

**For Information
on 13 January 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 updates Members on the implementation progress of the SME Loan Guarantee Scheme and the Special Loan Guarantee Scheme since the last Panel meeting on 16 December 2008.

SME Loan Guarantee Scheme (SGS)

(Details at LC Paper No. CB(1)77/08-09(01))

2. The enhancement measures for SGS were implemented on 6 November 2008. As at 5 January 2009, 31 participating lending institutions (PLIs) have joined the enhanced SGS, the list of which is at **Annex I**. From 6 November 2008 to 5 January 2009, the Trade and Industry Department (TID) has received 543 loan guarantee applications from the PLIs (representing a 403% increase compared with the average figure in October 2008), of which 359 applications have been approved¹, involving a total loan amount of over \$1 billion. Of the remaining 184 applications, 72 are being processed by TID, whilst 112 will be processed once the PLIs have provided all the necessary information.

3. We also provide, at **Annex II**, a summary of the information provided by most of the PLIs on the number of loan applications received from 6 November to 21 December 2008. We are now compiling the information provided by the PLIs for the period from 22 December 2008 to 4 January 2009. A supplementary note will be issued to the Panel.

Special Loan Guarantee Scheme (SpGS)

(Details at LC Paper No. CB(1)379/08-09(01))

4. Since the launch of SpGS on 15 December 2008, 28 PLIs have signed up for the scheme, the list of which is at **Annex III**. We expect that the number of PLIs will continue to increase in the coming weeks when more of them have signed and returned to us the deed with Government.

¹ All approved within 3 working days after all necessary documentations are provided.

5. From 15 December 2008 to 5 January 2009, TID has received 211 loan guarantee applications from the PLIs, of which 72 have been approved², involving a total loan amount of \$240 million. Of the remaining 139 applications, 83 are being processed by TID, whilst 56 will be processed once the PLIs have provided all the necessary information. A detailed analysis of the applications approved (by industries, loan types and number of employees) is at **Annex IV**. No default claims have been received during the period.

6. We are now compiling the information provided by the PLIs on the loan applications received from 15 December 2008 to 4 January 2009. A supplementary note will be issued to the Panel.

Other concerns raised by members on the SpGS

7. The Administration has on different occasions appealed to business enterprises in Hong Kong, particularly those which have benefitted from the SpGS, not to lay off staff as far as possible. In this connection, companies which have benefitted from the SpGS will be asked to fill in and return a questionnaire to TID, indicating any change in their number of employees three months after receipt of the loan.

8. On interest rates, as the Administration has explained at previous meetings, the rates are determined by individual PLIs in accordance with commercial principles, taking into account factors such as the borrower's financial strength, the type and nature of the credit facility, the loan amount and repayment period, etc. According to the PLIs, the reduction of credit risk as a result of the guarantee provided by Government would normally be suitably reflected in the interest rates. The Administration will continue to work closely with the PLIs and urge them to be more forthcoming and supportive in approving loans under the SpGS.

9. In the deed signed between the Government and PLIs for implementation of the SpGS, there are express provisions stipulating that the borrower must use the loan solely for meeting the needs of general business uses of the borrower; and that the lender shall not permit any borrower to use any loan for paying, repaying, restructuring or repackaging any loans, credit facilities or payment obligations. The borrowers are also required to make undertakings in the application form to that effect. In addition, the PLIs are required to confirm in the application form that the borrower has substantive business in Hong

² All approved within 3 working days after all necessary documentations are provided.

Kong. Both the Administration and HKMA will closely monitor the PLIs with regard to their compliance with the provisions in the deed.

10. To provide flexibility to PLIs and enterprises wishing to make use of the SpGS, and as stated in the paper submitted to the Finance Committee on 12 December 2008, PLIs are allowed to provide credit facilities under the SpGS to existing customers whose original unused credit line outside the scheme has been cut for one reason or another. In other words, PLIs may make use of the loans approved under SpGS to restore or replace the unused part of the original credit line provided to their customers where the original line has been cut or reduced by the PLI.

SME Seminar

11. TID and five major industrial and trade organisations³ will be organising a large-scale seminar on 15 January 2009 at the Hong Kong Convention and Exhibition Centre to brief SMEs on the support measures provided by the Government and industry support organizations. Speakers at the seminar include representatives from the Hong Kong Export Credit Insurance Corporation, Hong Kong Trade Development Council, Hong Kong Productivity Council, TID and some PLIs. Enquiry counters will also be set up by PLIs to answer questions by SMEs.

**Commerce and Economic Development Bureau
Trade and Industry Department
January 2009**

³ Federation of Hong Kong Industries, Chinese General Chamber of Commerce, Hong Kong General Chamber of Commerce, Chinese Manufacturers' Association of Hong Kong and Chinese Importers' & Exporters' Association

List of PLIs that have signed up to join the enhanced SGS

1. AIG Finance (Hong Kong) Limited
2. Allied Banking Corporation (Hong Kong) Limited
3. Bank of China (Hong Kong) Limited
4. Bank of Communications Co., Ltd. Hong Kong Branch
5. China Construction Bank (Asia) Corporation Limited
6. Chiyu Banking Corporation Limited
7. Chong Hing Bank Limited
8. Citibank (Hong Kong) Ltd
9. Citibank N.A.
10. Citic Ka Wah Bank Limited
11. Dah Sing Bank, Limited
12. DBS Bank (Hong Kong) Limited
13. Fubon Bank (Hong Kong) Limited
14. Fubon Credit (Hong Kong) Limited
15. Hang Seng Bank Limited
16. Inchroy Credit Corporation Limited
17. Industrial and Commercial Bank of China (Asia) Limited
18. Intesa Sanpaolo S.P.A
19. Nanyang Commercial Bank, Ltd.
20. Orient First Capital Limited
21. ORIX Asia Limited
22. Public Bank (Hong Kong) Limited
23. Public Finance Limited
24. Shanghai Commercial Bank Ltd.
25. Standard Chartered Bank (Hong Kong) Limited
26. The Bank of East Asia, Limited
27. The Hongkong and Shanghai Banking Corporation Limited
28. United Commercial Bank
29. Wing Hang Bank Limited
30. Wing Hang Finance Company Limited
31. Wing Lung Finance Ltd.

Annex II

Statistics from PLIs on Loan Applications under the enhanced SGS

TID has conducted a survey on the loan applications received by the PLIs under the enhanced SGS. The result is summarised below:

	From 6 to 25 Nov 2008¹	From 26 Nov to 7 Dec 2008²	From 8 to 21 Dec 2008³	Total (D) = (A)+(B)+(C)
	(A)	(B)	(C)	
No. of loan applications received ⁴	461 (186 written and 275 verbal)	601 (232 written and 369 verbal)	1 358 (591 written and 767 verbal)	2 420 (1 009 written and 1 411 verbal)
No. of applications forwarded to TID for processing	46	64	203	313
No. of applications withdrawn by the applicants	2	28	183	213
No. of loan applications rejected	35	48	138	221
No. of applications being processed by the PLIs ⁵	378	461	834	1 673

¹ Provided by 16 PLIs.

² Provided by 21 PLIs.

³ Provided by all 31 PLIs.

⁴ This refers to the number of formal applications (i.e. excluding general enquiries), including written applications and applications lodged verbally with frontline staff at PLI branches.

⁵ Including some oral applications awaiting borrowers' applications in writing.

Reasons for rejection of applications by PLIs :

	From 6 to 25 Nov 2008¹	From 26 Nov to 7 Dec 2008²	From 8 to 21 Dec 2008³	Total (D) = (A)+(B)+(C)
	(A)	(B)	(C)	
1. The applicants have not provided sufficient documents to facilitate assessment	16	5	13	34
2. The applicants do not meet the eligibility criteria for SGS, i.e. the applicants are not registered in Hong Kong or do not fall within the definition of SME	-	4	12	16
3. The applicants have outstanding default ⁶	-	-	8	8
4. The applicants' financial status is too weak	16	37	84	137
5. The applicant cannot demonstrate a reasonable prospect of their businesses	2	2	14	18
6. Others	1	-	7	8
Total	35	48	138	221

⁶ "Default" is defined as failure to make repayment in accordance with the terms and conditions of the approved credit facilities with a lapse of more than 60 days after the due date.

List of PLIs that have signed up to join the SpGS

1. Allied Banking Corporation (Hong Kong) Limited
2. Bank of China (Hong Kong) Limited
3. Bank of Communications Co., Ltd. Hong Kong Branch
4. Chiyu Banking Corporation Limited
5. Citibank (Hong Kong) Ltd
6. Citibank N.A.
7. Citic Ka Wah Bank Limited
8. Dah Sing Bank, Limited
9. DBS Bank (Hong Kong) Limited
10. East West Bank Hong Kong Branch
11. Fubon Bank (Hong Kong) Limited
12. Fubon Credit (Hong Kong) Limited
13. Hang Seng Bank Limited
14. Inchroy Credit Corporation Limited
15. Intesa Sanpaolo S.P.A
16. KDB Asia Limited
17. Nanyang Commercial Bank, Ltd.
18. Orient First Capital Limited
19. ORIX Asia Limited
20. Public Bank (Hong Kong) Limited
21. Public Finance Limited
22. Shanghai Commercial Bank Ltd.
23. Standard Chartered Bank (Hong Kong) Limited
24. The Bank of East Asia, Limited
25. The Hongkong and Shanghai Banking Corporation Limited
26. United Commercial Bank
27. Wing Hang Bank Limited
28. Wing Hang Finance Company Limited

Annex IV

Statistics of the SpGS (as at 5 January 2009)

Detailed breakdown of the applications approved under SpGS is provided below.

Breakdown by industries

	No of applications approved	%
Manufacturing		
Chemical and biotechnology	2	3%
Electronics	2	3%
Food and beverage	2	3%
Jewellery	1	1%
Metal products	4	6%
Plastics	3	4%
Printing and publishing	1	1%
Textiles and clothing	14	19%
Watches and clocks	4	6%
Other manufacturing industry	13	18%
Sub-total:	46	64%
Non-manufacturing		
Construction	2	3%
Import & export trade	14	20%
Hotel and tourism	1	1%
Transportation	3	4%
Wholesale and retail	5	7%
Other non-manufacturing industries	1	1%
Sub-total:	26	36%
Total:	72	100%

Breakdown by loan types

	Non-revolving Loan	Revolving Loan	Total
No. of applications approved	54	18	72
Amount of loans involved (\$M)	197	43	240

Breakdown by number of employees

No. of employees in HK	No. of approved cases
1-10	33
11-20	22
21-49	11
50-99	5
100 or above	1
Total	72