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Panel on Commerce and Industry

Special meeting to be held on 12 November 2008

Information on
"Support measures for small and medium enterprises arising
from the global financial turmoil"

Purpose

This paper summarizes the deputations' views received at the special meeting held on 27 October 2008 (at the **Appendix**).

Council Business Division 1
Legislative Council Secretariat
11 November 2008

**Support measures for small and medium enterprises arising
from the global financial turmoil**

**Summary of deputations' views received
at the special meeting of the Panel on Commerce and Industry
held on 27 October 2008**

1. Bank Credit Facilities

- (a) Urged the banks to stop withdrawing credit facilities and requesting for immediate repayment of existing loans from SMEs.
- (b) Urged the financial institutions to stop withdrawing standby facilities from SMEs and suspend the arrangement to defer payment to retail merchants for credit card transactions.
- (c) Urged the financial institutions to continue providing robust credit facilities to ease SMEs' hardship during the global financial turmoil.
- (d) The Government should strengthen communication with the banking sector with a view to encouraging the banks to relax their credit grips on SMEs.
- (e) The Administration should consider setting up an import and export bank, similar to that adopted by some overseas jurisdictions, so as to provide one-stop-service of export credit insurance, currency exchange and other related financial and credit facilities to exporters.
- (f) The Government should consider providing loans and credit facilities directly to SMEs if the banking sector remained reluctant to provide financial support to SMEs.
- (g) The Administration should liaise with the banking sector to consider extending the repayment deadline of loans and the provision of a revolving loan with a longer maturity period for healthy enterprises.
- (h) The Administration should discuss with financial institutions ways to improve the liquidity of enterprises by making reference to account receivable provided by the enterprises concerned when approving loans.

2. Further enhancement to the Small and Medium Enterprise Funding Schemes

- (a) The Administration should consider expanding the remit of the SME Funding Schemes, which aimed at supporting manufacturing industry, to include the wholesale, retail and catering industries.
- (b) The Administration should review the guarantee ratio of the SME Loan

Guarantee Scheme (SGS) with the banking sector and consider increasing the guarantee ratio of SGS from the current 50% to 70% or above. As an alternative, the Administration should directly provide loans to SMEs instead of just acting as a guarantor.

- (c) The Administration should consider making an industry-specific and short-term arrangement, such as providing 100% credit guarantee for SMEs with difficulties by making reference to the “Loan Guarantee Scheme for Severe Acute Respiratory Syndrome Impacted Industries” introduced in 2003.
- (d) Suggested that while maintaining the overall maximum guarantee for each SME at \$6 million under SGS, the Government should provide loans directly to enterprises up to a limit of \$500,000 each or provide 100% guarantee for the first \$500,000 of the loan arranged by banks, followed by 70% guarantee for the next \$1.5 million and 50% guarantee for the remaining \$4 million. The guarantee could be recycled within two years after the loan was fully paid back.

3. Function of the Hong Kong Export Credit Insurance Corporation (ECIC)

- (a) ECIC should expand its remit to provide cover for the payment risks arising from the buyers' failure to take delivery of goods.
- (b) ECIC should increase indemnity ratios for exporters' insured items.
- (c) Consideration should be given to extending the export credit insurance scheme to cover local sales.

4. Business Operating Environment

- (a) In order to facilitate the recovery of local economy, the Administration should take the initiative to stimulate local consumption.
- (b) Consideration should be given to extending the domestic sales of local SMEs in the Mainland market. The Administration should also strengthen support to the logistics sector so as to benefit Hong Kong-owned enterprises operating in the Mainland.
- (c) The Administration should formulate measures to allow the change of vacant industrial buildings so as to attract Hong Kong-owned enterprises in the Mainland to relocate their production base back to Hong Kong, thus providing more job opportunities.
- (d) The Administration should help enterprises explore business opportunities in emerging markets.
- (e) The Administration should establish a business-friendly environment to attract more investment into the local economy and to set up a council to

foster the development of SMEs.

5. Business Operating Costs

- (a) The Administration should waive Government rates/rents and freeze the fees of public services relating to business operation.
- (b) The Administration should consider allowing businesses to holdover the payment of provisional profit tax and arrange the payment of profit tax for 2007-2008 by phases.
- (c) Measures on lowering retail prices for fresh pork and chicken should be introduced to help alleviate the burden of SMEs in the catering industry. The Administration should also monitor the fees of public utilities directly affecting the operation costs of the catering industry.

6. Mainland Laws and Regulations

The Administration should convey SMEs' request to the Mainland authorities for suspending the implementation of laws/policies with possible adverse impacts on Hong Kong-owned enterprises operating in the Mainland. Consideration should also be given to reducing fees as well as providing concessions to the enterprises concerned.

7. Other support measures

- (a) The Government should formulate long-term policies on the development of commerce and industry so as to sustain the success of the local economy. The Administration should gauge the views of stakeholders, including chambers of commerce and SME associations, to understand better the needs of the industry before deciding on the way forward in this respect.
- (b) The Government should suspend the introduction of legislation on minimum wage so as to ease the financial burden of SMEs. The Administration should consider establishing a committee to study on how to formulate the criteria and mechanism for setting the level of minimum wage.
- (c) In view of the crucial role of the logistic industry in the export trade, the Administration should introduce a registration and licensing system to regulate the industry, such as by way of establishing a new regulatory authority.
- (d) As the requirement for undergoing various test on safety, quality and efficacy of products for the registration of Proprietary Chinese Medicines imposed great financial burden on the industry concerned, the Administration should suspend such testing requirement so as to alleviate the hardship of the industry amidst the financial turmoil.
- (e) Urged the Link Management Limited (LML) to suspend rent increase of its

shopping arcades. The Administration should take the lead in waiving/reducing rents so as to set an example for LML and the private sector to follow.

- (f) The Government should consider buying back the shares of the Link Real Estate Investment Trust so that the Government could resume the role of a major shareholder and take over the control of the rental policy for shopping arcades under LML.
- (g) The Administration should consider removing the hurdles, which had been affecting the development of the beauty and hairdressing industry, by suspending the introduction of accreditation of qualifications in the industry and reviewing the current regulation on beauty treatment devices.
- (h) The Administration should consider increasing the subsidy under the Continuing Education Fund so as to strengthen the competitiveness of local employees. To address the emotional problems arising from the financial turmoil and the subsequent deterioration of economic climate, the Administration should consider deploying more resources on counselling services.

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