

SCED speaks on 90 per cent Guarantee Product under SME Financing Guarantee Scheme

Following is the transcript of remarks by the Secretary for Commerce and Economic Development, Mr Edward Yau, on the initial market response to the launch of a new 90 per cent Guarantee Product under the SME Financing Guarantee Scheme today (December 23):

Reporter: I know the Government is already trying to speed up the whole process so that people who need the money can get the money as soon as possible. But given that there are other tycoons in the community like Li Ka-shing who can offer money to some of the businesses faster and simpler, is this scheme that the Government has started for one week really attractive to some of the small and medium businesses in terms of speed and how they can get the money?

Secretary for Commerce and Economic Development: Again, this 90 per cent financial guarantee scheme (90 per cent Guarantee Product under the SME Financing Guarantee Scheme) is a major response to demands and requests from SMEs, whom we consulted in the last year or so. We have a scheme running for almost a decade, which is 80 per cent (80 per cent Guarantee Product under the SME Financing Guarantee Scheme). In the light of the pressure on SMEs last year arising from the US-China trade war, we have enhanced that scheme. We have raised the ceiling from \$12 million to \$15 million, we have cut the fees, and we have also extended the extension period. Of course, there are still certain limitations in that scheme, because the level of the Government's guarantee is confined to 80 per cent. So there are a lot of suggestions that at this difficult time, particularly in the last six months, companies, micro SMEs in particular, or young professionals wanting to establish their business are in need of cash relief. That's why, since June, we have been talking about the possibility of introducing another scheme which caters for the micro SMEs and also young professionals. That was how the scheme came about.

Among all the difficulties faced by the SMEs, cash flow has been the major issue. Because of the reduction in revenue, in order to keep the business going, cash is in fact the most important. And that's why this 90 per cent guarantee product would provide a level of comfort for banks to provide this relief.

People would obviously ask the question of how soon all this money could be dished out. Timeliness is important, because they are suffering from cash flow every week. In fact, that's what Raymond (the Executive Director and Chief Executive Officer of the Hong Kong Mortgage Corporation Limited, Mr Raymond Li) said, soon after the scheme was approved by the LegCo (the Legislative Council), as late as December 6, the Mortgage Corp (the Hong Kong

Mortgage Corporation Limited) and the banks have rolled out the scheme last Monday. Within a week, we are seeing applications, we are seeing applications being approved and money being dished out. So I think this is the kind of promptness we intended to do, but of course this must be done together with the banking sector and Mortgage Corporation. We want to let people know that there is a scheme out there to help them.

But of course the Government does not stop at the mortgage scheme. There are relief measures by cutting costs for small businesses. The Government is setting an example of cutting our rental by half in the next six months. The Financial Secretary has rolled out a number of schemes through waiving charges, electricity subsidy, whatnot. I think these are the packages we would roll out. Together with the scheme I just mentioned, I think we try to leave no stones unturned and do as much as we can. Thank you.

(Please also refer to the Chinese portion of the transcript.)