

**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.