFC.

**VI. Date of Next Meeting**

27/16 The next meeting was tentatively scheduled at 3:00 p.m. on Thursday, 1 June 2017.

[Post-meeting note: The next meeting was tentatively rescheduled at 3:00 p.m. on Thursday, 8 June 2017.]

28/16 The meeting was adjourned at 4:20 p.m..

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