The SME Financing Guarantee Scheme (“Scheme”) was launched on 1 January 2011 by The Hong Kong Mortgage Corporation Limited (HKMCI). Since 1 January 2018, its financial business has been transferred to and carried on by HKMCI Insurance Limited (“HKMC”), a wholly-owned subsidiary of the HKMCI.

Objective and Guarantee Coverage

The Scheme aims to help local small and medium-sized enterprises ("SMEs") and non-listed enterprises to obtain financing from participating lenders for meeting their business needs in a timely and efficient manner in the rapidly changing business environment. Under the Scheme, the HKMCI may provide guarantee coverage of 50%, 60% or 70% to the approved facilities of eligible enterprises.

Special Concessionary Measures

To help tide SMEs over financing difficulties as a result of a possible credit crunch in the midst of the uncertain global economic environment, the Financial Secretary announced in the 2011-12 Budget Speech to support the SMEs, including the introduction of the time-limited Special Concessionary Measures under the Scheme which provides 80% guarantee coverage (“80% Guarantee Product”) to eligible credit facilities approved by participating lenders at concessionary guarantee fee rates.

The 80% Guarantee Product has provided strong support for SMEs in obtaining financing in the commercial lending market since its launch on 31 May 2012 and benefited an increasing number of enterprises. As announced in 2016-17 Budget Speech, qualifying guarantees under the 80% Guarantee Product can enjoy 10% off on annual guarantee fees and rate exceeding such ceiling on a case-by-case basis. The maximum guarantee period is five years. Under the Enhancement Measures, qualifying guarantees under the 80% Guarantee Product may cover the maximum guarantee facility amount and the maximum guarantee fee amount for the maximum guarantee period of HK$15 million or less, whichever is the lesser (Note 2).

Maximum Facility Amount, Maximum Guarantee Period and Maximum Interest Rate

Eligibility

Eligible enterprises must have business operations in Hong Kong, a legal status and are incorporated under the Companies Ordinance (Chapter 32) or the Registration Ordinance (Chapter 31). They must also have been in operation for at least one year on the date of guarantee application, and have good loan repayment records.

Type and Use of Loans

The Scheme guarantees both term loan and revolving credit facilities. An enterprise can borrow a term loan and a revolving credit facility in any order or simultaneously. There is no limitation on the proportion between the two types of facilities.

The loans must be used for providing general working capital for the enterprise’s business operations, acquisition of equipment or assets (such as industrial or commercial properties, machinery and equipment, but excluding residential properties) in relation to the enterprise’s business or refinancing any facilities with a guarantee issued under the Scheme.

Eligible enterprises for the 80% Guarantee Product may cover the maximum guarantee facility amount and the maximum guarantee fee amount for the maximum guarantee period of HK$15 million or less, whichever is the lesser (Note 2).

For each enterprise and its related entity(ies) can obtain a loan or credit facility. The participating lenders will review and approve. A list of the participating lenders is available at www.hkmc.com.hk/sfgs for reference.

Eligible enterprises for the 80% Guarantee Product may cover the maximum guarantee facility amount and the maximum guarantee fee amount for the maximum guarantee period of HK$15 million or less, whichever is the lesser (Note 2).

For any guarantee fee due and payable before 1 June 2016: Ranges from 0.5% to 3.2% of the loan amount / limit of the facility.

For any guarantee fee on qualifying guarantees under the 80% Guarantee Product due and payable on or after 1 June 2016 under the Guarantee Fee Concessions: Up to 0.9% of the loan amount / limit of the facility (not subject to a minimum annual guarantee fee rate of 0.5%).

For any guarantee fee on qualifying guarantees under the 80% Guarantee Product due and payable on or after 19 November 2018 under further Concessions in Guarantee Fee Concessions: The maximum guarantee fee amount for the loan amount / limit of the facility (not subject to a minimum annual guarantee fee rate of 0.5%)

Guarantee Fee

For each facility with an overall interest rate not exceeding the specified interest rate ceiling (Note 3), the annual guarantee fee ranges from 0.5% to 3.2% of the loan amount / limit of the facility.

Under the 80% Guarantee Product:

For a term loan facility, the borrower makes equal monthly instalment payments to repay the principal and interest of the facility throughout the duration of the facility.

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