

For information

Legislative Council Panel on Financial Affairs
The Loan Guarantee Scheme
for Severe Acute Respiratory Syndrome Impacted Industries

Introduction

This paper briefs Members on the progress of the implementation of the Loan Guarantee Scheme (“the Scheme”) for Severe Acute Respiratory Syndrome (“SARS”) Impacted Industries.

Background

2. At the Finance Committee meeting held on 25 April 2003, the Administration undertook to report to the Panel on Financial Affairs (“the Panel”) on the operation of the Scheme one year after its implementation and to submit progress report at six-month intervals thereafter. Four reports have since been circulated to Members for information on 11 May 2004, 29 November 2004, 29 April 2005 and 27 October 2005. This is the fifth progress report.

Latest Financial Situation

3. As at 31 March 2006, the outstanding loan amount has been reduced to \$6,142,984 as against the aggregate loan amount of \$499,204,781 approved at the close of application on 31 July 2003.

Default Situation

4. As at 15 April 2006, lending institutions made 162 claims totalling \$31,384,828 for Government’s guarantee in respect of the default loans made under the Scheme. Payments amounting to \$31,299,875 had been effected for 161 cases, while the remaining case totalling \$84,953 is under processing. Of the 161 claims, 86 (53.4%) came from the retail sector, 72 (44.7%) from the restaurant sector and three (1.9%) from the tourism sector. A breakdown of the claims by industry is at Annex.

Recovery Situation

5. Recovery actions on the 161 default loans have been taken against the borrowers or the guarantors as appropriate. So far, full repayments have been received for seven default cases while repayment agreements have been reached in 67 default cases. In those cases with repayment agreements reached, the borrowers/guarantors mostly agreed to repay the outstanding loans by instalments over an extended period. As at 15 April 2006, a total amount of \$4,804,595 has been recovered and returned to the Government.

Submission of Progress Report

6. The Administration will continue to monitor closely the operation of the Scheme. Another progress report on the Scheme will be submitted to the Panel in six months' time.

Economic Development and Labour Bureau
Financial Services and the Treasury Bureau
Commerce, Industry and Technology Bureau

May 2006

**A Breakdown of Approved Default Claims by Industry
under the Loan Guarantee Scheme for
Severe Acute Respiratory Syndrome Impacted Industries
(as at 15 April 2006)**

Industry	(a) Number of applications approved by lending institutions (%)	(b) Loan amount approved	(c) Number of Default Loans approved by the Government for Guarantee Payment (%)	(d) Amount paid	(e) Default Rate (d/b)
Retailing Business	890 (57.1%)	\$163,826,041	86 (53.4%)	\$8,299,287	5.1%
Restaurant	462 (29.6%)	\$267,106,792	72 (44.7%)	\$22,474,460	8.4%
Travel Agent	151 (9.7%)	\$52,685,317	3 (1.9%)	\$526,128	1.0%
Tourist Coach Operator	51 (3.3%)	\$14,498,996	0 (-)	-	-
Hotel / Guesthouse	4 (0.2%)	\$788,000	0 (-)	-	-
Karaoke	1 (0.1%)	\$299,635	0 (-)	-	-
Cinema	0 (-)	-	0 (-)	-	-
Total	1,559 (100%)	\$499,204,781	161 (100%)	\$31,299,875	-
Sum Recovered				\$4,804,595	-
Net Pay-out				\$26,495,280	5.3%