

Hong Kong Monetary Authority 香港金融管理局



Our Ref. : G12/108C

31 December 2002

Miss Sandy Chu
The 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)**

Chapter 5: Special Finance Scheme for small and medium enterprises

I refer to your letter to Mr Joseph Yam of 21 December 2002. I am replying on his behalf.

We do not have statistics on "default rate" of loans granted by lending institutions as requested. One alternative indicator which you may consider useful is the level of non-performing loans¹ of retail banks² in Hong Kong, which are 4.13%, 4.41% and 5.03% for the quarters of September 2002, June 2002 and March 2002 respectively.

As for figures relating to the range of "non-performing loans", we are unable to provide them to your office as this will involve disclosure of information of individual banks, which is prohibited under section 120 of the Banking Ordinance.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Nelson Man".

(Nelson Man)
Head (Banking Development)

¹ Loans on which interest has been placed in suspense or on which interest accrual has ceased.

² Retail banks comprise all the locally incorporated banks plus a number of the larger foreign banks which are not locally incorporated but whose operations are similar to those of the locally incorporated banks, in that they operate a branch network and are active in retail banking.