

Staying Ahead:

Smart

Motivated

Enterprising



Work done in the past 6 months

- Explore new measures to support SMEs under the themes of "helping to start a new business", "helping to build a new business" and "helping to expand a business".
- Suggest scope of training, the eligibility criteria and the amount of subsidy to be provided by a training fund to subsidise SMEs' training initiatives for their employees.

Work done in the past 6 months

- Five working groups were set up to study the following six areas: business environment, financing, corporate governance and culture, human resources, technology application and market expansion.

Work done in the past 6 months

- Held two major discussion sessions and met over 60 representatives of trade and industrial organisations, and professional bodies.
- Launched a public consultation exercise in March this year.
- Attended a meeting of the LegCo Panel on Commerce and Industry.
- Made reference to the views expressed by LegCo Members at a LegCo motion debate in mid-March this year on measures to alleviate the difficulties of SMEs.

The Committee's philosophy

- Under the principles of market economy, the Government's role in supporting local SMEs' development is to create a favourable business environment, striking a balance between maximum support and minimum intervention.
- The Committee should come up with proposals in response to difficulties and challenges which are common to the many SMEs in Hong Kong, and the Government should prompt and encourage trade and industrial organisations, professional bodies and research institutes to provide support in response to the specific needs of SMEs.

The Committee's Proposals to help SMEs

- To set up four funding schemes with a total capital amount of \$1.3 billion to help SMEs enhance their overall competitiveness.

SME Business Installations and Equipment Loan Guarantee Scheme

Objective	Through the provision of Government guarantee, the fund aims to help SMEs secure loans from banks and financial institutions to acquire the necessary business installations and equipment for enhancing productivity and competitiveness.
Scope	The loans should be for acquiring installations and equipment relating to the applicants' business operations, which could include machinery, computer software and hardware, communication system, stationery, transport vehicles and furniture and fixtures (such as air-conditioning system, built-in cabinets and lighting system).
Amount of guarantee	The maximum amount of guarantee offered to each SME is 50% of the approved loan or \$500,000 (whichever is the less). The maximum guarantee period is three years.
Anticipated effectiveness of the funding scheme	The Committee suggests that the Government work on the basis of a 15% default rate. With a capital amount of \$500 million, the Government will be able to commit a total of \$3.3 billion as the maximum amount of guarantees for the Scheme. Under this scenario, it is estimated that the Scheme will help SMEs raise at least \$6.6 billion in the market, benefiting about 6 600 SMEs.

SME Development Fund

Objective and scope	To subsidise projects proposed and carried out by eligible support organisations, trade and industrial organisations, professional bodies and research institutes which aim at enhancing the competitiveness of SMEs in general or SMEs in specific sectors.
Amount of subsidy	The maximum amount of grant for each project is \$2 million.
Anticipated effectiveness of the funding scheme	A minimum of 100 projects will be funded. On the assumption that a funded project would on average benefit 200 SMEs, 20 000 SMEs will benefit from the Scheme.

SME Training Fund

Objective and scope	<p>To subsidise training activities for employers and salaried employees of SMEs, which are relevant to their business operation.</p> <p>Eligible training courses include training courses provided by local training organisations; overseas training courses; and training courses commissioned by SMEs to suit their particular needs and conducted by training organisations/higher education institutions or individual instructors. The subsidies cover direct course expenses only.</p>
Amount of subsidy	<p>For employees' training, the maximum amount of subsidy that each SME can obtain, on a cumulative basis, is \$10,000. For employers' training, the maximum amount of subsidy that each SME can obtain, on a cumulative basis, is \$5,000.</p>
Anticipated effectiveness of the funding scheme	<p>The Committee estimates that, through the Scheme, about \$800 million will be spent on SMEs' training initiatives, and that employees of at least 30 000 SMEs and employers of at least 20 000 SMEs will benefit.</p>

SME Export Marketing Fund

Objective and scope	To subsidise SMEs' participation in export promotion activities held locally or outside Hong Kong (including trade fairs and study missions).
Amount of subsidy	For each successful application, the subsidy will cover 50% of the fundable items of the approved export promotion activities, or \$10,000 (whichever is the less). Each SME can only receive subsidy once under the Scheme.
Anticipated effectiveness of the funding scheme	The Committee estimates that, through this Scheme, about \$400 million will be spent on export promotion activities, benefitting at least 20 000 SMEs.

The capital amount of the four funding schemes and the number of SMEs likely to benefit from the schemes

	SME Business Installations and Equipment Loan Guarantee Scheme	SME Development Fund	SME Training Fund	SME Export Marketing Fund	Total
Capital amount	\$500 million	\$200 million	Employees' training : \$300 million Employers' training : \$100 million	\$200 million	\$1.3 billion
Minimum no. of SMEs likely to benefit	6 600 SMEs	20 000 SMEs	Employees' training : 30 000 SMEs Employers' training : 20 000 SMEs	20 000 SMEs	96 600 SMEs

- The financial Secretary has already set aside a sum of \$300 million for subsidising SMEs' training initiatives for their employees.
- As for the other three proposals, the resources available will depend on the amount of money recouped from the SFS(around \$1 billion). The Committee recommends that the Government advance a sum of \$1 billion for early implementation of the three funding schemes.
- The Committee further recommends to review, after the first year of operation, the effectiveness of the funding schemes.

Other major proposals

(1) Business environment

- When formulating and implementing policies, policy bureaux/departments should take into account the impact of their policies on SMEs.
- Government should enhance co-operation with all local trade associations, in particular those representing SMEs, in promoting the development of SMEs.
- The Trade and Industry Department (TID) should expand the SME Information Centre to provide more comprehensive information and advisory services for SMEs.
- The TID should enhance the information and types of services provided by the Virtual SME Information Centre.

(2) Financing

- A roundtable should be set up to enhance communication among SMEs, financial institutions, the Hong Kong Monetary Authority (HKMA) and Government departments responsible for commerce and industry.
- The HKMA should expedite the establishment of a commercial credit reference agency.
- The services of the Hong Kong Export Credit Insurance Corporation should be strengthened. This includes modifying the Corporation's insurance risk assessment process by providing different percentages of indemnity according to the levels of risk involved, and providing additional diversified credit insurance products.

(3) Corporate governance and culture

- Government should, in collaboration with professional organisations, draw up a set of guidelines on corporate governance for SMEs.
- Trade associations, in collaboration with support organisations, should formulate suitable sector-specific governance framework for SMEs' reference.
- Government should, working through its connection with both SMEs and big enterprises, promote the benefit of reciprocal strategic partnership between the two parties.

(4) Human resources

- An SME Outstanding Training Award should be established to commend SMEs with outstanding performance in training.
- If evaluation confirms the effectiveness of the Pilot Mentorship Programme, the TID should expand it to benefit more SMEs.

(5) Technology application

- Government should provide financial support to encourage the IT sector to form IT promotion teams to assist and encourage the use of IT in different sectors.
- Government should co-operate with relevant organisations and business associations in organising sector-specific SME IT-expo to demonstrate how IT may work in different sectors.
- An SME IT Application Award should be set up to commend SMEs with outstanding achievements in IT application.

(6) Market expansion

- The Hong Kong Trade Development Council (TDC) should strengthen its matching database and enhance its matching service to facilitate the formation of strategic partnership between local SMEs and overseas companies.
- The TDC should implement as soon as possible various measures to facilitate SMEs' entry into the Mainland market.
- Government should consider, having regard to the experience of the visit to the Western Region of China, what action could be taken to help SMEs seize the opportunities available in the Mainland.

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- The Committee hopes that the recommended support measures in this report will be accepted by the Chief Executive for implementation by the Government, with the necessary support of relevant organisations and SMEs themselves. The Committee hopes that the recommendations will become the blueprint for promoting SME development in Hong Kong.
- During its term of office, the Committee will do its best to assist the Government in implementing the various recommendations step by step, and in reviewing their effectiveness.

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