(Translation)

**Minutes of the 438th Meeting of the**

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

**Held at 3:00 p.m. on Monday, 12 June 2017**

**in Room 701, 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

 Mr William LEE, JP Member

 Dr K K LIU, JP Member

 (Assistant Director (Agriculture))

 Ms LAU Kam-fung Member

 Mr FUNG Ho-lam, Chris Secretary

(Agricultural Officer (Agricultural Extension))

**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 Gabrielle POON Official Languages Officer II

**Absent with Apologies**

 Ms Judy KIU Member

 Mr Eric TAM Member

**Opening Remarks**

1/17 The Chairman welcomed everyone to the meeting, in particular Ms LAU Kam-fung, who was attending the meeting for the first time.

Agenda Items

**I. Guidance Note on Declaration of Interest**

2/17 Mr FUNG Ho-lam, Chris reported that the KAALFC had earlier submitted the Guidance Note on Declaration of Interest (the Guidance Note) to the Independent Commission Against Corruption (ICAC) for review and subsequently revised the Guidance Note as advised by ICAC. For this reason, the content of the Guidance Note for this meeting was different from that of the past. Mr FUNG indicated that ICAC mainly advised the KAALFC to quote relevant provisions of the Prevention of Bribery Ordinance in the Guidance Note for members’ reference (see Appendix). Mr FUNG briefed members on the newly added content of the Guidance Note, and reminded members to declare if there were any potential conflicts of interest in the matters to be discussed at the KAALFC meetings. All the declarations would be recorded in the minutes of meetings. If members had any question, they could seek instructions from the Chairman, who would decide whether members could continue to participate in the discussion or attend the meeting.

(Dr S T CHIU and Mr William LEE, JP joined the meeting at this juncture.)

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

3/17 The minutes of the 437th KAALFC meeting were confirmed without amendment.

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

1. Schedule A1 – Cash Statement of the KAALF for the Quarter Ending 31 March 2017

4/17 Mr Alex CHEUNG reported that the total asset of the KAALF as at 31 March this year was about $15.15 million, of which the total amount of outstanding normal loans stood at about $4.42 million, involving two overdue cases. The bank balance of the normal loans stood at about $10.69 million. Fixed deposits increased from about $6.39 million in the same period last year to about $10.64 million this year, with an average interest rate of around 0.84%.

5/17 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 31 March 2017
2. Normal Loans

6/17 Dr K W PAU reported that as at 31 March this year, there were a total of 47 outstanding normal loans involving about $4.42 million. The number of overdue cases dropped from four last year to two this year, involving about $53,000. Dr PAU continued to report that there were currently no overdue cases involving farmers as all the outstanding loans involved had been repaid. However, there were two overdue cases involving a pond fish farmer and a mariculturist respectively. We had been recovering the outstanding loans according to the established procedures.

7/17 Mr K H CHAN reported that there were currently two overdue cases of normal loans to fish farmers. One of the cases involved a mariculturist, and the current outstanding principal was $20,000. The case had been referred to the Department of Justice (D of J) for follow-up. In February and September last year and in February and May this year, D of J had served the borrower and the guarantor a reminder in writing for repayment. As the amount of outstanding loans was not considerable, D of J preferred to continue to urge the borrower and the guarantor to repay the loans. Another case involving a pond fish farmer had also been referred to D of J and the outstanding loan currently stood at about $33,000 on the accounting records. Given that the borrower had already repaid about $5,000 to D of J in the past few months, the actual outstanding amount was about $28,000. D of J would later return the sum to the KAALF. In general, the borrower was able to repay $1,000 each month according to the repayment schedule that he had put forward to D of J.

1. Special Loans Issued to Mariculturists Affected by Red Tide

8/17 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 large-scale red tide that occurred in the same year. As at 31 March this year, there were four overdue cases, in which the four borrowers had jointly and severally covenanted to repay the loans and the amount of outstanding loans currently stood at about $1.46 million. The four cases had been followed up by D of J. At the end of last year, D of J indicated that the possibility of recovering the outstanding loans was very low and thus recommended the Department to write off the four loans. Mr CHAN indicated that the Department had started the procedures related to the writing off of the four loans after consulting members on this matter at the last KAALFC meeting. The procedures included contacting D of J and the Financial Services and the Treasury Bureau (FSTB). D of J was assisting in the calculation of the cumulative outstanding amount upon the court had made a judgement. After completing the above work, the Department would ask FSTB to consider writing off the said loans.

9/17 The Chairman enquired if it meant that the whole special loan scheme would come to an end after the said four loans had been written off. Mr CHAN replied that there was another overdue case except the said four loans. The borrower concerned had already repaid the principal but there was still outstanding interest of about $100,000. The Department was currently pursuing the outstanding amount from the borrower, who was able to repay the outstanding amount according to the schedule. Mr CHAN pointed out that there were still five cases involving outstanding loans.

10/17 The Chairman supplemented that all the grants and repayments of the special loans would not affect the financial operation of the KAALF as such loans were funded by the Government. Mr CHAN added that the some 800 loan applications granted that year involved about $130 million and were all funded by the Government’s one-off grant. The borrowers repaid the principal and interest of the loans to the Government, so the writing off of loans would not affect the financial integrity of the KAALF. The Chairman asked members if they had other comments and they replied in the negative. The Chairman concluded that there were still a few loan default cases in respect of normal loans, and the Department would continue to handle those cases in accordance with the established procedures.

**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 31 March 2017

11/17 Mr Alex CHEUNG reported that as at 31 March this year, the J. E. Joseph Trust Fund (the Trust Fund) had received about $380,000 of loan repayments in the quarter, leading to an increase in its outstanding loan balance from about $720,000 in the same period last year to about $910,000 this year. The bank balance of the Trust Fund was about $18.5 million, in which fixed deposits increased from about $17.95 million in the same period last year to about $18.19 million this year, with an average interest rate of about 0.81%. The total assets of the Trust Fund had increased to $19.46 million.

1. Schedule B2 – Summary of Outstanding Loans of the J. E. Joseph Trust Fund for the Quarter Ending 31 March 2017

12/17 Dr K W PAU reported that as at 31 March this year, there were a total of seven normal loans involving about $910,000 of outstanding loans. In early years, there was a special loan granted for assisting chicken farmers to install bird-proof metal meshes for preventing avian influenza. The total amount of the special loan granted was $9.2 million and the number of farms involved was 22. All the special loans granted had been repaid by November last year and there were no overdue cases, so the special loan scheme had come to an end.

**IV. Any Other Business**

13/17 The Chairman said that the KAALFC usually met biannually. Since the matters reported at every meeting were simple and straightforward, he suggested informing members of the position of the KAALF by the circulation of papers starting from the end of this year. Meetings would be held whenever members deemed that it was necessary to do so; otherwise, the Department would continue to liaise with members and report to them on the financial position of the KAALF by the circulation of papers. The Chairman sought members’ view on the suggestion. A member enquired if the number of KAALFC meetings held every year had been stipulated in the law. The Chairman replied that there was no hard and fast rule on the number of KAALFC meetings to be held every year. Quite a number of members of other similar committees would like to learn about the details of the funds under their committees. Nevertheless, owing to their busy work schedule, they were informed of the position of the funds concerned by the circulation of papers unless there was any special matter that had to be discussed at a meeting. The Chairman reiterated that the Department would definitely arrange a meeting if members deemed that there was a need to do so to discuss a certain issue.

14/17 Another member echoed the Chairman’s suggestion and took the view that there would be sufficient information for members to have a clear understanding of the position of the KAALF by the circulation of papers. Nonetheless, upon the implementation of the said suggestion, meetings would not be held if not necessary, so the member hoped that the AFCD representatives could explain and clarify the following matters. First of all, as reported by Dr PAU, all the special loans under the J. E. Joseph Trust Fund had been repaid, so the member enquired if the J. E. Joseph Trust Fund would continue operation. Dr PAU explained that the said special loan scheme was established in 2009, aiming to assist chicken farmers to install bird-proof metal meshes for preventing avian influenza. Although the special loan scheme had already come to an end, those chicken farmers and pig farmers in need may continue to apply for the normal loans under the J. E. Joseph Trust Fund.

15/17 The member indicated that there were only seven applications for the normal loans under the J. E. Joseph Trust Fund, which was actually a small number. Dr PAU replied that, among the seven loan applications, six of which were lodged by chicken farmers and the remaining one was lodged by a pig farmer. Dr PAU opined that the number of applications remained small might be because chicken farmers and pig farmers had earned significant income recently, which led to their low demand for the loan. Nevertheless, as farmers’ demand for the normal loans under the said fund remained constant, we would continue to operate the said fund so as to help those farmers in need.

16/17 The member continued to enquire if the number of special loans granted to the mariculturists affected by red tide over the past 19 years was 832. Mr K H CHAN replied that the Department granted 832 one-off special loans in 1998 and had not received any new application since then. As a result, the number of loans granted had not increased so far. Mr CHAN supplemented that the special loan scheme would come to an end after the said four loan write-off cases and the case involving outstanding interest had been dealt with.

17/17 The member continued to enquire whether the cumulative total number of loan write-off cases would increase to 25 after handling the said write-off cases. Mr CHAN replied that he estimated the total number of write-off cases to be 24 because the borrower of one of the cases had already repaid the principal and would repay the interest by phases. He trusted the borrower concerned would repay the rest of the interest.

18/17 The member would also like to know whether the number of normal loans granted this year was some 80 000, as set out in Schedule A2. Dr PAU explained that the number of loans granted and the number of loan write-off cases set out in Schedule A2 were cumulative numbers since the launch of the loan scheme. It did not only represent the numbers recorded this year. The number of cases in process was 47, which involved fish farms, crop farms or pig farms. The Chairman then supplemented that when the schedules were sent out for the information of members, explanatory notes would be attached to the schedules to brief them on the financial position of the fund so that it would be easier for members to comprehend the data and information set out in the schedules.

**V. Date of Next Meeting**

19/17 The Chairman informed members that they did not have to discuss the date of the next meeting as a paper on the financial position of the KAALF would be circulated to members for information by the end of this year. The Chairman welcomed the members to contact AFCD for enquiry.

20/17 The meeting was adjourned at 3:30p.m.

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