

**Legislative Council Panel on Commerce and Industry
Meeting on 20 March 2012**

**SME Financing Guarantee Scheme –
Special Time-limited Concessionary Measures**

Provision of Supplementary Information

As its meeting on 20 March 2012, the Panel requested for supplementary information on the comparison of the major features of The Hong Kong Mortgage Corporation Limited (HKMC)'s Existing SME Financing Guarantee Scheme (SFGS), the proposed special concessionary measures under the SFGS, and the Special Loan Guarantee Scheme of the Trade and Industry Department (TID). The relevant information is set out in **Annex**.

**Commerce and Economic Development Bureau
April 2012**

**Comparison of the Existing SFGS,
the Proposed Special Concessionary Measures under the SFGS and
the Special Loan Guarantee Scheme (SpGS)**

Features	HKMC		TID
	Existing SFGS	Proposed Special Concessionary Measures under SFGS (i.e. 80% guarantee ratio with reduced guarantee fee)	SpGS (Ceased receiving applications from 1 January 2011 onwards)
(a) Target Segment and Eligibility	Eligible enterprises must have business operation in Hong Kong and be registered in Hong Kong under the Business Registration Ordinance (Chapter 310). They must also have business operation for at least one year on the date of guarantee application, and have good loan repayment record. Listed companies, lending institutions and affiliates of lending institutions are not eligible for the Scheme.	No change.	Enterprises must have business operation in Hong Kong and be registered in Hong Kong under the Business Registration Ordinance (Chapter 310) for at least one year as at the launch date of the SpGS (i.e. 15 December 2008) (excluding listed companies, lending institutions and their associates). Enterprises must have good credit record.

Features	HKMC		TID
	Existing SFGS	Proposed Special Concessionary Measures under SFGS (i.e. 80% guarantee ratio with reduced guarantee fee)	SpGS (Ceased receiving applications from 1 January 2011 onwards)
(b) Approval of Credit Facility	To be done by the lending institutions.	No change.	To be done by the lending institutions.
(c) Guarantee Coverage	50%, 60% or 70%	80%	80% ¹
(d) Maximum Guarantee Period	5 years	No change.	5 years
(e) Maximum Amount of Credit Facility Per Enterprise (including related enterprises) at any point in time	\$12 million	No change. (Note: the limit includes loans approved under the existing SFGS.)	\$12 million ²
(f) Reuse of guarantee amount after loan repayment	Unlimited reuse of guarantee amount after loan repayment, subject to the loan ceiling of \$12 million at any point in time (per (e)).	No change.	Not allowed.

¹ When the SpGS was launched on 15 December 2008, the guarantee ratio was 70%. Pursuant to the enhancement measure introduced on 15 June 2009, the guarantee ratio was increased to 80%, which was applicable until the end of the application period.

² When the SpGS was launched on 15 December 2008, the maximum amount of credit facility was \$6 million. Pursuant to the enhancement measure introduced on 15 June 2009, the maximum amount of credit facility was increased to \$12 million, which was applicable until the end of the application period.

Features	HKMC		TID
	Existing SFGS	Proposed Special Concessionary Measures under SFGS (i.e. 80% guarantee ratio with reduced guarantee fee)	SpGS (Ceased receiving applications from 1 January 2011 onwards)
(g) Form of Credit Facilities	Term loans and revolving credit lines, without any restriction on the proportion between the two.	No change.	Term loans and revolving credit facilities, but the revolving credit facilities cannot exceed \$6 million.
(h) Use of Credit Facilities	<p>The credit facility must be used for providing general working capital for the enterprise's business operations, or acquisition of equipment or assets (excluding residential properties) in relation to the enterprise's business.</p> <p>The credit facility must not be used for repaying, restructuring or repackaging existing debts (except for allowing refinancing of facilities guaranteed under the SpGS of TID or SFGS).</p>	<p>No change.</p> <p>No change. Enterprises with credit facilities guaranteed under the existing SFGS may make new applications for switching to an 80% guarantee coverage for the loans concerned during the application period of the special concessionary measures.</p>	<p>For meeting the needs of general business uses.</p> <p>The credit facility must not be used for repaying, restructuring or repackaging existing debts.</p>

Features	HKMC		TID
	Existing SFGS	Proposed Special Concessionary Measures under SFGS (i.e. 80% guarantee ratio with reduced guarantee fee)	SpGS (Ceased receiving applications from 1 January 2011 onwards)
(i) Maximum Loan Interest Rate	10% per annum in general (loans with annual interest rate over 10% but not more than 12% will be considered on a case-by-case basis). The maximum loan interest rate will be reviewed from time to time.	No change.	Not applicable.
(j) Personal Guarantee by Individual Shareholder(s)	Personal guarantee by individual shareholder(s), directly or indirectly, holding more than 50% of the equity interest of the enterprise is required.	No change.	Personal guarantee by individual shareholder(s) (or by shareholder(s) in the case of limited company), directly or indirectly, holding more than 50% of the equity interest of the enterprise is required.
(k) Guarantee Fee	Guarantee fee is payable ³ .	Guarantee fee is payable but is substantially reduced ⁴ . Lending institutions /	Not applicable.

³ For loans with an annual interest rate not exceeding 10%, the current annual guarantee fee rate ranges from 0.18 to 0.32 of the annual loan interest rate; and for loans with an annual interest rate exceeding 10% but not more than 12%, the current annual guarantee fee rate ranges from 0.2 to 0.35 of the annual loan interest rate. The loans are subject to a minimum annual guarantee fee rate of 0.5%.

⁴ For loans with an annual interest rate not exceeding 10%, the annual guarantee fee rate will be 0.1 of the annual loan interest rate; and for loans with an annual interest rate exceeding 10% but not more than 12%, the annual guarantee fee rate will be 0.12 of the annual loan interest rate. The existing minimum annual guarantee fee rate of 0.5% will continue to apply.

Features	HKMC		TID
	Existing SFGS	Proposed Special Concessionary Measures under SFGS (i.e. 80% guarantee ratio with reduced guarantee fee)	SpGS (Ceased receiving applications from 1 January 2011 onwards)
		enterprises can obtain an 80% loan guarantee by paying about 30% of the guarantee fee for a 70% guarantee for approved loans under the existing SFGS.	
(1) Maximum Guarantee Commitment	No ceiling.	\$100 billion (as provided by the Government).	\$100 billion (as provided by the Government).