

**Supplementary Information on
FCR(2012-13)12 : SME Financing Guarantee Scheme – Special Concessionary Measures
discussed at the Finance Committee Meeting on 20 April 2012**

At the Finance Committee (FC) meeting held on 20 April 2012, Hon Albert CHAN requested the Administration to provide supplementary information on SME loans and loan default figures prior to and after the launch of the SME Financing Guarantee Scheme (SFGS) administered by the Hong Kong Mortgage Corporation (HKMC). The information requested is provided in the ensuing paragraphs.

Number and amount of loans granted by Authorized Institutions¹ to Small and Medium Enterprises and relevant default statistics

2. At present, there is no unified definition of “lending to small and medium enterprises” (SMEs) in the banking sector. Different banks may adopt different definitions for “SME lending”. For example, they may define “SME lending” by the size of annual business turnover of the applicant enterprise or the amount of the loan facility, etc. Hence, it is not practicable to compile aggregate loan and default figures in respect of “SME lending” across the banking sector.

3. For general reference purpose, the Hong Kong Monetary Authority (HKMA) publishes statistics on, *inter alia*, the overall situation of the lending business of Authorized Institutions on a regular basis. According to the HKMA’s Monthly Statistical Bulletin, the total amount of loans and advances granted by Authorized Institutions was HK\$38.6 trillion, HK\$45.7 trillion and HK\$57.7 trillion in 2009, 2010 and 2011 respectively. As shown in the HKMA’s Annual Report 2011, the total outstanding provisions/impairment allowances were 0.96%, 0.71% and 0.63% of the total loans in 2009, 2010 and 2011 respectively. We should note with caution that these figures include all types of loans and advances made by the Authorized Institutions, including loans granted to listed companies, which are not eligible under SFGS². In addition, there is a maximum amount of credit facility per enterprise to be guaranteed under SFGS at any point in time, i.e. \$12 million.

Default Situation of the SFGS

4. HKMC launched the SFGS on 1 January 2011 on a self-financing basis to assist eligible enterprises in Hong Kong to obtain financing to meet their needs. As at 10 May 2012, the HKMC has approved 265 applications with a total facility amount/limit of HK\$913 million. So far, HKMC has not made any payment for default claims under the SFGS.

Commerce and Economic Development Bureau
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¹ Authorized Institutions as defined under the Banking Ordinance (Chapter 155).

² Eligible enterprises under SFGS must have business operation in Hong Kong and be registered in Hong Kong under the Business Registration Ordinance (Chapter 310). They must also have business operation for at least one year on the date of guarantee application and have good loan repayment record. Listed companies, lending institutions and affiliates of lending institutions are not eligible for SFGS.