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Tel : 3655 4758

14 January 2015

Ms Annette LAM  
Clerk to Panel  
Legislative Council Panel on Commerce and Industry  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Ms Lam,

**Supplementary Information on  
Launching of a New Enterprise Support Scheme to Replace  
the Small Entrepreneur Research Assistance Programme under  
the Innovation and Technology Fund**

I refer to the discussion on the proposed Enterprise Support Scheme (ESS) at the meeting of the Legislative Council Panel on Commerce and Industry on 16 December 2014.

We would like to express our deepest gratitude to Members for their valuable and useful comments. In gist, they enquired about -

- (a) how ESS would protect the interests of small and medium enterprises (SMEs) and how they would not be adversely affected by big companies' applications;
- (b) transitional arrangements for applications submitted under the Small Entrepreneur Research Assistance Programme (SERAP) to the new ESS;
- (c) subsequent support for SMEs receiving ESS funding; and
- (d) statistics about SERAP.

Towards the end of the meeting, the Deputy Chairman asked the Administration to take into account Members' views in finalising the Scheme. The Administration has undertaken to do so. Further information is provided herewith -

**(a) How the new ESS would protect the interests of SMEs and how they would not be adversely affected by big companies' applications**

Members expressed concerns that when both large and small companies competed for funding under the ESS, the interests of the small ones might be compromised.

Members can rest assured that the ESS will place equal emphasis on SMEs as well as large corporations. Each application, be it from a large, medium or small company, will be assessed on its own merit. In assessing applications, projects meeting the relevant funding criteria will be supported and there will not be a quota on the number of projects to be funded as long as the uncommitted balance of the Innovation and Technology Fund (ITF) remains positive. As the Chief Executive has announced at his Policy Address this morning and as reported to Members previously, the Administration will proceed to consult the Panel on the future financial arrangements of the ITF at its meeting on 20 January. We would also like to reiterate that Government attaches great importance to fostering the innovation and technology (I&T) development of SMEs. One of the major policy objectives of replacing SERAP with ESS is to create a 'rainforest' of technology companies and help lower the threshold for technology start-ups or SMEs to translate their technologies to marketable products or services.

However, in the light of Members' concerns, we will introduce a designated track for applicants which have less than 100 employees and are seeking funding support of no more than \$2.8 million per project (which tallies with the current funding ceiling for seed projects carried out by R&D Centres). This will enable SME applications to be handled more speedily and in a focused manner. In assessing the applications, there is also the principle of proportionality taking into account the project size, capacity of the applicant, etc.

**(b) Transitional arrangements for applications submitted under SERAP to the new ESS**

Members also enquired about the details of the transitional arrangements for applications submitted under SERAP to the new ESS. We hereby explain as follows -

- ITC will continue to accept new applications for SERAP until the day the ESS is launched;
- on the day we launch the new ESS, we will make a formal announcement on our official website. We will advise readers that once the ESS is open for application, SERAP applications will no longer be accepted. It should however be noted that while we stop receiving new applications for SERAP, SERAP projects which have already commenced will continue under the established mechanism;
- however, SERAP applicants whose projects have been approved but have yet to sign the Fund Agreements are free to choose to withdraw their SERAP applications and submit fresh ones under ESS; and
- since the ESS attaches great importance to SMEs, we will write to all SERAP applicants to let them know about the new ESS and encourage them to apply. We will also keep the procedures simple and provide all necessary assistance.

**(c) Subsequent support for SMEs receiving ESS funding**

To widely publicise ESS, we will conduct publicity including organising briefings, producing brochures on application procedures and disseminating information to SMEs and incubatees through SME One and TecOne (operated by Hong Kong Productivity Council (HKPC) and Hong Kong Science and Technology Parks Corporation (HKSTPC)).

We will also strengthen our efforts in helping technology companies and start-ups under the ESS by working closely with HKSTPC and HKPC – requesting them to provide technical and management advice and mentorship, organise sharing sessions, etc.

**(d) Statistics about SERAP**

Further to the enquiry by Members, we would like to confirm that under SERAP, recipient companies may apply for funding support for more than one project. According to our records up to end November 2014, 24 companies have pursued more than one SERAP projects.

## Way Forward

We sincerely hope that with Members' support, we can introduce the ESS around March 2015, so that we can provide better and more funding support to I&T enterprises (including SMEs) in Hong Kong, instil more private sector investment and help foster Hong Kong's development into an I&T hub in the long term.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Pamela Lam', written in a cursive style.

( Miss Pamela LAM )  
for Commissioner for Innovation and Technology