Press Release

Microfinance Pilot Scheme

The Hong Kong Mortgage Corporation Limited (HKMC) today (Thursday) announced that it will seek approval from the Board soon to launch a microfinance pilot scheme with a trial period of three years in mid-2012.

At the request of the Financial Secretary, Mr John C Tsang, the HKMC formed a study group in 2011, with members drawn from different sectors (including the banking industry, voluntary agencies, academia and the Government) and chaired by the Executive Director of the HKMC and the Deputy Chief Executive of the Hong Kong Monetary Authority, Mr Peter Pang. The study group examined the feasibility of establishing a sustainable microfinance scheme in Hong Kong and submitted the study report to the Financial Secretary in August 2011. The report (English only) is now available on the HKMC's website (www.hkmc.com.hk).

Overseas experience indicates that a successful and sustainable microfinance scheme would provide comprehensive support to help boost the credit standing of the borrowers so that they can obtain bank loans at a relatively lower interest rate. Such comprehensive support system would assist the borrowers to develop their business plans, provide entrepreneurial training and offer mentorship after business launch, etc.

The study group recommended that Hong Kong should follow five guiding principles when launching a microfinance scheme:

1. the scheme should be self-sustaining in the long-run;
2. the scheme should not operate as a social welfare hand-out;
3. the borrowers must have the willingness to repay the loans;
4. for micro-business start-up and self-employment, the borrowers will need to present viable business plans; and
5. the borrowers should have the ability to implement the business plan.

According to the preliminary framework suggested by the study report, the pilot scheme should cater to three categories of borrowers, namely those aspiring to start up their own businesses, those wishing to become self-employed and those wanting to achieve self-enhancement through training, upgrading of skills or securing professional certification. The maximum loan amount for each loan in these categories would be HK$300,000, HK$200,000 and HK$100,000 respectively. The maximum loan tenor will be five years. More details are set out in the Annex.

After considering the report, the Financial Secretary announced in the 2012-13 Budget a request for the HKMC to co-ordinate with banks, voluntary agencies and other stakeholders to carry out a sustainable microfinance pilot scheme based on commercial principles, with a tentative aggregate loan amount of HK$100 million. Relevant ancillary and support services should also be provided to enhance the viability of the scheme. The HKMC welcomes the announcement by the Financial Secretary and is actively conducting the

preparatory work, including discussion with banks and relevant bodies to work out the details of the scheme such as the interest rate level, application and approval procedures, and ancillary services, etc.

Mr Pang said, “There are many in Hong Kong who aspire to set up their own businesses or enhance their skills. While the start-up funding needed may not necessarily be substantial, many often find it difficult to borrow from the traditional financing channels to realise their development potential. The HKMC will work closely with stakeholders such as banks and voluntary agencies to develop a centralised microfinance platform to help these people obtain microfinance.”

The Hong Kong Mortgage Corporation Limited

2 February 2012

Annex

<table>
<tr><th></th><th>Micro Business Start-up Loan</th><th>Self-employment Loan</th><th>Self-enhancement Loan</th></tr>
<tr><td>Eligibility Criteria</td><td colspan="3">Hong Kong resident aged 18 or over
No bankruptcy record or applicants who have been formally discharged from bankruptcy may also apply
Acceptable credit history</td></tr>
<tr><td></td><td>Business plan required
For business start-up in Hong Kong (including business in operation for less than five years)</td><td>Business plan required
At least two years of experience in related industries</td><td>For courses not covered by the Student Financial Assistance Agency (SFAA) or Employees Retraining Board (ERB) or
Those who fail to obtain SFAA assistance for the whole cost or full fee subsidy from ERB</td></tr>
<tr><td>Loan Amount</td><td>Up to HK$300,000</td><td>Up to HK$200,000</td><td>Up to HK$100,000</td></tr>
<tr><td>Loan Tenor</td><td colspan="3">Up to five years</td></tr>
<tr><td>Repayment Term</td><td colspan="3">For loan tenor up to three years, a repayment holiday of six months is provided
For loan tenor of over three years up to five years, a repayment holiday of 12 months is provided</td></tr>
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