



庫務署 The Treasury

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17 December 2002

Miss Sandy CHU
 Public Accounts Committee
 Legislative Council
 Legislative Council Building
 8 Jackson Road,
 Central
 Hong Kong

Dear Miss Chu,

The Director of Audit's Report on the results of value for money audits (Report No. 39)

Thank you for your letter dated 8 December 2002. I am pleased to reply as follows :

(a) *Deed for the Special Finance Scheme for Small and Medium Enterprises (SMEs)*

I enclose a copy of the Deed (Appendix 1) together with two Supplementary Deeds (Appendices 2 and 3), one for extending the period of guarantees to 24 months and changing the risk-sharing factor from 50:50 to 70:30 and the other for removing the provision for the granting of matching deposits to participating lending institutions (PLIs).

(b) *Defaulted guaranteed loans*

(i) *the PLIs associated with defaulted guaranteed loans*

Under the Deed, a PLI is entitled to submit to the Government a claim for compensation if a borrower has failed to repay a loan on maturity. The total number of claims received by the Government as at 6 December 2002 was 1,936. At Appendix 4 is a list of names of the PLIs and the number of claims they have respectively submitted, together with the amounts involved.

- (ii) *whether the Treasury has detected irregularities similar to those indicated in Audit's findings of the six cases (paragraph 2.32 of the Audit Report)*

The "irregularities" described in the Audit Report are related to :

- assessment of the credit-worthiness of borrowers and offloading of existing loans onto the scheme :

The Treasury has noticed other cases where borrowers were reported to be in financial difficulties similar to those described in the six cases examined in the Audit Report. There were also cases where PLIs transferred existing loans to the scheme. The Treasury has previously referred many such cases to the Department of Justice, the Commerce, Industry and Technology Bureau and the Hong Kong Monetary Authority for consideration. However, as pointed out in paragraph 2.33 of the Audit Report, the Government places complete reliance on a PLI in the assessment of the credit-worthiness of a borrower and there is no restriction in the Deed on the use of the guaranteed loans, including repaying other loans granted by the PLIs.

- granting of a guaranteed loan before the date of the Treasury's notification of the result of application.

Apart from the two cases quoted in the Audit Report (please see paragraph (d) below), we have not so far noticed any cases where a guaranteed loan was granted before the date of the Treasury's notification of the result of application.

- (c) *Of the 1362 claims being processed, how many SMEs have declared bankrupt or applied for liquidation and whether PLIs foresaw that the guaranteed loans to these SMEs would eventually become defaulted loans*

Under the Deed, a PLI can submit a claim for compensation when an SME has failed to repay a loan on maturity, irrespective of whether the SME has or has not become bankrupt or liquidated. After receiving compensation from the Government, the PLI is required to continue its pursuit of repayments from the SME until further recovery efforts against the SME are considered futile, e.g. when the SME has become bankrupt, liquidated or untraceable. As the 1362 claims (reduced to 1351 as at 6.12.2002) have not yet been paid by the Government because they are being checked or additional information is being sought from the PLIs concerned, we do not have the record yet of the number of SMEs out of these 1,351 cases which have been or will be declared bankrupt or have applied for liquidation.

We are not aware of any PLIs who foresaw in their assessments of creditworthiness that their loans to the SMEs concerned would eventually become defaulted loans, but in reply to a standard questionnaire designed by the Trade and Industry Department (Appendix 5), some PLIs did indicate that they would not have approved the loans in the absence of a guarantee from the Government.

(d) *Case study 2 and case study 3*

The PLI in these two cases has now confirmed in writing that one of the loans concerned was granted on the date of the Treasury's notification of the result of application and the other five days afterwards. We are seeking further clarification from this PLI. If there is evidence of the practices reported in paragraph 2.32 of the Audit Report, we will certainly seek legal advice.

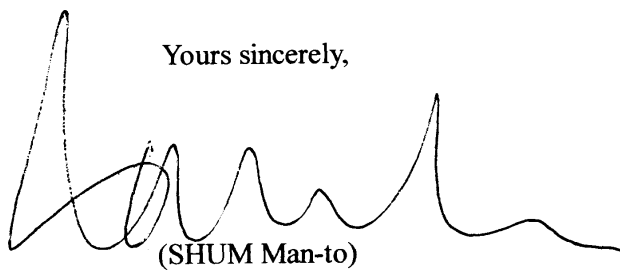
(e) *Default position as at 6 December 2002 and recovery actions*

The position as at 6 December 2002 was as follows :

Default rate for expired and released guarantees :	7.54%
Number of defaulted guarantee loans	
paid	574
being processed	<u>1351</u>
	<u>1925</u>
	=====
Total amount of guaranteed payments (\$million)	
made to PLIs	\$277.9
less amount recovered	<u>16.4</u>
	<u>\$261.5</u>
	=====

After receiving the Government's compensation, PLIs are required to continue their recovery actions, including legal actions where necessary, against the SMEs concerned. Any money recovered by PLIs is shared between the PLIs and the Government according to the agreed risk-sharing factor and the Government has received \$16.4 million so far.

Yours sincerely,



(SHUM Man-to)
Director of Accounting Services

c.c. Secretary for Financial Services and the Treasury
Secretary for Commerce, Industry and Technology
Director-General of Trade and Industry
Director of Audit

****Note by Clerk, PAC: Appendices 1, 2, 3 and 4 not attached.***

中小型企業特別信貸計劃小型問卷調查
Mini-Survey on the Special Finance Scheme for Small and Medium Enterprises

此問卷調查旨在研究中小型企業特別信貸計劃能否幫助中小型企業向貸款機構融資。所得資料會用作評估計劃整體效用，並不涉及對個別貸款機構的評核。
 This objective of this survey is to evaluate whether the Special Finance Scheme for SMEs has facilitated SMEs to obtain finance from lending institutions. The information obtained will be used for evaluating the overall effectiveness of the Scheme only, and not for assessing individual lending institutions.

請就每一個信貸保證申請填寫以下的問卷，並連同有關的信貸保證申請書(表格 TRY493)遞交庫務署。請用獨立問卷填寫每個申請個案。

Please complete the following questionnaire for each application for guarantee and send it back to the Treasury together with the Application for Guarantee Form (Form TRY493). Please use separate questionnaire for each application.

貸款機構 Lending Institution : _____ Limited
 借款人 Borrower : Lu _____ Fty.

- | | |
|---|--|
| 1. 有關貸款是批給新客或舊客？
Whether the loan facility is granted to a new customer or an existing customer ? | 新 New <input checked="" type="checkbox"/>
舊 Existing <input type="checkbox"/> |
| 2. 若沒有特別信貸計劃的擔保，會否批出有關貸款？
Whether the loan will be approved without the guarantee offered by the Special Finance Scheme ? | 會 Yes <input type="checkbox"/>
不會 No <input checked="" type="checkbox"/> |
| 3. 若沒有政府的擔保，所批出的貸款金額會否減少？
Will the facility amount approved be reduced without Government's guarantee ? | 會 Yes <input type="checkbox"/>
不會 No <input checked="" type="checkbox"/> |
| 4. 向貸款人所收取的利息，有否因政府提供信貸保證而有所降低？
Whether the interest rate charged on the borrower has been lowered due to Government's guarantee ? | 有 Yes <input type="checkbox"/>
沒有 No <input checked="" type="checkbox"/> |
| 5. 這個申請用了多少個工作天審批？
How many working days were needed to process this application ? | <div style="display: flex; align-items: center;"> <div style="flex: 1;"> ≤ 7 <input type="checkbox"/>
 8-14 <input type="checkbox"/>
 15-28 <input checked="" type="checkbox"/>
 > 28 <input type="checkbox"/> </div> <div style="flex: 0.2; text-align: center;"> 天 days </div> </div> |

- 多謝你填寫此問卷 -

- Thank you very much for taking the time to complete this questionnaire -