

## LCQ17: Special 100% Loan Guarantee

Following is a question by Dr the Hon Johnny Ng and a written reply by the Secretary for Commerce and Economic Development, Mr Algernon Yau, in the Legislative Council today (December 6):

Question:

During the outbreak of the Coronavirus Disease 2019 epidemic, the Government launched the Special 100% Loan Guarantee (Special Loan) under the SME Financing Guarantee Scheme, with the Government providing 100% guarantee to assist small and medium enterprises in alleviating financial difficulties and tiding over the difficulties. In addition, the Financial Secretary proposed in the Budget delivered in February this year that the application period of the Special Loan be extended to the end of March next year. In this connection, will the Government inform this Council:

(1) of the respective numbers of applications received, approved, rejected and being processed by the lending institutions participating in the vetting and approval of applications for the Special Loan since April this year (with a tabulated breakdown by industry), and the amount of money involved in the approved applications;

(2) of the current default rate and amount of default claims of the Special Loan; whether the Government has projected the future default situation, and whether the guarantee amount of the default loans concerned will constitute a burden on the Government's finance; and

(3) as it has been reported that some swindlers have obtained the Special Loan by deception through various means (including the use of false instruments), and some applicants have even closed down their businesses after obtaining loans and have defaulted on the loans on the pretext of emigration, which has reduced the Special Loan to "a cash withdrawal machine" for swindlers or people with ill intentions, whether the Government has assessed the situation of the Special Loan being abused and estimated the number of approved applications which will involve loan defaults; whether it will rigorously combat the relevant fraudulent and defaulting behaviours to ensure the proper use of public money?

Reply:

President,

The Government helps businesses obtain commercial loans by providing loan guarantees under the SME Financing Guarantee Scheme (SFGS). To assist small and medium enterprises (SMEs) hard hit by the epidemic in coping with cash flow problems, the Government launched in April 2020 the Special 100% Guarantee Product under the SFGS to provide low-interest concessionary loans, and introduced enhancements several times and extended the application period to end March 2024, with a view to benefitting more SMEs.

The Government's reply to the three parts of the question is set out below:

(1) From April to end October 2023, the application figures of the Special 100% Guarantee Product are as follows:

Number of applications received	4 282
Number of applications approved	3 685
Number of applications under processing	330
Number of applications rejected (Note)	161
Total loan amount of approved cases (\$)	12.6 billion

The figures of the major beneficiary sectors of the applications approved are as follows:

Beneficiary sector	Number of applications approved
Trading, wholesale and retail	1 265
Engineering and construction	313
Manufacturing	133
Others (e.g. catering, transportation)	1 974

(2) From its launch in April 2020 to end October 2023, the application and default figures of the Special 100% Guarantee Product are as follows:

Number of applications approved	65 049
Total loan amount of approved cases (\$)	136.9 billion
Number of default cases	3 585
Loan guarantee amount of default cases (\$)	7.5 billion
Default rate	5.49%

The default rate is subject to change having regard to various factors, such as the overall economic environment, the business situation of individual sectors, and some loans still subject to principal moratorium or partial principal repayment arrangements. So far the default rate is lower than the assumed default rate of 25 per cent.

(3) Stringent vetting procedures have been put in place under the SFGS. Lending institutions are required to check the eligibility of enterprises with their professional knowledge, judgement and due diligence, and submit

the verified applications with the necessary documents to HKMC Insurance Limited (HKMCI) for final assessment and approval. To avoid abuse of the SFGS, in the event that an application is suspected to be involved in illegal activities, HKMCI and lending institutions will reject the application and report to law enforcement agencies. HKMCI and lending institutions so far have referred a number of cases suspected to be involved in illegal activities to law enforcement agencies for follow-up, and will continue to communicate and co-operate closely with them with a view to guarding against and handling properly applications that may involve in illegal activities.

The Government will continue to monitor closely the applications and the operation of the SFGS, and review its effectiveness.

Note: Apart from rejected applications, some applications were withdrawn by the applicant enterprises.