

## LCQ3: Helping enterprises tide over difficulties

Following is a question by Professor the Hon Priscilla Leung and a reply by the Acting Secretary for Commerce and Economic Development, Dr Bernard Chan, in the Legislative Council today (November 6):

Question:

There are views pointing out that, given the nascent recovery from the epidemic and current volatility in international politics, many enterprises in Hong Kong are still facing huge survival pressure. Results of a survey on the business index for small and medium enterprises (SMEs) published by a statutory body in August this year have indicated that Hong Kong's overall business index for the third quarter retreated by 4.8 to 42.5, reaching the lowest level since the third quarter of 2022. In this connection, will the Government inform this Council:

(1) as it has been reported that, as pointed out in the survey findings published by a trade association in August this year, nearly half of the SME respondents indicated their difficulty in financing due to the long processing time and cumbersome procedures for the Government's handling of applications lodged under various funding schemes, how the Government will enhance efficiency in vetting and approving applications under the funding schemes, so as to assist enterprises in financing;

(2) whether it has reviewed if various financial regulators and statutory bodies (e.g. the Hong Kong Monetary Authority and the Insurance Authority) have aligned with the Government's general direction of providing assistance and room for survival for those enterprises at risk of closure but with a chance to survive, thereby ensuring their survival; if it has reviewed and the outcome is in the affirmative, of the details; if the outcome is in the negative, the reasons for that; and

(3) whether the Government and the statutory bodies concerned will review the existing disciplinary policies for certain industries in response to prevailing trends and circumstances, e.g. deferring the takeover of insolvent enterprises; if so, of the details; if not, the reasons for that?

Reply:

President,

The Government is dedicated to providing a reliable and business-friendly environment and support for enterprises to grow healthily. Having regard to the economic situation and needs of the trade, the Government has also from time to time enhanced various measures to assist enterprises (especially small and medium enterprises (SMEs)) in developing markets and

addressing various challenges.

Stepping into 2024, the global market situation remains unstable. Alongside the strength of the Hong Kong dollar and change in consumption patterns of visitors and the local public, the pace of recovery is uneven across different sectors. To this end, the Chief Executive announced in the 2024 Policy Address eight measures to assist SMEs in addressing the challenges often encountered during economic restructuring, including, under the SME Financing Guarantee Scheme, launching again the principal moratorium, extending the maximum loan guarantee periods of the 80% and 90% guarantee products to 10 years and eight years respectively, and offering partial principal repayment options to new loans under the two guarantee products, so as to alleviate the repayment burden on SMEs; injecting \$1 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) to assist SMEs in upgrading their business operations and developing new markets; expanding the scope of Cyberport's Digital Transformation Support Pilot Programme (DTSP); strengthening brand development of SMEs; and enhancing the services of the Hong Kong Design Centre and incentives for recurrent exhibitions, with a view to alleviating the operating pressure of SMEs and helping them further expand businesses.

Besides, the Policy Address has emphasised the promotion of the development of new quality productive forces, including encouraging enterprises to grasp the opportunities brought about by electronic commerce, developing the low-altitude economy, expanding the silver market, as well as fostering trading of liquor, thereby creating more business opportunities for SMEs.

Having consulted the Financial Services and the Treasury Bureau, the Innovation, Technology and Industry Bureau, the Hong Kong Monetary Authority (HKMA) and the Insurance Authority (IA), the consolidated reply to the various parts of the question is as follows:

Regarding the Government's funding schemes, bureaux have been reviewing and enhancing their operations, including expediting the application process. Taking the BUD Fund as an example, to facilitate enterprises' application submission, we have simplified the application form, redesigned the webpage to provide graphic illustration of the application process, application tips and success stories, etc. We have also allowed online submission of applications and project reports by applicant enterprises. The "Easy BUD" launched in June 2023 further assists applicants in preparing applications and implementing projects with a funding amount of \$100,000 or below, and shortened the target processing time by half to within 30 working days, thereby helping SMEs expand their businesses swiftly.

Besides, since this year we have included new functions and information on the webpage of the SME Export Marketing Fund to facilitate online submission of supporting documents and information by applicant enterprises and expedite the application process.

As regards the DTSP, Cyberport has set up a dedicated website to assist

SMEs in selecting off-the-shelf basic digital solutions, and is continuously enhancing the efficiency for processing applications, thereby expediting approval procedures.

On the issue of financing, the Government has been paying close attention to SME lending. Among others, since the establishment of the Banking Sector SME Lending Coordination Mechanism (Mechanism) by the HKMA and the banking sector in 2019, several rounds of measures have been introduced to support SMEs, including the Pre-approved Principal Payment Holiday Scheme, deferment of repayment period and conversion of trade financing lines into temporary overdraft facilities. Noting that some SMEs are still facing challenges in their business operations, the HKMA together with the Mechanism introduced nine SME support measures in March 2024. These include banks' undertaking to follow the HKMA guidance not to demand early repayments from borrowers who continue to make mortgage payments on schedule; banks will take into account a range of factors such as the borrowing enterprise's credit position and repayment ability when performing periodic credit reviews. In the first six months since the launch of the nine support measures, a total of around 20 000 SMEs had benefitted, involving an aggregate credit limit of over \$44 billion.

In August 2024, the HKMA and the Hong Kong Association of Banks jointly established the Taskforce on SME Lending to further strengthen the work for supporting SMEs' access to bank financing at both the individual case and the sector levels. The HKMA and the banking sector introduced five new measures in October 2024, including the release of bank capital to facilitate the financing needs of SMEs and setting aside a total of over \$370 billion of dedicated funds to support SMEs.

The HKMA has also required banks to be sympathetic and offer suitable credit relief to borrowing enterprises which face genuine repayment difficulties under the overarching principle of prudent risk-management principles.

Since banks must maintain effective risk management to safeguard depositors' interest, for certain loan cases where there are no improvements despite relief or restructuring arrangements, while banks will inevitably have to manage these cases as appropriate, they should ensure that communication with customers be conducted in an accommodative manner.

As for the insurance sector, the principal statutory functions of the IA are to protect existing and potential policyholders, maintain the overall market stability, and promote the global competitiveness of Hong Kong's insurance industry. In the daily work of the IA, if an authorised insurer faces short term operational challenges, the IA would seek ways to help it overcome the difficulties in a pragmatic manner. If there is severe contravention of legal requirements, the IA will take decisive interventions to prevent policyholders' interests from being jeopardised.

The Government and the financial regulators will continue to maintain communication with the banking industry and the commercial sector so as to

understand the financing needs of SMEs, and to work in concerted efforts to support their continuous development, upgrading and transformation.