

Government welcomes approval of concessionary low-interest loan with 100 per cent guarantee commitment by Finance Committee

The Government welcomed the approval of a new loan guarantee commitment of \$20 billion under the Commerce and Economic Development Bureau to introduce a new Special 100 per cent Guarantee Product under the SME Financing Guarantee Scheme (SFGS) by the Finance Committee of the Legislative Council today (March 20). The Government plans to roll out the new product within April this year to provide timely assistance to tide those enterprises in need over during this difficult time.

The Secretary for Commerce and Economic Development, Mr Edward Yau, said, "The COVID-19 infections have dealt a severe blow to the economic activities and business sentiment in Hong Kong. Many enterprises suffer from a further plunge in business turnover, resulting in a liquidity problem. The situation is particularly acute amongst the small and medium enterprises (SMEs). There is an urgent need to further enhance the assistance to SMEs, thereby reducing business closures and layoffs.

"The Government will provide a 100 per cent guarantee for approved loans taken out by eligible enterprises. In other words, loans that originate from banks will be transferred to the Hong Kong Mortgage Corporation Limited after drawdowns, and all default risks will be borne by the Government with the provision of a 100 per cent guarantee, greatly enhancing the chances for enterprises in securing loans. The Government will provide a total loan guarantee commitment of \$20 billion," he said.

"The application requirements and procedures have also been simplified. Banks need to check mainly the eligibility of loan applicants when processing the applications. With a low interest rate fixed at Prime Rate minus 2.5 per cent per annum, guarantee fees waived and an option for a principal moratorium for the first six months, the new guarantee product will alleviate the burden of SMEs."

Details of the Special 100 per cent Guarantee Product are set out in the Annex.

Generally SMEs have difficulty in obtaining commercial loans due to their relatively small capacity. With the introduction of the 80 per cent and 90 per cent guarantee products under the SFGS in May 2012 and December 2019 respectively, more than 17 800 applications have been approved so far, involving a total loan amount of over \$74 billion, helping nearly 10 000 enterprises in tackling their liquidity problem.

On the other hand, to assist travel agents to tackle financial difficulties, the Government has established the Travel Agents Subsidy Scheme under the Anti-epidemic Fund. Each eligible travel agent may receive a one-off subsidy of \$80,000. The Travel Agents Registry received over 1 700 registrations during the application period from February 21 to March 13. Amongst these registrations, 99 per cent of the travel agents have received the subsidy.

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