

SME Financing Guarantee Scheme Factsheet

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 Products | | | 80% Guarantee Product | 90% Guarantee Product | Special 100% Loan Guarantee |
|-----------------------------------|--|-----|-----|---|---|-------------------------------------|
| | 50% | 60% | 70% | | | |
| Guarantee Ratio | 50% | 60% | 70% | 80% | 90% | 100% |
| Application Period | Since 1 January 2011 | | | From 31 May 2012 to 30 June 2023. | From 16 December 2019 to 30 June 2023. | From 20 April 2020 to 30 June 2023. |
| Annual Guarantee Fee Rates | Range from 0.5% to 3.2% of the loan amount or facility limit, where applicable | | | <p>The Annual Guarantee Fee Rate is up to 0.45% of the loan amount or facility limit, where applicable.</p> <p>Borrowers shall pay the guarantee fee by annual payments or, for term loans, by an upfront lump-sum (“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 (www.hkmc.com.hk) and consult the participating lenders (“Lenders”) for details.</p> | <ul style="list-style-type: none"> • For Borrowers with business operation history more than three years in Hong Kong: Up to 0.36% of the loan amount • For Borrowers with business operation history of three years or less in Hong Kong: Up to 0.45% of the loan amount <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 (www.hkmc.com.hk) and consult the Lenders for details.</p> | Not applicable |

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| | Guarantee Products | | | 80% Guarantee Product | 90% Guarantee Product | Special 100% Loan Guarantee |
|--------------------------------|---|-----|-----|--|---|---|
| | 50% | 60% | 70% | | | |
| Maximum Facility Amount | HK\$12,000,000* at any point of time. | | | <p>HK\$18,000,000* (at any point of time, including credit Facilities guaranteed under the 80% and 90% Guarantee Products).</p> <p>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>HK\$8,000,000* (at any point of time, including credit Facilities guaranteed under the 80% and 90% Guarantee Products).</p> <p>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"> The total amount of wages and rents for 27 months payable by the Borrower, or HK\$9,000,000 (including approved Facility(ies), if any), whichever is the lower. For Borrower that does not have both payment of wages and rents, proxy is made to 50% of the highest monthly net income before tax during the period of January 2019 to March 2022 multiplied by 27. |
| | <p>Note:</p> <p>If a Borrower has any Facility covered by any of the 50%, 60% or 70% Guarantee Products, the lower Maximum Facility Amount of the 50%, 60% or 70% Guarantee Products 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>*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>Note:</p> <p>The Lender shall request the Borrower to provide supporting documents where appropriate.</p> <p>For subsequent applications, facilities amount previously approved, if applicable, has to be deducted from the Maximum Facility Amount.</p> <p>An enterprise is eligible for the Special 100% Loan Guarantee up to the maximum of HK\$9,000,000 regardless of the existing credit Facilities of that enterprise, and/or its Related Entities (whether with the same business nature or otherwise) guaranteed under the 80% or 90% Guarantee Products, if any.</p> | |
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|-----------------------------|---|-----|-----|-----------------------|-----------------------|---|
| | 50% | 60% | 70% | | | |
| | | | | | | <p>Multiple applications under the Special 100% Loan Guarantee from the same enterprise shall be submitted to the same Lender.</p> <p>Any loan amount repaid under the Special 100% Loan Guarantee cannot be re-borrowed.</p> |
| Eligible Enterprises | | | | | | |
| Business Entity | <p>The Borrower:</p> <ul style="list-style-type: none"> (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); (b) shall not be carrying on the business of a lender or otherwise providing funds available for borrowing in any way; (c) shall not be an affiliate of the Lender; and (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. | | | | | |

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|-----------------------------------|---|-----|-----|-----------------------|--|-----------------------------|
| | 50% | 60% | 70% | | | |
| Business Operation History | 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"> Borrower must have business operation in Hong Kong for at least three months as at 31 March 2022. Borrower must have suffered at least a 30% decline in sales turnover in any month since February 2020 (“Affected Period”) compared with the monthly average of any preceding quarter from January 2019 to March 2022 (“Reference Period”), provided that the Affected Period must not be earlier than the Reference Period. | |
| Credit History | The Borrower must not have any outstanding default as defined by the Scheme. | | | | The Borrower must not have any outstanding default of more than 60 days. | |
| Eligible Facility | | | | | | |
| Facility Type | 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 | |
| Currency | Denominated in Hong Kong Dollars or foreign currency. | | | | Denominated in Hong Kong Dollars | |

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| | 50% | 60% | 70% | | | |
| Repayment Term | <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>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>The Facility shall be repaid by monthly instalments and be fully amortised by the end of the Guarantee Period.</p> <p>Notwithstanding the foregoing, the Lender may allow the Borrower to apply for paying interest only up to the first twelve months after the date of Drawdown.</p> | |
| Relief Arrangement | <p>The Pre-approved Principal Payment Holiday Scheme announced by the Hong Kong Monetary Authority from time to time is generally applicable to credit Facilities guaranteed under the Scheme.</p> <p>For term loan Facilities, the Borrower may apply for principal moratorium of no more than 12 months, which is renewable, subject to the maximum period of 30 months in total, including any principal moratorium granted. To be eligible for the principal moratorium arrangement, the Borrower and/or the related Facility shall not have outstanding default for more than 30 days.</p> <p>Borrowers currently participating in or eligible for the principal moratorium arrangement may, any time, opt to start to resume making partial principal repayment of 20% of the original principal repayment amount over a period of one year on a voluntary basis.</p> <p>The Guarantee Period and the Repayment Term will generally be extended corresponding.</p> <p>The Borrower should repay principal and pay interest by instalments over the remaining tenor of the Facility after the end of any principal moratorium or partial principal repayment period.</p> | | | | | |

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| Maximum Guarantee Period | 5 years | | | <p>Under the Enhancement Measures rolled out in November 2018, the Maximum Guarantee Period for qualifying guarantees under the 80% Guarantee Product is 7 years.</p> <p>5 years other than the above.</p> | 5 years | 10 years |
| Overall Interest Rate | <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 1 April 2022.</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 1 April 2022:</p> <ul style="list-style-type: none"> • 8% per annum for eligible Enterprises with business operation history more than three years • 10% per annum for eligible Enterprises with business | <p>Annual interest rate at 2.5% below the prime lending rate for Hong Kong Dollars ("Prime Rate").</p> <p>On the date of drawdown, the Lenders will base on the Prime Rate of the HKMC (5.25% as at 1 April 2022, subject to adjustment from time to time) to calculate the annual interest rate (2.75% as at 1 April 2022, subject to change due to 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> | |

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|---------------------------|---|-----|-----|---|-----------------------|-----------------------------|
| | 50% | 60% | 70% | | | |
| | | | | <p>operation history of three years or less</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 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 1 April 2022, 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> | | | | | |
| Other Features | | | | | | |
| Personal Guarantee | <p>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).</p> | | | | | |

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|------------------------|--|-----|-----|-----------------------|-----------------------|--|
| | 50% | 60% | 70% | | | |
| Use of Proceeds | <p>The proceeds from the Facility must be used:</p> <ul style="list-style-type: none"> (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 (b) for refinancing of Facilities or facilities that were guaranteed under the Scheme (the Facilities and such facilities, collectively the "Existing Facilities") provided that: <ul style="list-style-type: none"> (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; (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 (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 (c) if applicable, for financing the Single Upfront Guarantee Fee. <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 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> | | | | | <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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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

Scheme Hotline: 2536 0392

Scheme Enquiry: sfgs_enquiry@hkmci.hk

Enterprise should contact the Lenders to apply for the loan or credit facility. The Lenders will use their professional expertise, judgement and care in conducting customer due diligence, reviewing each application, and verifying the eligibility of each loan applicant before submitting the guarantee applications and relevant supporting documents to the HKMCI for review and approval.

The Lender and/or the HKMCI may request the Borrower to provide further supporting documents and information to support a loan application, and for the Lender and/or HKMCI to verify documents and information from any source or in any manner as the Lender and/or the HKMCI may choose or deem appropriate.