

**For Information
on 21 July 2009**

Legislative Council Panel on Commerce and Industry

**Progress update on the Support Measures for Small and Medium
Enterprises (SMEs) Arising from the Global Financial Turmoil**

This paper reports the latest position of the SME Loan Guarantee Scheme and the Special Loan Guarantee Scheme.

SME Loan Guarantee Scheme (SGS)

2. As at 13 July 2009, 36 participating lending institutions (PLIs) have joined the SGS. 1,423 loan applications have been submitted to the Trade and Industry Department (TID) since the implementation of enhancement measures on 6 November 2008, of which 1,219 have been approved, involving a total loan amount of about \$4.1 billion.

Special Loan Guarantee Scheme (SpGS)

3. The application period for the SpGS has been extended to 31 December 2009. Following the approval by the Finance Committee on 5 June 2009, enhancement measures to the SpGS have been implemented since 15 June 2009, as follows :

- (i) increasing the loan guarantee ratio from 70% to 80% for new loans to be approved;
- (ii) increasing the maximum amount of loan that each enterprise may obtain from \$6 million to \$12 million. Within this ceiling, the amount of loan that may be used for revolving credit facilities is increased from \$3 million to \$6 million; and
- (iii) extending the maximum guarantee period from 36 months to 60 months.

4. The response from the PLIs is very positive. 40 PLIs have signed up for the enhanced SpGS. A number of major PLIs have announced new promotional measures in support of Government's loan guarantee schemes, such as lower interest rates and administrative fees, interest refund, etc.

5. The number of applications and the amount of loans approved have shown a steady increase since the implementation of enhancement measures. As at 13 July 2009, 14,210 loan applications were submitted to TID. 12,488 applications have been approved, involving a total loan amount of about \$25.3 billion, of which 1,665 applications were under the enhanced SpGS. Detailed statistics of the applications approved (by industries, loan types and number of employees) are at **Annex I**. TID has received three default claims so far.

Overall Position

6. As at 13 July 2009, TID has received 15,633 loan applications from the PLIs under the two schemes, of which 13,707 applications have been approved, involving a total loan amount of over \$29.4 billion.

7. We also provide, at **Annex II**, a summary of the statistics provided by the PLIs on the loan applications received under both schemes as at 5 July 2009¹.

Commerce and Economic Development Bureau Trade and Industry Department July 2009

¹ The figures in this table are compiled once every two weeks. It involves collating information from all the branch offices of the PLIs. Hence, the figures are not as up-to-date as those in paragraphs 2 to 6, as well as those in Annex I.

Statistics of the SpGS
(as at 13 July 2009)

Breakdown by percentage of guarantee

	70% Guarantee	80% Guarantee	Total
No. of applications approved	10,823	1,665	12,488
Amount of loans involved (\$ million)	20,497	4,846	25,343

Breakdown by industries

	No. of applications approved	Percentage
Manufacturing		
Bags and garment accessories	212	1.7
Chemical and biotechnology	50	0.4
Electronics	414	3.3
Food and beverage	89	0.7
Footwear	64	0.5
Furniture	59	0.5
Industrial machinery	44	0.4
Jewellery	134	1.1
Medical and optical devices	37	0.3
Metal products	375	3.0
Plastics	323	2.6
Printing and publishing	403	3.2
Stationery and paper products	126	1.0
Textiles and clothing	988	7.9
Toys	237	1.9

	No. of applications approved	Percentage
Watches and clocks	123	1.0
Other manufacturing industry	251	2.0
Sub-total	3,929	31.5
Non-manufacturing		
Car trading	22	0.2
Construction	345	2.7
Engineering	215	1.7
Hotel and tourism	94	0.8
Import & export	3,510	28.1
Information technology	107	0.9
Interior design and decoration	123	1.0
Personal care services	47	0.4
Professional services	454	3.6
Real estate	57	0.5
Restaurants	189	1.5
Telecommunication	39	0.3
Trading	1,327	10.6
Transportation / logistics	358	2.9
Wholesale and retail	1,403	11.2
Other non-manufacturing industries	269	2.1
Sub-total	8,559	68.5
Total	12,488	100.0

Breakdown by loan types

	Non-revolving Loan	Revolving Loan	Total
No. of applications approved	8,937	3,551	12,488
Amount of loans involved (\$ million)	18,192	7,151	25,343

Breakdown by number of employees

No. of employees in Hong Kong	No. of approved cases
1-10	7,985
11-20	2,291
21-49	1,460
50-99	480
100 or above	272
Total	12,488

Annex II

Loan Application Statistics of SGS and SpGS Provided by PLIs (collated once every two weeks from all branches of PLIs²)

	SGS From 6 Nov 2008 to 5 Jul 2009 (A)	SpGS From 15 Dec 2008 to 5 Jul 2009			Total (E) = (A) + (D)
		70% guarantee (B)	80% guarantee ³ (C)	Sub-total (D) = (B) + (C)	
No. of applications received by the PLIs	3,041	17,337	6,252	23,589	26,630
No. of applications being processed by the PLIs	130	0	3,501	3,501	3,631
No. of applications withdrawn by the applicants before submitting to TID	1,038 ⁴	2,828	733	3,561 ⁵	4,599
No. of applications forwarded to TID for processing	1,400	11,435	1,690	13,125	14,525
No. of applications rejected by PLIs	473	3,074	328	3,402	3,875
No. of applications approved by TID	1,206	10,793	910	11,703	12,909
– Amount of loan involved (in \$ billion)	4.03	20.39	2.50	22.89	26.92
No. of applications rejected by TID	2 ⁶	44	1	45 ⁷	47

² The statistics in this Annex are collated from all the branches of the PLIs. Hence, the figures are not as up-to-date as those in Annex I.

³ The enhanced SpGS starts to operate with effect from 15 June 2009, under which the Government provides 80% guarantee for loans approved by PLIs.

⁴ Most of the cases are withdrawn to apply for the SpGS.

⁵ Major reasons for withdrawal include : verbal enquiries made by interested customers who are subsequently found not eligible for SpGS; the borrowers have not provided documents for credit assessment; or borrowers have chosen other PLIs with better terms.

⁶ The applicants have exceeded the maximum guarantee ceiling.

⁷ Ten companies (two of which have lodged two applications each) are in operation for less than one year; seven companies have outstanding default with the Government, and 21 companies (five of which have lodged two applications each) have exceeded the guarantee ceiling.

Reasons for rejection by PLIs

	SGS From 6 Nov 2008 to 5 Jul 2009 (A)	SpGS From 15 Dec 2008 to 5 July 2009			Total (E) = (A) + (D)
		70% guarantee (B)	80% guarantee (C)	Sub-total (D) = (B) + (C)	
1. The applicants have not provided sufficient documents to facilitate assessment	80	369	41	410	490
2. The applicants do not meet the eligibility criteria for the schemes	39	173	29	202	241
3. The applicants have outstanding default	20	54	9	63	83
4. The applicants' financial status is too weak	259	2,105	213	2,318	2,577
5. The applicant cannot demonstrate a reasonable prospect of their businesses	54	280	36	316	370
6. Others ⁸	21	93	0	93	114
Total	473	3,074	328	3,402	3,875

⁸ Applicants have high credit risk, fluctuated sales or relatively short operation history, etc.