

Email dated 25 November 2024 to PLIs

Subject : Re-launching the Principal Moratorium and Enhancement of Partial Principal Repayment options under SME Loan Guarantee Scheme (SGS)

Dear All,

Further to our email dated 7 December 2023 regarding the enhancement of Partial Principal Repayment (PPR) options under SGS, the Chief Executive announced in “The Chief Executive's 2024 Policy Address” on 16 October 2024 a series of support measures to alleviate the repayment pressure on borrowing enterprises under the SME Financing Guarantee Scheme (SFGS), including re-launching the principal moratorium (PM) for up to 12 months (“2024-PM”) and offering the PPR options to eligible loans. Subsequently, HKMC Insurance Limited (HKMCI) announced on 18 November 2024 the effective date and implementation details of the support measures. Please refer to the press releases of the HKMCI on 16 October 2024 and 18 November 2024 –

HKMCI's press release of 16 October 2024:-

https://www.hkmc.com.hk/files/press_release/407/eng/Press%20Release_Enhancements%20to%20the%20SME%20Financing%20Guarantee%20Scheme_Eng.pdf

HKMCI's press release of 18 November 2024:-

https://www.hkmc.com.hk/files/press_release/409/eng/PR_SME%20Financing%20Guarantee%20Scheme%20Enhancements%20to%20Take%20Effect_Eng.pdf

Please be informed that, with immediate effect, eligible Borrowers, which covers SGS loans, may apply for 2024-PM of up to 12 months during the application period from 25 November 2024 to 17 November 2025. For the eligible SGS loans, the Lender shall provide eligible Borrowers with two options of PM duration, i.e. “6 months” (which is renewable, subject to a maximum of 12 months in total) or “12 months”. The loan guarantee period can be extended correspondingly.

On PPR arrangement, eligible Borrowers may apply for PPR arrangement during the term of the loans. During a PPR period, the Borrower may repay a portion of the original principal repayment amount (“OPRA”) in accordance with the PPR option(s) approved by the Lender. The minimum PPR percentage is 10% and the maximum aggregate PPR period for any Facility is 48 months, including any PPR period which has already taken effect. Subject to the Borrower’s individual circumstances and the core principle of the PPR, the Borrower may opt for one of the following PPR transition periods for gradual resumption of normal repayment:

(a) 4-year PPR transition period:

First year: PPR% in the range of [10% to 20%] of the OPRA,
Second year: PPR% in the range of [30% to 40%] of the OPRA,
Third year: PPR% in the range of [50% to 60%] of the OPRA,
Fourth year: PPR% in the range of [70% to 80%] of the OPRA, and
Fifth year: Resume normal repayment.

(b) 3-year PPR transition period:

First year: PPR% in the range of [10% to 30%] of the OPRA,
Second year: PPR% in the range of [40% to 60%] of the OPRA,
Third year: PPR% in the range of [70% to 80%] of the OPRA, and
Fourth year: Resume normal repayment.

(c) 2-year PPR transition period:

First year: PPR% in the range of [20% to 40%] of the OPRA,
Second year: PPR% in the range of [60% to 80%] of the OPRA, and
Third year: Resume normal repayment.

(d) 1-year PPR transition period:

First year: PPR% in the range of [50% to 70%] of the OPRA,
Second year: Resume normal repayment.

(e) other length of PPR transition period as approved by the Lender taking into account any PPR period already taken effect and the Borrower’s individual circumstances.

Please also note the following eligibility criteria of 2024-PM and PPR arrangement:-

- i. the Borrower is not in the process of ceasing operations, an undischarged bankrupt or dissolved, nor subject to any winding up or bankruptcy petition or proceedings;
- ii. the Borrower and/or the subject Facility shall (1) not have any outstanding default for more than 30 days (for application for 2024-PM arrangement) and (2) not have any outstanding default for more than 60 days (for application for PPR arrangement);
- iii. after the end of the PM period or PPR period, the amount of indebtedness shall not be increased, the Borrower shall repay the outstanding loan amount by instalments over the remaining tenor of the Facility (i.e. bullet repayment structure is not allowed);
- iv. any outstanding interest payments of overdue instalments, overdue penalty interests and late charges (excluding any waived penalty or late charges) shall be fully settled before the effective of 2024-PM, PPR or extension of repayment term.

Should you have any questions, please contact Ivy TAM at 2398 5622 or Tammy WONG at 3403 6404.

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