

**For discussion  
on 18 April 2017**

**Legislative Council Panel on Commerce and Industry**

**Extension and Progress Report of the  
Dedicated Fund on Branding, Upgrading and Domestic Sales and  
the Special Concessionary Measures under  
the SME Financing Guarantee Scheme**

**Purpose**

This paper briefs Members on the latest implementation progress of the Dedicated Fund on **Branding, Upgrading and Domestic Sales** (the BUD Fund) and the Special Concessionary Measures under the SME Financing Guarantee Scheme (SFGS), as well as the extension of the application periods of the two schemes.

**BUD Fund**

***Background***

2. The Government introduced in June 2012 the \$1 billion BUD Fund to assist enterprises in enhancing competitiveness and furthering business development in the Mainland through developing brands, upgrading and restructuring operations and promoting domestic sales in the Mainland. The BUD Fund comprises the “Enterprise Support Programme” (ESP) and the “Organisation Support Programme” (OSP), which provide funding support to eligible enterprises and non-profit-distributing organisations respectively. The Hong Kong Productivity Council (HKPC) serves as our implementation partner in taking forward the ESP while the OSP is administered by the Trade and Industry Department (TID). A brief introduction of the ESP and the OSP is at **Annex 1**.

***Implementation Progress***

**Overview**

3. For the ESP, up to the end of February 2017, we have received a total of 2 232 applications under 19 batches, and processed the first 18 batches of a total of 2 087 applications. For the 2 087 applications, excluding the 493 applications subsequently withdrawn by the enterprises, there were 1 594 applications, amongst which 806 were approved. The total amount of funding

approved was about \$287 million. Breakdown of applications approved under the ESP by industries and scope is at **Annex 2**.

4. For the OSP, up to the end of February 2017, we have received a total of 179 applications under 19 batches, and processed the first 18 batches of a total of 170 applications. For the 170 applications, excluding the 31 applications subsequently withdrawn by the organisations, there were 139 applications, amongst which 59 were approved. The total amount of funding approved was about \$194 million. Breakdown of applications approved under the OSP by industries and scope is at **Annex 3**.

### Implementation, Monitoring and Review of Projects

5. Under the ESP, 749 approved projects had commenced as at end of February 2017. Most of them were still in progress, while 252 had been completed. The HKPC as the Programme Secretariat (PS), the Inter-departmental Committee (IDC) and the Programme Management Committee (PMC) had considered 255 progress reports and 254 final reports<sup>1</sup>. As part of the monitoring on the approved projects, the HKPC had completed on-site checking on 215 selected projects.

6. Under the OSP, 55 approved projects had commenced as at end of February 2017, amongst which 39 projects had been completed. TID, as the secretariat, and the vetting committee had considered 50 progress reports<sup>2</sup> and 11 final reports<sup>3</sup>. TID had conducted 40 on-site checking on 29 selected projects.

### ***Effectiveness***

7. The aim of the BUD Fund is to assist enterprises in enhancing competitiveness and furthering business development in the Mainland through developing brands, upgrading and restructuring operations and promoting domestic sales in the Mainland. HKPC conducted completion surveys and

---

<sup>1</sup> Enterprises of all approved projects are required to submit the final report and final audited accounts after project completion. For projects with duration of more than 18 months, enterprises are required to submit an annual progress report covering the first twelve months to report on the latest progress of project implementation, and annual audited accounts. For projects with duration of or shorter than 18 months, annual progress reports are not required.

<sup>2</sup> Grantees are required to submit progress reports, final reports and audited accounts during or after project completion as follows:-

(i) For projects not exceeding \$1 million and duration not exceeding one year, grantees have to submit final and audited accounts after project completion.

(ii) For projects with duration of one year or more but not exceeding two years, grantees have to submit one progress report, a final report and audited accounts.

(iii) For projects with duration of two years or more and up to three years, grantees have to submit two progress reports, a final report and audited accounts.

<sup>3</sup> For the other 28 completed projects, 2 had recently been completed. Final reports of 26 completed projects are being reviewed by the secretariat.

tracking surveys on enterprises granted BUD funding. Overall speaking, around 99% of the ESP grantees considered the ESP effective in assisting in the business development of enterprises. Enterprises also generally considered that the project had helped them in various areas, including upgrading their overall competitiveness, enhancing corporate image, enhancing the awareness of the brand/product/service, and increasing domestic sales turnover, etc. 97% of the grantees considered the ESP useful to their long term development, and they generally still found the projects helpful to the enterprises in various areas one year after project completion.

8. Although whether the Mainland business of the enterprises could develop successfully in the future would depend on a variety of factors, the BUD Fund can enhance the overall competitiveness of the enterprises and lay foundation for their further development in the Mainland market. In addition, if the funded Hong Kong enterprises achieve better development in the Mainland market, it would also benefit their business operations in Hong Kong in the long run, and create new job opportunities, as well as generate demand for professional services or other services in Hong Kong.

9. For the OSP, as of end February 2017, 39 projects had been completed. Through implementing the projects, organisations can assist enterprises of the relevant sectors to enhance their competitiveness in the Mainland market through developing brands, upgrading and restructuring business operations and promoting domestic sales. For the 59 projects approved as at the end of February 2017, various activities would be held in 28 Mainland cities (e.g. Beijing, Shanghai and Dalian), e.g. participating in and setting up “Hong Kong pavilions” at large-scale exhibitions to showcase Hong Kong brands; organising roadshows; collaborating with retail networks in the Mainland to promote the products and services of Hong Kong enterprises, etc. Participating enterprises were generally satisfied with the effectiveness of and benefits brought about by the projects, and considered that the projects could enhance the brand image and competitiveness of their products or services in the Mainland market. Quite a number of enterprises also considered that the projects had enhanced their understanding of the market environment and regulations in the Mainland and assisted them in building up business networks in the Mainland, thereby boosting their confidence in exploring the domestic sales market.

10. With a view to improving the operation of the BUD Fund, we have been reviewing its operation and implementation and have implemented a host of improvement measures along the way, including:

- (i) launching the “ESP Easy – Simplified Application Track” in August 2015;
- (ii) stepping up the collation and collection of information in respect of ESP since June 2015;

- (iii) conducting an internal review on the ESP in October 2015 and putting in place streamlining procedures to make the scheme more user-friendly;
- (iv) introducing a “Simplified Option” under the ESP since October 2016 which allows applicants to commence projects as early as after the date of submission of applications and waives the requirement of setting up a separate project account should the applicants opt not to receive initial payment of funding; and
- (v) streamlining the reporting requirement for grantees of ESP, etc.

11. For the OSP, we have highlighted in our promotion that applicants may approach the Secretariat for one-on-one consultation to help them understand the objectives and criteria when preparing applications; adopted a more targeted approach to discuss with applicants with rejected proposals in order that proposals can be revised and re-submitted quickly, etc.

### ***Promotion and Publicity***

12. To enhance the awareness of the BUD Fund amongst enterprises and organisations, we have been implementing promotional and publicity activities proactively. For the ESP, up to the end of February 2017, the HKPC as the secretariat had handled 7 811 enquiries, and undertaken the following major initiatives –

- (i) organised 76 and 5 seminars in Hong Kong and the Pearl River Delta Region respectively, which attracted about 5 300 participants, to introduce the application criteria and procedures of the ESP and explain matters requiring attention in making applications;
- (ii) participated in 113 activities organised by various organisations and trade and industry associations to promote the BUD Fund;
- (iii) organised 4 symposia to invite funded enterprises to share with other enterprises their experiences in implementing the funded projects and the real benefits brought about by the projects to the development of their businesses and tips for successful applications, whilst the staff of the secretariat introduced cases of successful and unsuccessful applications;
- (iv) produced 15 short interview videos on tips for successful applications and broadcasting it through the ESP website and social media;

- (v) published a guidebook on the experiences of enterprises from various industries in implementing the funded projects and the effectiveness of such projects. The guidebook had been uploaded onto the ESP website and distributed free of charge to major trade and industrial organisations and in seminars and symposia to promote the ESP. The secretariat had also published a second edition of the guidebook in March 2017;
- (vi) uploaded onto the ESP website important points to note in making applications and improving the application form by incorporating clearer guidelines to application;
- (vii) arranged over 500 one-on-one consultation sessions to provide advice to enterprises which were interested in applying for the fund and those which planned to resubmit applications previously rejected; and
- (viii) introduced on radio the ESP and matters requiring attention in making applications using a story-telling approach.

13. The PS will continue to implement various measures proactively (including uploading onto the ESP website model cases of successful and unsuccessful applications for reference by enterprises, and producing a new promotional video to introduce successful applications), so that enterprises can better understand the vetting requirements of the ESP and the key to making successful applications.

14. For the OSP, TID has been maintaining close contact with the trade to promote and publicise the programme. Up to the end of February 2017, TID had handled more than 2 900 enquiries, and conducted over 170 one-on-one consultations with trade and industry associations, professional bodies and research institutes before they submit applications. Through these consultations, TID can explain to the applicants the funding objectives and vetting criteria to facilitate them to prepare project proposals. TID also explains the requirements and application procedures of the OSP to the trade and industry associations regularly through outreaching to trade and industrial organisations. TID will continue to send promotional letters, outreach to trade and industrial organisations and gauge the views of the trade, with a view to improving the implementation details of the OSP.

### ***Extension of the Application Period for the BUD Fund***

15. The application period for the BUD Fund was originally planned to open till 24 June 2017. Considering the positive feedback from the trade and the effectiveness of the Fund in helping Hong Kong enterprises in exploring and developing the Mainland market, the Government will, as announced by

the Financial Secretary in the 2017-18 Budget, extend the application period of the Fund for another five years till 24 June 2022 subject to the funding balance. The scope and commitment as approved by the Finance Committee of the Legislative Council on 11 May 2012 will remain unchanged.

16. TID will continue to administer the OSP. For the ESP, the Government will continue to engage the HKPC as the implementation partner for the second term of the BUD Fund in light of its mission, expertise and experience in the Mainland market. The HKPC is a multi-disciplinary organisation dedicated to promoting productivity excellence of the industry through the provision of integrated support across the value chain of the industry and has taken forward a number of initiatives in assisting local manufactures in industrial upgrading, business transformation or relocating their operations. With the experience of operating the ESP and implementing enhancements along the way, the HKPC is in the best position to continue serving as the implementation partner for the ESP. The HKPC will continue to act as the PS and its work will include planning and organising publicity and promotional activities, receiving and undertaking initial vetting of applications, coordinating the further vetting of project applications by the IDC and the PMC, monitoring the progress of the approved projects, disbursing funds for approved projects, and providing general advice on the application procedures, etc to enterprises.

17. The Government will provide about \$46 million to the HKPC for covering the staff and other operating costs of a dedicated team for programme management, administrative support and project monitoring for another 7.5 years<sup>4</sup> starting from June 2017, and a total of \$2 million for various publicity and promotional activities and other necessary expenses such as audit fees. The HKPC will be responsible for the rest of the relevant expenditures which amount to about \$11 million in terms of professional manpower support to supervise, monitor and review the work of the secretariat, venue rentals and other ancillary technical and support services.

18. We briefed the Trade and Industry Advisory Board, the Textiles Advisory Board and the Small and Medium Enterprises Committee of TID in March 2017 and Members welcomed the proposal. We will inform the FC and extend the application period of the BUD Fund in June 2017.

---

<sup>4</sup> 7.5 years comprise a 5-year application period and another 2.5 years for overseeing and monitoring the implementation of projects approved in the latter phase of the five-year application period.

## **SFGS and its Special Concessionary Measures**

### ***Background***

19. The Hong Kong Mortgage Corporation Limited (HKMC) launched the market-based self-financing SFGS on 1 January 2011, with a view to helping Hong Kong enterprises, particularly SMEs<sup>5</sup>, to obtain financing to meet their needs. Under the SFGS, the HKMC acts as guarantor for up to 70% of the approved loans that enterprises obtain from the participating lending institutions (PLIs). A guarantee fee is payable by the PLIs/enterprises. The interest rate of each loan is a commercial decision made by the lending institution.

20. To tide enterprises, particularly SMEs, over a possible credit crunch as a result of credit tightening under the uncertain external economic environment, the Government provided a total loan guarantee commitment of \$100 billion for the HKMC to launch time-limited special concessionary measures under the SFGS on 31 May 2012. In accordance with the special concessionary measures, 80% guarantee is provided at a substantially reduced guarantee fee.

21. The maximum loan amount to be guaranteed under the special concessionary measures for each enterprise and its group of related enterprises at any one time is \$12 million (including revolving loans), and the maximum guarantee period for each approved loan is five years.

22. The original application period for the special concessionary measures was 9 months until end of February 2013. In view of the challenging external economic environment, the Government has extended the application period for the special concessionary measures under the SFGS for five times to the end of February 2018, with the latest round of extension announced by the Financial Secretary in the 2017-18 Budget. To help SMEs tide over their liquidity needs, the government reduced the annual guarantee fee rate for the measures by 10% and removed the minimum guarantee fee for the measures starting on 1 June 2016.

### ***Effectiveness***

23. As at 28 February 2017, the HKMC had received 13 015 applications under the special concessionary measures, and approved 11 589 applications. The number of applications approved under the special concessionary measures by sector as at 28 February 2017 is at **Annex 4**.

---

<sup>5</sup> SME is a manufacturing business which employs fewer than 100 persons in Hong Kong; or a non-manufacturing business which employs fewer than 50 persons in Hong Kong.

24. The total loan amount involved is around \$46.1 billion and total guarantee amount is around \$36.9 billion. The utilisation rate, based on the \$100 billion total loan guarantee commitment, is about 36.9%. The special concessionary measures have benefitted 7 123 enterprises and more than 182 600 related employees. As at 28 February 2017, the HKMC had received 775 net default claims and the amount of claim payments made was about \$356 million. The default rate<sup>6</sup> was about 4.65%.

25. The special concessionary measures have provided an additional source of guarantee support for eligible enterprises, including those SMEs which have exhausted the guarantee ceiling under the SME Loan Guarantee Scheme under TID. The average amount/facility limit of loans approved under the special concessionary measures is around \$3.98 million, compared to an average of \$3.42 million under the SFGS without the concessionary measures, representing a significant increase of over 16%. Furthermore, the high overall success rate<sup>7</sup> of applications, 99.3%, also indicates that the measure is effective in assisting SMEs in obtaining loans from banks.

26. In addition, the special concessionary measures help lower the borrowing cost. According to the HKMC, the average total lending cost of loans approved under the special concessionary measures was 5.32% p.a. (comprising the weighted average overall interest rate of 4.82% and the weighted average guarantee fee rate of 0.5%). This compares favourably with the average total lending cost of loans approved with 50%/60%/70% guarantees under the SFGS, which was 6.81% p.a. (comprising the weighted average overall interest rate of 5.26% and the weighted average guarantee fee rate of 1.55%).

27. The special concessionary measures have also been effective in benefitting small enterprises. Around 92.4% of the 7 123 beneficiaries are SMEs. About 59% and 19% of the 11 589 approved applications are from enterprises with 10 or fewer employees and 11 to 20 employees respectively.

### ***Enhancement of Operation of the Special Concessionary Measures under the SFGS***

28. Continuous efforts have been made by the HKMC to further enhance the operation of the special concessionary measures under SFGS. Since September 2014, the HKMC has streamlined the approval process for the application of guarantee and implemented a straight through application processing channel whereby the HKMC would issue the guarantee in three

<sup>6</sup> Default rate = (Net default claim amount - Total amount of subsequent recovery after Government's compensation) / Total amount of guarantees approved x 100%.

<sup>7</sup> Success rate = 11 589 applications approved / (13 015 applications received – 1 278 applications expired/withdrawn – 63 applications under processing); figures as at 28 February 2017.



working days upon receipt of the application and complete supporting documents from the PLIs. Since June 2016, the HKMC has consulted with a number of PLIs to explore ways for enhancing mutual experience and shortening the time in processing default claims. Based on the views collected, the HKMC introduced an online digital document depository in December 2016 to allow PLIs to upload supporting documents that are essential at claim stage in advance at application stage, with a view to easing their difficulty in document retrieval at claim stage. In January 2017, the HKMC also implemented changes to streamline and shorten the fact finding process at claim stage. We will continue to work closely with the HKMC on reviewing and implementing enhancement measures.

### ***Promotion and Publicity***

29. To enhance the transparency and awareness of the special concessionary measures under SFGS, the HKMC implemented a series of initiatives in 2016, as follows:–

- (i) meeting with stakeholders – the HKMC has launched a publicity campaign since the second quarter of 2016, in which the HKMC met with six major trade and industrial organisations and six Legislative Council members representing the industries, securing their support to convey the information with regard to the special concessionary measures under SFGS to their members;
- (ii) seminars on the special concessionary measures under SFGS – in response to the requests and need of the SME community, the HKMC has participated in five seminars organised by PLIs and trade and industrial organisations for SMEs, with a view to promoting the general awareness of the special concessionary measures under SFGS;
- (iii) success stories sharing – the HKMC has worked with PLIs to share success stories of SMEs which have benefitted from the special concessionary measures under SFGS. The first of a series of success stories was rolled out in the HKMC’s website on 3 January 2017;
- (iv) quarterly SFGS newsletter – to provide management statistics on the SFGS business and default claims for the chief executives and the relevant senior management staff of the PLIs through quarterly newsletter since July 2016;
- (v) quarterly training for PLIs – since the fourth quarter of 2016, the HKMC has conducted regular training for bank staff who are directly involved in the application, administration and debt

recovery of the special concessionary measures under SFGS guaranteed loans. Up to end-March 2017, more than 600 bank staff from over 20 PLIs have benefitted from the series of training sessions; and

- (vi) leaflets distribution – the HKMC distributed leaflets to different trade and industrial organisations and all the PLIs for promoting the special concessionary measures under the SFGS.

30. The HKMC will continue to communicate with industry groups through various channels to step up the relevant promotion and publicity. We will also continue to promote the special concessionary measures through TV and radio Announcements in the Public Interest.

### **Other Support Measures for SMEs**

31. The Government attaches great importance to SMEs, and strives to provide a business-friendly environment for SMEs. Apart from the BUD Fund and the special concessionary measures under SFGS, the Government has been providing multi-folded support for SMEs through operating various funding schemes, building the necessary infrastructure, and providing the latest market information and other business advisory services through quasi-government organisations (such as Hong Kong Trade Development Council and HKPC). Details of other Government's support measures for SMEs under TID are summarised in **Annex 5**.

32. We will closely monitor the changes in the economic situation and review our support measures from time to time in order to provide timely and adequate support for SMEs.

### **Advice Sought**

33. Members are invited to note this paper.

Commerce and Economic Development Bureau  
Trade and Industry Department  
April 2017

**Dedicated Fund on Branding, Upgrading and Domestic Sales  
(BUD Fund)**

**Brief Introduction of the Enterprise Support Programme  
and the Organisation Support Programme**

The Enterprise Support Programme (ESP)

- The ESP provides funding support to enterprises on a matching basis to assist them in implementing projects to develop their brands, upgrade and restructure their business operations, and/or promote domestic sales in the Mainland (abbreviated as BUD). Enterprises may apply for funding for projects involving any one or more of the three specific areas of BUD.
- The Government launched the “ESP Easy – Simplified Application Track” (“ESP Easy”) in August 2015. Enterprises can make use of the “ESP Easy” to apply for funding to undertake specified activities which could effectively assist them in enhancing their competitiveness in the Mainland and developing the Mainland market. These activities include participation in Mainland exhibitions, establishment or enhancement of websites or online shops, undertaking testing and certification for products for domestic sales, design and production of publicity materials for distribution in the Mainland, application for registration of patent, trademark, design and utility model in the Mainland, placement of advertisements in the Mainland, and development or enhancement of mobile applications. Applicant enterprises will only need to fill in a simplified application form.
- The Government also launched the “Simplified Option” under the normal track of applications in October 2016 which allows applicants to commence projects as early as after the date of submission of applications and waives the requirement of setting up a separate project account should the applicants opt not to receive initial payment of funding.

*Eligibility*

- All non-listed enterprises registered in Hong Kong under the Business Registration Ordinance (Chapter 310) with substantive business operations in Hong Kong are eligible to apply for funding under the ESP.

### *Funding Principle*

- For each approved project, the Government will fund a maximum of 50% of the total approved project cost and the enterprise has to contribute no less than 50% of the total approved project cost in cash.
- The maximum duration of a project is 24 months. During the tenure of the BUD Fund, each enterprise may obtain funding for a maximum of three projects, with a cumulative funding ceiling per enterprise at \$500,000. (Projects under “ESP Easy” are subject to a funding ceiling of \$200,000 per project and all projects must be completed within 12 months).

### *Application Assessment*

- When making an application, the applicant enterprise has to submit a holistic business plan and details of the proposed project, including how the project could enhance its competitiveness and facilitate its business development in the Mainland. Enterprises may also apply for funding to engage a qualified service provider<sup>1</sup> to help develop the holistic business plan mentioned above.
- The Government has established a Programme Management Committee (PMC)<sup>2</sup> and an Inter-departmental Committee (IDC)<sup>3</sup> to consider the applications and to monitor the progress of approved projects under the ESP, and engaged the Hong Kong Productivity Council (HKPC) to provide secretariat support to the programme. For each ESP application, the HKPC will provide a preliminary assessment for consideration by the IDC. The IDC will then make a recommendation to the PMC for the latter’s consideration and approval.

---

<sup>1</sup> A qualified service provider should comply with the following requirements at the time of application:

- having registered in Hong Kong under the Business Registration Ordinance (Chapter 310) for at least one year;
- having at least one principal possessing five years or more practical experience of providing consultancy services related to branding, upgrading and restructuring and/or domestic sales for enterprises in Hong Kong or the Mainland. The principal must be actively engaged in the consultancy study throughout the whole study period; and
- having completed at least five projects in branding, upgrading and restructuring and/or domestic sales.

The above requirements would be subject to review and revision from time to time by the Programme Management Committee.

<sup>2</sup> The PMC is chaired by the Director-General of Trade and Industry, with members comprising personalities from the trade and SME associations as well as persons with expertise or experience in branding, upgrading and restructuring and domestic sales.

<sup>3</sup> The IDC is chaired by the Deputy Director-General of Trade and Industry, with members comprising representatives from the Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau, Innovation and Technology Commission, Environmental Protection Department and Create Hong Kong.

- To ensure the proper use of public money, the HKPC, the IDC and the PMC will take into account the following major guiding principles in assessing the applications received -
  - (i) The project should lead to immediate or long-term business development of the applicant enterprise in the Mainland in the specific BUD area(s);
  - (ii) the project should have good prospects of improving the competitive advantage of the applicant or its product/service in the Mainland ;
  - (iii) the project should have concrete deliverables to facilitate progress monitoring and evaluation of project outcome;
  - (iv) the project should include solid actions for developing business in the Mainland ; and
  - (v) the project should have a reasonable budget with itemised cost breakdown and detailed justifications of costs and expenses.

The PMC will review the above principles from time to time, and make improvements and elaborations where necessary.

#### *Project Monitoring*

- To facilitate monitoring and evaluation of approved projects, the applicant is required to submit annual progress report (if applicable), final report and audited accounts to the Programme Secretariat for review. All the reports will be submitted to the IDC and PMC for consideration and further fund disbursement would only be made upon endorsement of the relevant reports/audited accounts.
- The Programme Secretariat will also conduct site visits on selective projects to assess and evaluate the implementation progress and effectiveness of projects.

## The Organisation Support Programme (OSP)

### *Eligibility*

- The OSP provides funding support to non-profit-distributing organisations<sup>4</sup> for undertaking projects which can assist Hong Kong enterprises in general or in specific sectors in developing their brands, upgrading and restructuring their business operations and/or promoting domestic sales in the Mainland.

### *Funding Principle*

- The maximum amount of funding support for each approved project is \$5 million, or 90% of the approved project expenditure, whichever is the less. The applicant has to contribute the remaining 10% of the project expenditure, which may be in cash, in kind or in the form of sponsorship. The maximum duration of a project is three years.
- The applicant organisation is required to submit a plan to set out how the proposed project is to be implemented<sup>5</sup>, and how it would fulfil the objective of the BUD Fund. The applicant organisation is also required to share the results and deliverables of the project widely with the industry.

### *Application Assessment*

- The OSP is implemented by the Trade and Industry Department (TID). The Government has established a separate vetting committee<sup>6</sup> to consider the applications received under the OSP. The vetting committee will consider the following major aspects -
  - (i) Usefulness of the proposed project;
  - (ii) cost-effectiveness;
  - (iii) implementation; and
  - (iv) other factors (whether other funding source(s) are available for the proposed project, whether the project deliverables are necessary, and whether it will duplicate the work carried out by other organisations.)

---

<sup>4</sup> The applicant organisation should either be a statutory organisation or an organisation registered under the laws of the Hong Kong Special Administrative Region.

<sup>5</sup> Examples of activities that can be undertaken in a project include seminars, workshops, conferences, exhibitions, surveys/studies, demonstration on technology application, setting up of database, supporting facilities and service centre, etc.

<sup>6</sup> The committee is chaired by the Director-General of Trade and Industry, comprising members from different disciplines of the trade and industry.

*Project Monitoring*

- Grantees will be required to submit reports (such as progress reports, final reports and audited accounts), and return of residual funds. Upon project completion, the secretariat assesses the effectiveness of the project based on its deliverable and results. The deliverables and the results of the projects will be submitted to the Vetting Committee to facilitate its monitoring of implementation and evaluating the effectiveness of the funded projects.

**Breakdown of Applications Approved  
under Enterprise Support Programme by Industry  
(as at end of February 2017)**

<b>Industry</b> <sup>Note 1</sup>	<b>Applications Approved under Enterprise Support Programme</b>
<b><i>Manufacturing industries</i></b>	
Electronics	48 (6%)
Textile and Clothing	46 (5.7%)
Metal Products	24 (3%)
Toys	24 (3%)
Plastics	23 (2.9%)
Watches and Clocks	19 (2.4%)
Jewellery	16 (2%)
Electrical Appliances	15 (1.9%)
Industrial Machinery	14 (1.7%)
Food and Beverage	14 (1.7%)
Other manufacturing industries	119 (14.8%)
<b>Sub-total</b>	<b>362 (44.9%)</b>
<b><i>Non-manufacturing industries</i></b>	
Wholesale and Retail	232 (28.8%)
Import and Export Trade	95 (11.8%)
Information Technology	33 (4.1%)
Creative Industries	16 (2%)
Transportation and Logistics	14 (1.7%)
Professional Services (including legal and accounting services)	9 (1.1%)
Advertisement, Sales and Marketing	8 (1%)
Other non-manufacturing industries	37 (4.6%)
<b>Sub-total</b>	<b>444 (55.1%)</b>
<b>Total</b>	<b>806 (100%)</b>

Note 1: Enterprises involved in more than one industries are categorised based on their core business or the business with a larger scale.

Note 2: Figures in brackets denote the percentages out of the respective total numbers. Percentages may not add up to 100% due to rounding.



**Breakdown of Applications Approved  
under Enterprise Support Programme by Scope  
(as at end of February 2017)**

<b>Scope</b>	<b>Applications Approved under Enterprise Support Programme</b>
Branding	13 (1.6%)
Upgrading	24 (3.0%)
Domestic Sales	245 (30.4%)
Branding and Upgrading	4 (0.5%)
Branding and Domestic Sales	231 (28.7%)
Upgrading and Domestic Sales	153 (19.0%)
Branding, Upgrading and Domestics Sales	136 (16.9%)
<b>Total</b>	<b>806 (100%)</b>

Note : Figures in brackets denote the percentages out of the respective total numbers. Percentages may not add up to 100% due to rounding.

**Breakdown of Applications Approved  
under Organisation Support Programme by Industry  
(as at end of February 2017)**

<b>Industry</b>	<b>Applications Approved under Organisation Support Programme</b>
<b><i>Manufacturing industries</i></b>	
Electronics	3 (5.1%)
Textile and Clothing	3 (5.1%)
Food and Beverage	3 (5.1%)
Toys	2 (3.4%)
Printing and Publishing	2 (3.4%)
Medical and Optical Devices	2 (3.4%)
Footwear	2 (3.4%)
Other manufacturing industries	14 (23.7%)
<b>Sub-total</b>	<b>31 (52.5%)</b>
<b><i>Non-manufacturing industries</i></b>	
Information Technology	5 (8.5%)
Creative Industries	2 (3.4%)
Transportation and Logistics	2 (3.4%)
Professional Services (including legal and accounting services)	2 (3.4%)
Other non-manufacturing industries	3 (5.1%)
<b>Sub-total</b>	<b>14 (23.7%)</b>
<b><i>Cross Sector</i></b>	<b>14 (23.7%)</b>
<b>Total</b>	<b>59 (100%)</b>

Note: Figures in brackets denote the percentages out of the respective total numbers. Percentages may not add up to 100% due to rounding.

**Breakdown of Applications Approved  
under Organisation Support Programme  
(as at end of February 2017)**

<b>Scope</b>	<b>Applications Approved under Organisation Support Programme</b>
Branding	4 (6.8%)
Upgrading	0 (0%)
Domestic Sales	8 (13.6%)
Branding and Upgrading	3 (5.1%)
Branding and Domestic Sales	35 (59.3%)
Upgrading and Domestic Sales	5 (8.5%)
Branding, Upgrading and Domestics Sales	4 (6.8%)
<b>Total</b>	<b>59 (100%)</b>

Note : Figures in brackets denote the percentages out of the respective total numbers. Percentages may not add up to 100% due to rounding.

**Breakdown of Applications Approved under  
the Special Concessionary Measures by Industry  
(as at end of February 2017)**

<b>Sector</b>	<b>No. of Applications Approved</b>	<b>Percentage of Total Applications Approved</b>
<b>Manufacturing</b>	<b>2 711</b>	<b>23.4%</b>
Textiles and clothing	517	4.5%
Electronics	248	2.1%
Plastics	215	1.9%
Printing and publishing	196	1.7%
Others	1 535	13.2%
<b>Non-manufacturing</b>	<b>8 878</b>	<b>76.6%</b>
Trading	5 317	45.9%
Wholesale and retail	1 045	9.0%
Construction	350	3.0%
Engineering	340	2.9%
Transportation/logistics	295	2.6%
Others	1 531	13.2%
<b>Total</b>	<b>11 589</b>	<b>100.0%</b>

**Support Measures for SMEs under the Trade and Industry Department**

SME Loan Guarantee Scheme (SGS)

*Purpose*

- The SGS aims to help SMEs to secure loans from participating lending institutions (PLIs) for acquiring business installations and equipment and meeting working capital needs with the Government acting as the guarantor.

*Types of loans*

- Business Installations and Equipment Loans may be used for acquiring installations or equipment relating to the SME's business operations within or outside Hong Kong.
- Working Capital Loans may be for general business uses in meeting working capital needs of the SME.

*Guarantee ceiling and period*

- The amount of guarantee for an SME is 50% of the approved loan, subject to a maximum amount of \$6 million. The guarantee period is up to 5 years. If an SME has fully repaid the loans backed up by the guarantee under the scheme, the SME is eligible one more time for the respective guarantee amount, subject to a maximum amount of \$6 million.

As at 28 February 2017, 33 219 applications had been received, with 30 219 applications approved. The total amount of guarantees provided for the approved cases was \$23.95 billion.

## SME Export Marketing Fund (EMF)

### *Purpose*

- To help SMEs expand markets outside Hong Kong through funding support for their participation in export promotion activities.

### *Scope*

- Participation in trade fairs/exhibitions and business missions outside Hong Kong, as well as local trade fairs/exhibitions which mainly target at markets outside Hong Kong.
- Advertisements on printed trade publications which mainly target at markets outside Hong Kong.
- Participation in export promotion activities (such as placing advertisement, keyword search, listing product information, setting up or enhancing online shop, etc.) conducted through electronic platforms/media which mainly target at markets outside Hong Kong.
- Setting up or enhancing a corporate website of the applicant enterprise which mainly targets at markets outside Hong Kong.

### *Amount of Grant*

- For each successful application, the maximum amount of grant will be 50% of the total approved expenditures incurred by the applicant or \$50,000, whichever is less. The cumulative amount of grant an SME may obtain from the EMF is \$200,000.
- The last \$50,000 of the total amount of grant must be used for participating in export promotion activities which are not previously funded by the initial grant amount of \$150,000.

As at 28 February 2017, 244 204 applications had been received, with 206 659 applications approved. The total amount of grants provided for the approved cases was \$3.15 billion.

## SME Development Fund (SDF)

### *Purpose*

- To provide financial support to non-profit-distributing organisations, such as trade and industrial organisations, professional bodies and research institutions, to implement projects which aim at enhancing the competitiveness of SMEs in general or in specific sectors.

### *Funding Principle*

- The maximum amount of funding support for each approved project is \$5 million, or 90% of the approved project expenditure, whichever is the less. The applicant has to contribute the remaining 10% of the project expenditure, which may be in cash, in kind or in the form of sponsorship. The maximum duration of a project is three years.
- The applicant organisation is required to submit a plan to set out how the proposed project is to be implemented<sup>1</sup>, and how it would fulfil the objective of the SDF. The applicant organisation is also required to share the results and deliverables of the project widely with the industry.

As at 28 February 2017, 1 107 applications had been received, with 271 applications approved. The total amount of grants provided for the approved cases was \$0.32 billion.

---

<sup>1</sup> Examples of activities that can be undertaken in a project include seminars, workshops, conferences, exhibitions, surveys/studies, demonstration on technology application, setting up of database, supporting facilities and service centre, etc.