

**For Information
on 20 October 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 14 October 2009, 36 participating lending institutions (PLIs) have joined the SGS. 1,630 loan applications have been received by the Trade and Industry Department (TID) since the implementation of enhancement measures on 6 November 2008, of which 1,417 have been approved, involving a total loan amount of about \$5.2 billion. Amongst those applications received since 6 November 2008, TID has received 6 default claims so far, involving a total claim amount of about \$13.4 million.

Special Loan Guarantee Scheme (SpGS)

3. Since the implementation of enhancement measures to the SpGS on 15 June 2009, 46 PLIs have signed up for the enhanced SpGS. As at 14 October 2009, 23,616 loan applications were submitted to TID, of which 21,626 applications have been approved, involving a total loan amount of about \$51.5 billion. Detailed statistics of the applications approved (by industries, loan types and number of employees) are at **Annex I**. TID has received 15 default claims so far, involving a total claim amount of about \$27.3 million.

4. Since the implementation of enhancement measures on 15 June 2009, the PLIs have taken active steps to review the applications rejected under 70% guarantee to see if any of those applications may be more favourably considered under 80% guarantee. According to the information provided by the PLIs, around 80 applications which were previously rejected had been subsequently approved upon implementation of the enhancement measures.

Overall Position

5. As at 14 October 2009, TID has received 25,246 loan applications from the PLIs under the two schemes, of which 23,043 applications have been approved, involving a total loan amount of \$56.7 billion.

6. A summary of the statistics provided by the PLIs on the loan applications received under both schemes as at 11 October 2009 is at Annex II¹.

7. The application period for SpGS is scheduled to end on 31 December 2009. A review of the scheme is being undertaken.

Commerce and Economic Development Bureau Trade and Industry Department October 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 5, as well as those in Annex I.

Statistics of the SpGS
(as at 14 October 2009)

Breakdown by percentage of guarantee

	70% Guarantee	80% Guarantee	Total
No. of applications approved	10,759	10,867	21,626
Amount of loans involved (\$ million)	20,347	31,183	51,530

Breakdown by industries

	No. of applications approved	Percentage
Manufacturing		
Bags and garment accessories	341	1.6
Chemical and biotechnology	91	0.4
Electronics	718	3.3
Food and beverage	146	0.7
Footwear	100	0.5
Furniture	110	0.5
Industrial machinery	74	0.3
Jewellery	220	1.0
Medical and optical devices	53	0.2
Metal products	606	2.8
Plastics	536	2.5
Printing and publishing	626	2.9
Stationery and paper products	198	0.9
Textiles and clothing	1,640	7.6
Toys	340	1.6
Watches and clocks	198	0.9

	No. of applications approved	Percentage
Other manufacturing industry	397	1.8
Sub-total	6,394	29.5
Non-manufacturing		
Car trading	69	0.3
Construction	533	2.5
Engineering	477	2.2
Hotel and tourism	162	0.7
Import & export	5,398	25
Information technology	189	0.9
Interior design and decoration	207	1.0
Personal care services	79	0.4
Professional services	793	3.7
Real estate	96	0.4
Restaurants	310	1.4
Telecommunication	69	0.3
Trading	3,572	16.5
Transportation / logistics	581	2.7
Wholesale and retail	2,226	10.3
Other non-manufacturing industries	471	2.2
Sub-total	15,232	70.5
Total	21,626	100

Breakdown by loan types

	Non-revolving Loan	Revolving Loan	Total
No. of applications approved	13,994	7,632	21,626
Amount of loans involved (\$ million)	33,233	18,297	51,530

Breakdown by number of employees

No. of employees in Hong Kong	No. of approved cases
1-10	13,821
11-20	3,997
21-49	2,517
50-99	823
100 or above	468
Total	21,626

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 11 Oct 2009 (A)	SpGS From 15 Dec 2008 to 11 Oct 2009			Total (E) = (A) + (D)
		70% guarantee (B)	80% guarantee ³ (C)	Sub-total (D) = (B) + (C)	
No. of applications received by the PLIs	3,300	17,337	17,371	34,708	38,008
No. of applications being processed by the PLIs	11	0	2,720	2,720	2,731
No. of applications rejected by PLIs	490	3,074	1,406	4,480	4,970
No. of applications withdrawn by the applicants before submitting to TID	1,177 ⁴	2,828	1,357	4,185 ⁵	5,362
No. of applications forwarded to TID for processing	1,622	11,435	11,888	23,323	24,945
No. of applications approved by TID	1,414	10,759	10,632	21,391	22,805
– Amount of loan involved (in \$ billion)	5.14	20.35	30.61	50.96	56.10
No. of applications rejected by TID	3 ⁶	44	48	92 ⁷	95

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 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 Twenty-two companies (three of which have lodged two applications each) are in operation for less than one year; eight companies have outstanding default with the Government, forty-eight companies (nine of which have lodged two applications each) have exceeded the loan ceiling, and one company which has lodged two applications could not prove that it has substantive business operation in Hong Kong.

Reasons for rejection by PLIs

	SGS From 6 Nov 2008 to 11 Oct 2009	SpGS From 15 Dec 2008 to 11 Oct 2009			Total
		70% guarantee	80% guarantee	Sub-total	
	(A)	(B)	(C)	(D) = (B) + (C)	(E) = (A) + (D)
1. The applicants have not provided sufficient documents to facilitate assessment	81	369	150	519	600
2. The applicants do not meet the eligibility criteria for the schemes	42	173	64	237	279
3. The applicants have outstanding default	21	54	37	91	112
4. The applicants' financial status is too weak	271	2,105	1,007	3,112	3,383
5. The applicant cannot demonstrate a reasonable prospect of their businesses	54	280	115	395	449
6. Others ⁸	21	93	33	126	147
Total	490	3,074	1,406	4,480	4,970

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