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October 18, 2008

Funding changes aim to bolster SMEs

The Government is considering removing the loan guarantee caps for two sub-schemes under the SME funding schemes to ease the economic difficulties facing the small and medium-sized enterprises, Secretary for Commerce & Economic Development Rita Lau says.

On a radio programme today, Mrs Lau said if the current \$1 million working-capital loan guarantee and \$5 million business installations and equipment loan guarantee ceilings are removed, SMEs could get up to \$12 million in loans backed by banks' 50% guarantee for either or both purposes.

The bureau also proposes extending the maximum guarantee period for working-capital loans from two years to five, and allowing SMEs to recycle the guarantee once after it has fully paid up the loan.

It suggests the indicative ceiling of guarantee exposure for each participating lending institution be raised from \$1.25 billion to \$1.5 billion. As some institutions have nearly used up their indicative ceilings, raising the cap can provide them additional quota in granting loans.

The Government also wants to raise the overall grant ceiling under the SME Export Marketing Fund from the current \$100,000 to \$150,000, with the amount of each application revised from \$30,000 to \$50,000; and to extend reimbursement to expenses on advertisements placed on exhibition organiser websites and printed trade publications targeting export markets.

Mrs Lau noted the suggestions follow discussions with the banking sector. It must properly assess the credit risks each bank can take.

SMEs welcome plans

Noting the proposals will be put forward to the Legislative Council Commerce & Industry Panel on October 21, Mrs Lau hoped LegCo would call a special Finance Committee meeting to endorse them.

Small and Medium Enterprises Committee chairman Yu Kwok-chun welcomes the proposed measures and hopes that LegCo can approve them soon.

He also hopes the banks will respond positively once the measures are implemented.

On Hong Kong businesses in the Mainland, Mrs Lau said the Government will continue to reflect their problems to the Mainland authorities and will organise study delegations to explore new markets.

The 2008-09 Policy Address proposed the establishment of a dedicated Creative Industry Office, she noted. It aims to consolidate related work and support funds now under different government offices, to offer better support services and use of resources for the creative industry.

Proposed enhancement measures to improve SME Funding Schemes

In response to media enquiries regarding government's proposed enhancement measures to the Small and Medium Enterprises (SME) Funding Schemes, a government spokesman gave the following reply today (October 18):

With a view to strengthening support to the SMEs in the midst of the current financial turmoil, the government has proposed to introduce the following enhancement measures to improve the SME Funding Schemes:

For SME Loan Guarantee Scheme, the government proposes to -

i) do away with the sub-ceilings for Business Installations and Equipment Loan (BIE) and Working Capital Loan (WCL), while maintaining the overall maximum guarantee for each SME at \$6 million. In other words, government's guarantee can be used to secure loans for either BIE only or WCL only, or a combination of both. This is to address the SMEs' concern that in the prevailing business climate their primary financial need is to get loans for working capital rather than to buy machines and equipment;

ii) extend the maximum guarantee period for WCL from 2 years to 5 years,

iii) increase the indicative ceiling of guarantee exposure for each participating lending institution (PLI) from \$1.25 billion to \$1.5 billion. As a few PLIs have nearly used up their indicative ceilings, increasing the ceiling can provide additional "quota" for these PLIs in granting loans; and

iv) allow each SME to recycle the guarantee once after it has fully paid up the loan backed up by the guarantee. (Under current arrangement, each SME can only use the guarantee limit of \$6 million once.)

For Export Marketing Fund, the government proposes to -

(i) increase the overall grant ceiling for each SME from \$100,000 to \$150,000, and the sub-ceiling for each successful application from \$30,000 to \$50,000; and

(ii) extend the reimbursable items to include expenditure on advertisements placed on the websites of exhibition organisers, as well as advertisements placed on printed trade publications targeting export markets (i.e. to relax the existing requirement that the publications must be published by exhibition organisers).

The spokesman added that the government will further elaborate the details of the enhancement measures in the Legislative Council Panel on Commerce and Industry to be held next Tuesday. Subject to Members' views, the government will proceed to seek Finance Committee's approval to the aforesaid recommendations. Subject to the approval of Finance Committee, the government will implement the enhancement measures as soon as possible upon completion of the necessary legal procedures with the PLIs.

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SMEC welcomes the enhancement measures of the SME Funding Schemes

The following is issued on behalf of the Small and Medium Enterprises Committee:

The Chairman for the Small and Medium Enterprises Committee, Mr Yu Kwok-chun, welcomed the enhancement measures proposed by the Secretary for Commerce and Economic Development, Mrs Rita Lau, today (October 18) concerning the Small and Medium Enterprises (SME) Funding Schemes. He considered that the enhancement measures could effectively help SMEs in solving their cash flow problem, and hoped that the Legislative Council could approve the proposals as soon as possible.

In addition, Mr Yu hoped that after the enhancement measures had been implemented, the banks would respond positively, so that more SMEs could benefit from the Scheme to get through this difficult time.

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