

Finance Committee Meeting on 28 October 2008

Supplementary information to item no. FCR (2008-09)42

As requested by the Finance Committee (FC) Chairman, the Administration sets out below certain supplementary information in relation to FC paper FCR (2008-09)42.

Default rate for the SME Loan Guarantee Scheme (SGS)

2. The default rate for the Business Installation and Equipment Loan is 2.80%, and that for the Associated Working Capital Loan and Accounts Receivable Loan¹ is 2.82%. As for the Working Capital Loan, it was only introduced in March 2008, and we have yet to receive any default claims from the participating lending institutions (PLIs).

Eligibility criteria for the SGS

3. All SMEs with valid business registration and substantive business in Hong Kong are eligible to apply for the SGS. SMEs with operation primarily in the Mainland are also eligible to apply, provided that they meet the two criteria as set out in the first sentence of this paragraph.

Guidelines on the SGS

4. Regarding the comment made by certain SMEs that the loan vetting guidelines for SGS are sometimes different from those adopted by some of the PLIs in vetting non-SGS loan applications, a major purpose of the SGS guidelines is to ensure that the PLIs will exercise due financial prudence in vetting SGS loan applications, thus ensuring the proper use of public fund (in the event that compensation has to be paid by Government on default cases). The SGS has been in operation for seven years and the PLIs should be familiar with the operation of the

¹ The Associated Working Capital Loan is used to meet SMEs' additional operational expenses arising from or in relation to the business installations and equipment acquired under SGS; while the Accounts Receivable Loan is used to meet the working capital needs of SMEs arising from the provision of credit terms to their customers. These two loans have been replaced by the Working Capital Loan since March 2008. For details, please refer to FCR(2007-08)44.

Scheme. According to our record, we have not received any complaints from the PLIs regarding the SGS guidelines.

Trade and Industry Department
28 October 2008