

立法會
Legislative Council

LC Paper No. CB(1)389/10-11(07)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Meeting on 16 November 2010

**Updated background brief on the support measures
for small and medium enterprises**

Purpose

This paper gives an account of the support measures for small and medium enterprises (SMEs) and an update on the concerns raised by Members on the subject in the 2009-2010 legislative session.

Background

2. The Trade and Industry Department (TID) administers the following four SME funding schemes –

- (a) the SME Loan Guarantee Scheme (SGS), which helps SMEs secure loans from participating lending institutions (PLIs) with the Government acting as guarantor for up to 50% of the approved loans;
- (b) the Special Loan Guarantee Scheme (SpGS) which helps enterprises secure loans from PLIs for meeting general business needs to tide over the liquidity problem during the global financial crisis with the Government acting as the guarantor for up to 80% of the approved loans;
- (c) the Export Marketing Fund (EMF), which provides cash subsidy to support SMEs' export promotion activities such as exhibitions and business missions; and
- (d) the SME Development Fund (SDF), which supports non-profit-distributing organizations in carrying out projects to

enhance the competitiveness of SMEs.

3. As at 22 October 2010, the cumulative amount of loan approved under the SGS amounted to \$9.2 billion. As for SpGS, the cumulative amount of loan approved since its implementation on 15 December 2008 was \$89.1 billion. As for EMF, the cumulative amount of grants approved was HK\$1.7 billion. Features of the various funding schemes are set out in the **Appendix**.

Previous discussions

Discussion at the Panel on Commerce and Industry

4. The global financial turmoil has brought about great challenges to many local SMEs who are facing liquidity problems, mainly due to poor business, suppliers' unwillingness to grant credit, and lengthening of major buyers' repayment period. As a result, the Panel on Commerce and Industry (the Panel) has called on the Government to enhance the SME funding schemes to provide greater support to them during the difficult time.

5. At the Panel meeting on 17 November 2009, the Administration briefed the Panel on the latest progress of the support measures for SMEs, in particular, the implementation of the enhancements to the SpGS. Panel members expressed concern that the SMEs were still undergoing a critical period of recovery and could face another credit crisis in the near future. To help the SMEs tide over the difficult period, members suggested that for those SMEs facing genuine financial difficulty, they should be allowed to suspend repayment of loans obtained under SpGS for a further six months following the six-month grace period during which borrowers might only repay the loan interests.

6. The Administration advised that it was obliged to ensure the prudent use of taxpayers' money under the loan schemes. As the SpGS had been operating smoothly, the Administration saw no need to make adjustments to the risk assessment criteria and related procedures at this juncture.

7. Some Panel members expressed concern that the SMEs would face financial problems upon expiry of the six-month extension period of the SpGS on 30 June 2010. Members called on the Administration to extend the SpGS for a full year so that the SMEs could have better planning for the year ahead. They also urged the Administration to step up assistance to the SMEs in opening up new markets, such as by helping the SMEs participate in international exhibitions and trade fairs in collaboration with the Hong Kong Trade Development Council (HKTDC).

8. The Administration assured members that it would keep a close watch on the situation and review the SpGS before the expiry of the extension period, and make suitable adjustments if necessary. The Administration would continue to help the SMEs expand their businesses by participating in export promotion

activities through the SME Export Marketing Fund and the SME Development Fund. The Administration would also help the SMEs open up new markets in collaboration with the HKTDC.

9. The Government subsequently announced on 21 April 2010 its decision to extend the application period for the SpGS, for the last time, for six months until 31 December 2010.

Council meetings

10. At the Legislative Council meeting on 9 June 2010, Dr Hon LAM Tai-fai raised a question on assistance for SMEs. The Hon Member expressed concern about the impact of the European crisis, foreign exchange pressure and the increase in uncertainties in external markets on SMEs. He urged the Administration to further extend the application period for the SpGS after its expiry at the end of 2010.

11. At the Council meeting on 25 June 2010, a motion on assisting the sustainable development of SMEs was carried. Members were concerned that Hong Kong SMEs operating in the local, Mainland or overseas markets were facing difficulties in maintaining their businesses. Members urged the Administration to formulate strategies and measures to comprehensively improve the business environment and assist SMEs.

12. At the Council meeting on 17 July 2010, a motion on comprehensively upgrading the quality of talents in Hong Kong to complement the upgrading and transformation of SMEs was carried. Members were of the view that talents had been an important element contributing to the vigorous development of SMEs in Hong Kong over the years. They urged the Administration to formulate a comprehensive and long-term policy on talents training in this regard.

Recent developments

13. At the policy briefing for the Panel on 19 October 2010, members noted that the Administration planned to submit a funding proposal by mid 2011 to increase the financial commitment of the SME Export Marketing Fund and SME Development fund by \$1 billion. In view of the fact that the application period for the SpGS would expire on 31 December 2010, some members urged the Administration to further extend the SpGS, or strengthen the SGS by including more diversified features of the SpGS such as revolving credit facilities to help the SMEs.

14. In response, the Administration advised that the SpGS was introduced in 2008 as a time-limited initiative to tackle the credit crunch arising from the global financial crisis. The Government had repeatedly extended the application period for SpGS in response to demand. As the problem of credit crunch had largely been relieved, the Administration considered it an opportune time to let the credit

market gradually resume its normal operation. The Administration cautioned that the risks involved with certain features of the SpGS, in particular the revolving credit facilities, should be carefully considered.

Latest position

15. The Administration will update the Panel on 16 November 2010 on the progress of the support measures for SMEs.

Relevant papers

Information papers provided by the Administration for the Commerce and Industry Panel meeting on 17 November 2009

<http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1117cb1-341-3-e.pdf>

<http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1117cb1-341-4-e.pdf>

Updated background brief on the support measures for small and medium enterprises for the meeting on 17 November 2009

<http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1117cb1-341-5-e.pdf>

Minutes of the Commerce and Industry Panel meeting on 17 November 2009

<http://www.legco.gov.hk/yr09-10/english/panels/ci/minutes/ci20091117.pdf>

Information paper provided by the Administration on the Government's decision to extend the application period for the SpGS to the Commerce and Industry Panel on 21 April 2010

<http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/cicb1-1697-1-e.pdf>

Council question raised by Dr Hon LAM Tai-fai on 9 June 2010 on assistance for small and medium enterprises

<http://www.legco.gov.hk/yr09-10/english/counmtg/hansard/cm0609-translate-e.pdf>

Motion moved by Dr Hon LAM Tai-fai on 25 June 2010 on assisting the sustainable development of small and medium enterprises

<http://www.legco.gov.hk/yr09-10/english/counmtg/hansard/cm0625-translate-e.pdf>

Motion moved by Hon Miriam LAU Kin-ye on 17 July 2010 on comprehensively upgrading the quality of talents in Hong Kong to complement the upgrading and transformation of small and medium enterprises

<http://www.legco.gov.hk/yr09-10/english/counmtg/hansard/cm0716-translate-e.pdf>

Information paper provided by the Administration for the policy briefing for the Commerce and Industry Panel on 19 October 2010

<http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci1019cb1-17-3-e.pdf>

Council Business Division 1
Legislative Council Secretariat
11 November 2010

Features of the Special Loan Guarantee Scheme (SpGS)

- (a) The SpGS commenced operation on 15 December 2008.
- (b) The Government has pledged to provide loan guarantee of up to \$100 billion in support of enterprises in obtaining credit facilities from commercial banks.
- (c) SpGS is open to all enterprises (except listed companies) with substantive business in Hong Kong and registered in Hong Kong under the Business Registration Ordinance.
- (d) The loans should be used for meeting the needs of general business use of the applicants.
- (e) The original guarantee ratio is 70% of the approved loan, subject to a maximum loan amount of \$6 million for each enterprise. Within this limit, an enterprise may obtain a revolving credit line of up to \$3 million. With effect from 15 June 2009, the guarantee ratio has been increased to 80% for new loans approved under the scheme, and the maximum loan amount for each enterprise is increased to \$12 million. Within this limit, an enterprise may obtain a revolving credit line of up to \$6 million.
- (f) The original maximum guarantee period for each loan is 36 months or up to 30 June 2012, whichever is earlier. With effect from 15 June 2009, the maximum guarantee period for each loan has been extended to 60 months or up to 31 December 2014, whichever is earlier.

Features of the SME Loan Guarantee Scheme (SGS)

- (a) The SGS aims to help SMEs secure loans from participating lending institutions for acquiring business installations and equipment; and meeting working capital needs of general business uses.
- (b) The overall objective is to assist SMEs to enhance productivity and competitiveness.
- (c) The SGS covers the following two types of loans: Business Installations and Equipment Loans; and Working Capital Loans.
- (d) The amount of guarantee for an SME is 50% of the approved loan, subject to a maximum amount of \$6 million. The guarantee can be used to secure loans for either business installations and equipment or working capital , or a combination of both. The guarantee period is up to a maximum of five years, counting from the first drawdown date of the loan.
- (e) If an SME has fully repaid the business installations and equipment loan(s) or working capital loan(s) backed up by the guarantee under the Scheme, the SME is eligible for the respective guarantee amount one more time, subject to a maximum amount of \$6 million.

Features of the SME Development Fund (SDF)

- (a) The SDF aims at providing financial support to projects carried out by non-profit-distributing organizations operating as support organizations, trade and industrial organizations, professional bodies or research institutes to enhance the competitiveness of Hong Kong's SMEs in general or SMEs in specific sectors. Applicants shall either be a statutory organization, or a registered organization under the laws of Hong Kong Special Administrative Region.
- (b) SDF is administered by the Trade and Industry Department upon the advice of a vetting committee.
- (c) Non-profit-distributing organizations operating as support organizations, trade and industrial organizations, professional bodies or research institutes are eligible to apply. Applicants shall either be a statutory organization, or an organization registered under the laws of the Hong Kong Special Administrative Region.
- (d) Proposed projects should be conducive to the competitiveness of Hong Kong's SMEs in general or in specific sectors. The SDF Secretariat may from time to time invite project applications on specific themes.
- (e) Projects to be supported may include research studies, award schemes, codes of best practice, conferences, seminars, databases, exhibitions, service centres, support facilities and technology demonstration projects.
- (f) SDF will normally fund projects that will be completed in 2 years. Projects which are intended to be operated on a long-term basis have to demonstrate their financial viability subsequent to the cessation of funding support from SDF.
- (g) The maximum amount of funding support for any approved project will be HK\$2 million, or 90% of the total project expenditure (whichever is lower). The applicant organization will have to contribute the remaining amount, which may be in cash, in kind or in the form of third-party sponsorship.

Features of the SME Export Marketing Fund (EMF)

- (a) The EMF aims at helping SMEs expand their businesses through participation in export promotion activities.
- (b) The EMF provides grant to SMEs for their participation in trade fairs/exhibitions and business missions outside Hong Kong, as well as local trade fairs/exhibitions which are export-oriented. Such export promotion activities must be organized by bona fide organizations/companies and directly relevant to the business of the applicants.
- (c) Applicants must participate in the export promotion activities as Hong Kong SMEs and be directly represented by their employers and/or employees in the name of the applicants. Participation through any other means including third party commission will not be accepted. The organizer and any of its related or associated companies are not eligible for applying the EMF in respect of those export promotion activities organized or co-organized by them.
- (d) The EMF also provides grant to SMEs for their advertisements on printed trade publications targeting export markets; as well as advertisements placed on eligible trade websites.
- (e) The maximum amount of grant for each successful application will be 50% of the total approved expenditures incurred by the applicant or \$50,000, whichever is the less.
- (f) The maximum cumulative amount of grant that an SME may obtain from the EMF is \$150,000.