

# SME Financing Guarantee Scheme Factsheet

**Effective date: 6 October 2021**

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

Guarantee Product	50% Guarantee Product	60% Guarantee Product	70% Guarantee Product	80% Guarantee Product	90% Guarantee Product	Special 100% Loan Guarantee
<b>Risk Sharing Factor</b>	50%	60%	70%	80%	90%	100%
<b>Application Period</b>	Since 1 January 2011			From 31 May 2012 to 30 June 2022	From 16 December 2019 to 30 June 2022	From 20 April 2020 to 30 June 2022
<b>Annual Guarantee Fee Rates</b>	Range from 0.5% to 3.2% of the loan amount/ facility limit			Range from 0.5% to 1.0% of the loan amount/ facility limit Note: The Financial Secretary announced in the 2016-17 Budget Speech the reduction of the annual guarantee fee rates by 10% and the removal of the minimum annual guarantee fee rate of 0.5%. These guarantee fee concessions are applicable to any guarantee fees due and payable on qualifying guarantees under the 80% Guarantee Product on or after 1 June 2016. The Government announced in October 2018 and in August 2019 to implement and extend the Enhancement Measures respectively. The guarantee fee rates are reduced by 50% for any guarantee fees due and payable on	<ul style="list-style-type: none"> <li>• For Borrowers with business operation history more than three years in Hong Kong: Up to 0.36% of the loan amount (not subject to a minimum annual guarantee fee rate of 0.5%)</li> <li>• For Borrowers with business operation history of three years or less in Hong Kong: Up to 0.45% of the loan amount (not subject to a minimum annual guarantee fee rate of 0.5%)</li> </ul> Note: Further Concessions in Guarantee Fees applies to guarantee fee for qualifying guarantees under the 90% Guarantee Product.	Not applicable

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				<p>or after 19 November 2018 on qualifying guarantees under the 80% Guarantee Product (not subject to a minimum annual guarantee fee rate of 0.5%) (“<b>Further Concessions in Guarantee Fees</b>”).</p> <p>The latest Annual Guarantee Fee Rate is up to 0.45% of the loan amount /facility limit.</p> <p>Borrowers can pay the guarantee fee by annual payments or, for term loans, by an upfront lump-sum (“<b>Single Upfront Guarantee Fee</b>”) payment. Any Single Upfront Guarantee Fee payment can be financed by utilising the relevant facility. Enterprises can obtain a rough indication of the guarantee fee amount by making use of the Scheme’s guarantee fee calculator in the HKMC official website (<a href="http://www.hkmc.com.hk">www.hkmc.com.hk</a>) and consult the participating lenders (“<b>Lenders</b>”) for details.</p>	<p>Borrowers can pay the guarantee fee by annual payments or, by Single Upfront Guarantee Fee payment. Any Single Upfront Guarantee Fee payment can be financed by utilising the relevant facility. Enterprises can obtain a rough indication of the guarantee fee amount by making use of the Scheme’s guarantee fee calculator in the HKMC official website (<a href="http://www.hkmc.com.hk">www.hkmc.com.hk</a>) and consult the Lenders for details.</p>	

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<b>Maximum Facility Amount per Borrower</b>	HK\$12,000,000* at any point of time.			HK\$18,000,000* (at any point of time, including credit facilities guaranteed under the 80% Guarantee Product and 90% Guarantee Product).	<p>HK\$8,000,000* (at any point of time, including credit facilities guaranteed under the 80% Guarantee Product and 90% Guarantee Product).</p> <p>Under the Further Enhancement Measures which took effect on 29 May 2020, the Maximum Facility Amount for qualifying guarantees under the 90% Guarantee Product is HK\$8,000,000* (at any point of time, including credit facilities guaranteed under the 80% Guarantee Product and 90% Guarantee Product), applicable to guarantee applications received by the HKMCI on or before 30 June 2022.</p> <p>However, with respect to any application for the 90% Guarantee Product, the HKMCI may in its sole and absolute discretion determine that a Borrower and any of its Subsidiaries and/or its Related Entities may be entitled to a separate Maximum Facility Amounts.</p>	<ul style="list-style-type: none"> <li>• The total amount of (a) employee wages and (b) rents for 18 months payable by the Borrower, or HK\$6,000,000 (including approved facility(ies), if any), whichever is the lower.</li> <li>• For Borrower that does not have payment expenses of (a) and (b) above, proxy is made to 50% of the highest monthly net income during the period of January 2019 to June 2020 multiplied by 18.</li> </ul> <p>Note:</p> <p>For subsequent applications, facilities amount previously approved, if applicable, has to be deducted from maximum facility amount.</p> <p>An enterprise is eligible for the Special 100% Loan Guarantee up to the</p>
				<p>On 8 April 2020, with the rapid deterioration of the business environment following the outbreak and spread of the COVID-19, the Government announced further enhancements on the 80% Guarantee Product to provide the enterprises with the much needed financial support to ease their cash flow problem (“<b>Further Enhancement Measures</b>”). Under the Further Enhancement Measures which took effect on 29 May 2020, the Maximum Facility Amount for qualifying guarantees under the 80% Guarantee Product is</p>		

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				<p>HK\$18,000,000* (at any point of time, including credit facilities guaranteed under the 80% Guarantee Product and 90% Guarantee Product), applicable to guarantee applications received by the HKMCI on or before 30 June 2022.</p> <p>However, with respect to any application for the 80% Guarantee Product, the HKMCI may in its sole and absolute discretion determine that a Borrower and any of its Subsidiaries and/or its Related Entities may be entitled to a separate Maximum Facility Amounts.</p>	<p>*Inclusive of any financed Single Upfront Guarantee Fee for any Facility(ies) to a Borrower, its Subsidiaries and/or its Related Entities covered by one or more qualifying guarantees issued under the Scheme.</p>	<p>maximum of HK\$6,000,000 regardless of the existing credit facilities of that enterprise, its Subsidiaries and/or its Related Entities (whether with the same business nature or otherwise) guaranteed under the 80% or 90% Guarantee Products, if any.</p> <p>Multiple applications under the Special 100% Loan Guarantee from the same enterprise shall be submitted to the same Lender.</p>

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	<p>Note:</p> <p>If a Borrower has any facility covered by a Guarantee Product (not being a 80% Guarantee Product), the Maximum Facility Amount shall apply as a cap on the total amount of facilities which is or is to be guaranteed by the HKMCI under the Scheme for that Borrower, its Subsidiaries and/or its Related Entities.</p> <p>*Inclusive of any financed Single Upfront Guarantee Fee for any Facility(ies) to a Borrower, its Subsidiaries and/or its Related Entities covered by one or more qualifying guarantees issued under the Scheme.</p>					<p>Any loan amount repaid under the Special 100% Loan Guarantee cannot be re-borrowed.</p>
<b>Eligible Enterprises</b>						
<b>Business Entity</b>	<p>The Borrower:</p> <ul style="list-style-type: none"> <li>(a) must be a company, sole proprietorship, partnership or unincorporated body of persons which has business operation in Hong Kong and remains registered under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong);</li> <li>(b) shall not be carrying on the business of a lender or otherwise providing funds available for borrowing in any way;</li> <li>(c) shall not be an affiliate of the Lender; and</li> <li>(d) shall not be a company or corporation which has any of its shares listed on The Stock Exchange of Hong Kong Limited (whether on its Main Board or the Growth Enterprise Market) or any similar exchange in or outside Hong Kong.</li> </ul>					

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<b>Business Operation History</b>	The Borrower's business must have been in operation for at least one year in Hong Kong as at the date of submission of the relevant Application Form.				Not applicable	<ul style="list-style-type: none"> <li>• Borrower must have business operation for at least three months in Hong Kong as at 30 June 2020.</li> <li>• Borrower must have suffered at least a 30% decline in sales turnover in any month since February 2020 (“<b>Affected Period</b>”) compared with the monthly average of any quarter from January 2019 to June 2020 (“<b>Reference Period</b>”), provided that the Affected Period must not be earlier than the Reference Period.</li> </ul>
<b>Credit History</b>	The Borrower must not have any outstanding default as defined by the Lender and as defined by the Scheme.					The Borrower must not have any outstanding default of more than 60 days.
<b>Eligible Facility</b>						
<b>Facility Type</b>	Revolving or non-revolving Facility without any restriction on the proportion between them. The Borrower can borrow a revolving Facility and a non-revolving Facility at the same time.				Term loan only	Term loan only
<b>Currency</b>	Denominated in Hong Kong Dollars or foreign currency.					Denominated in Hong Kong Dollars

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<b>Repayment Term</b>	<p>The non-revolving Facility shall be repaid by instalments and be fully amortised by the end of the Guarantee Period, and the period between each repayment of principal should not exceed three months.</p> <p>Notwithstanding the foregoing, the Lender may allow the Borrower to pay interest only in the first six months after the Starting Date of the Facility, and to repay principal and pay interest by instalments over the remaining tenor of the Facility thereafter.</p> <p>In addition, the Borrower can apply for principal moratorium in relation to an eligible Facility under the 80% Guarantee Product with regard to term loan Facilities of a non-revolving nature upon Facility application or during the guarantee period, subject to application submission deadline on 30 June 2022. The maximum principal moratorium is 24 months in aggregate (including the above-mentioned arrangement used to pay interest only in the first six months after the Starting Date of the Facility and any other principal moratorium arrangements used, where applicable) and the loan guarantee period can be extended correspondingly.</p>			<p>The Facility shall be repaid by instalments and be fully amortised by the end of the Guarantee Period, and the period between each repayment of principal should not exceed three months.</p> <p>Notwithstanding the foregoing, the Lender may allow the Borrower to pay interest only in the first twelve months after the Starting Date of the Facility, and to repay principal and pay interest by instalments over the remaining tenor of the Facility thereafter.</p> <p>In addition, the Borrower can apply for principal moratorium in relation to an eligible Facility under the 90% Guarantee Product upon Facility application or during the guarantee period, subject to application submission deadline on 30 June 2022. The maximum principal moratorium is 24 months in aggregate (including the above-mentioned arrangement used to pay</p>	<p>The maximum repayment period is 96 months. The Facility shall be repaid by monthly instalments and be fully amortised by the end of the Guarantee Period.</p> <p>Notwithstanding the foregoing, upon Borrower's application during Facility application or the application period of the Special 100% Loan Guarantee, the Lender may allow the Borrower to pay interest only up to 24 months in aggregate (including any principal moratorium arrangements used, where applicable) and to repay principal and pay interest by instalments over the remaining tenor of the Facility thereafter.</p>	

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					interest only in the first twelve months after the Starting Date of the Facility and any other principal moratorium arrangements used, where applicable) and the loan guarantee period can be extended correspondingly.	
<b>Maximum Guarantee Period</b>	5 years under normal circumstances.  Under the Enhancement Measures rolled out in November 2018, the Maximum Guarantee Period for qualifying guarantees under the 80% Guarantee Product is 7 years, applicable to applications received by the HKMCI by 30 June 2022.				5 years	8 years (including any principal moratorium period of up to 24 months in aggregate) (applicable to both new and existing Facilities)
<b>Overall Interest Rate</b>	<p>The Scheme requires the overall interest rate of the Facility(ies) not exceeding a specified overall interest rate ceiling. The HKMCI will also consider applications with overall interest rate exceeding such ceiling on a case-by-case basis and, if such overall interest rate is accepted, the annual guarantee fee rate will be adjusted accordingly and the ranges specified under Annual Guarantee Fee Rates will not apply. The overall interest rate is the annualised percentage rate which includes the interest rate of the Facility and the relevant fees and charges levied on the Facility.</p> <p>The HKMCI will adjust and announce the relevant ceiling to the overall interest rate in accordance with the interest rate cycle. The Maximum Overall Interest Rate is 10% per annum as at 30 September 2021.</p> <p>Enterprises should consult the Lenders as the overall interest rate level applicable to each Facility is decided by the Lenders.</p>				<p>The 90% Guarantee Product requires the overall interest rates of the guaranteed facilities not exceeding specified interest rate ceilings, tiered based on the Borrower’s business operation history.</p> <p>The HKMCI will adjust and announce the relevant ceiling to the overall interest rate in accordance with the interest rate cycle. Maximum Overall Interest Rate as at 30 September 2021:</p>	<p>Annual interest rate at 2.5% below the prime lending rate for Hong Kong Dollars (“<b>Prime Rate</b>”).</p> <p>Upon application, the Lenders will base on the Prime Rate of the HKMC (5.25% as at 30 September 2021, subject to adjustment from time to time) to calculate the annual interest rate (2.75% as at 30 September 2021, subject to change due to</p>



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					<ul style="list-style-type: none"> <li>• 8% per annum for eligible Enterprises with business operation history more than three years</li> <li>• 10% per annum for eligible Enterprises with business operation history of three years or less</li> </ul> <p>Enterprises should consult the Lenders as the overall interest rate level applicable to each Facility is decided by the Lenders.</p>	<p>adjustment of the Prime Rate of the HKMC from time to time). Thereafter, the annual interest rates may be adjusted in accordance with the change of the Prime Rate of the Lenders.</p>
	<p>The Further Enhancement Measures which take effect on 29 May 2020 provides interest subsidy for the Facility under 80% and 90% Guarantee Products so as to align its annual interest rate to that of the Facility under Special 100% Loan Guarantee (currently at 2.75% **). The annual interest subsidy rate is the Facility's annual interest rate minus 2.75%**, subject to a cap of 3%. Each eligible Facility is entitled to interest subsidy for 12 months at maximum in a one-year subsidy period. Interest subsidy is applicable to qualifying guarantee applications received by the HKMCI on or before 31 May 2021 which are subsequently approved. All interest subsidies will be automatically credited to the Borrower's account by the Lender. Applications for interest subsidy are not required so as to speed up the process.</p> <p>**2.75% is calculated at the Prime Rate of the HKMC (5.25% as at 30 September 2021, subject to adjustment from time to time) minus 2.5% and is subject to adjustment due to change of the Prime Rate of the HKMC.</p> <p>Remarks: Any overdue interest penalty, late or penalty charges, penalty payment or administrative fee imposed on overdue payments or repayments will not be subsidized. If a Facility eligible for interest subsidy is refinanced by a new Facility on or before 31 May 2021 under the Scheme, such new Facility is only eligible for interest subsidy in the remaining month(s) of the one-year subsidy period.</p>					

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<b>Other Features</b>						
<b>Personal Guarantee</b>	A person (who is an individual) or a group of persons (who are individuals) who, directly or indirectly, hold(s) or is/are beneficially entitled to more than 50% of the issued share capital or equity interest of the Borrower shall enter into an irrevocable, unconditional and legally binding guarantee in favour of the Lender in relation to the relevant Facility (if more than one person, on a joint and several basis).					
<b>Use of Proceeds</b>	<p>The proceeds from the Facility must be used:</p> <p>(a) for the purpose of acquisition of assets (such as industrial or commercial properties, machinery and equipment, but excluding residential properties) to facilitate the Borrower's business operations or of general working capital for the Borrower's business operations; or</p> <p>(b) for refinancing of Facilities or facilities that were guaranteed under the Scheme (the Facilities and such facilities, collectively the "Existing Facilities") provided that:</p> <p style="padding-left: 20px;">(A) the Lender has no credit concerns regarding the Borrower's ability to perform its obligations (in particular, no demand for payment or repayment has been served on the Borrower, and there has been no payment default, debt-restructuring or enforcement action against the Borrower) in respect of the Existing Facility;</p> <p style="padding-left: 20px;">(B) if the Existing Facility was for acquisition of assets, Security must be taken over such assets in relation to the facility being applied for, and such Security shall be deemed to be a Security over assets acquired using the proceeds of the relevant facility so that all related provisions in the Master Deed of Guarantee shall apply; and</p> <p style="padding-left: 20px;">(C) in the case of refinancing of facilities that were guaranteed under the Scheme, the relevant Application Form should be received by the HKMCI before the expiry of the relevant guarantee under the Scheme; or</p> <p>(c) if applicable, for financing the Single Upfront Guarantee Fee.</p> <p>Except for (b) above, the proceeds from the Facility must not be used directly or indirectly, wholly or partially, in paying, repaying, restructuring or repackaging all or any part of any loan, credit facility or payment obligation (including any loan referred to as a "classified loan" by the Hong Kong Monetary</p>					<p>In addition to paying wages and rents, the Borrowers can use the proceeds from the Facility to meet imminent needs in working capital.</p> <p>Proceeds from the Facility must not be used for repaying, restructuring or repackaging all or any part of any loan, credit facility or payment obligation of the Borrower, its Subsidiaries or its Related Entities to the Lender, including any Scheme guaranteed facilities granted to the Borrower by the same Lender.</p>

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	<p>Authority from time to time) of the Borrower, its Subsidiaries or its Related Entities, and/or in financing and/or re-financing the acquisition of any business installation, machinery, equipment or other asset that was in the ownership, control or possession of the relevant Borrower, its Subsidiaries and/or its Related Entities (whether as owner or otherwise) on or at any time before the date on which an application for the Facility is received by the Lender.</p>					

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## Remarks

This Scheme is operated by the HKMCI and is subject to the relevant terms and conditions. The copyright to the contents of this document is owned by the HKMCI.

For general enquiries, please contact:

1. the Lenders; or
2. the HKMCI

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