



**Newsletter**

Date: 23 April 2020

Ref: 202004-002(E)

## Subject: Special 100% Loan Guarantee

(source from the web site of The Hong Kong Mortgage Corporation Limited ("HKMC"))

The Chief Executive of HKSAR previously announced that a special 100% loan guarantee would be applied on/after 20 April 2020. We summarize the main points of the SME Financing Guarantee Scheme (extract from the booklet drafted by HKMC) as follows:-

	Guarantee Products
Guarantee Product	Special 100% Loan Guarantee
Risk Sharing Factor	100%
Application Period	From 20 April 2020 to 19 April 2021
Maximum Aggregate Guaranteed Amount	HK\$50 Billion
Annual Guarantee Fee Rate	Not Applicable
Maximum Facility Amount per Borrower at any point of time	<ul style="list-style-type: none"><li>• Borrower's total amount of (a) wages and (b) rents for six months, or HK\$4,000,000, whichever is the lower.</li><li>• For Borrowers without (a) and (b) above, proxy is made to 50% of the highest monthly net income in 2019 multiplied by six.</li></ul> <p><b>Maximum amount: HK\$4,000,000</b></p>

	Guarantee Products
Business Entity	<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>a. 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. The Government announced Further Enhancement Measures and the Finance Committee of the Legislative Council approved the funding in April 2020. For details, please visit the web link below#.</li> </ul>
Business Operation History	<ul style="list-style-type: none"> <li>• The Borrowers must have been in operation for at least three months in Hong Kong as at 31 December 2019.</li> <li>• The Borrowers must have suffered at least a 30% decline in sales turnover in any month since February 2020 compared with the monthly average of any quarter (i.e. January to March, April to June, July to September or October to December) in 2019</li> </ul>
Credit History	The Borrower must not have any outstanding default of more than 60 days

	Eligible Facility
Facility Type	Loans of non-revolving nature
Currency	Hong Kong Dollars
Repayment Term (applicable to non-revolving Facility only)	<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 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>
Maximum Guarantee Period	3 years
Maximum Overall Interest Rate	Annual interest rate at 2.5% below the prime lending rate for Hong Kong Dollars ("Prime Rate"). Upon application, the Lenders will base on the Prime Rate of the HKMC (as at 20 April 2020, 5.25% ) <b>i.e.2.75%</b>
Personal Guarantee	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 70% (for the Special 100% Loan Guarantee) or more than 50% (for other Guarantee Products) 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).
Use of Proceeds	In addition to paying wages and rents, the Borrowers can use the proceeds from the Facility to meet imminent needs in working capital. 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

For details: Please contact HKMC OR the lenders (Banks)