



香港特別行政區政府 工業貿易署

Trade and Industry Department

The Government of the Hong Kong Special Administrative Region

Our Ref. : CR TID 2465/1 Pt. 2

Tel. No. : 2398 5558

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Your Ref. :

28 December 2018

Clerk to Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attention: Mr. Anthony CHU)

Dear Mr. CHU,

### Public Accounts Committee

#### Consideration of Chapter 8 of the Director of Audit's Report No. 71

#### Trade and Industry Department's work in supporting small and medium enterprises

Thank you for your letter of 17 December 2018. Our bilingual reply to the matters set out in the Appendix of your letter is enclosed at **Annex**, please.

2. In respect of the information set out in Appendix to item 4(b) of our reply, as the number of approved SME Loan Guarantee Scheme loans and loan amounts of individual participating lending institutions are commercially sensitive information, we should be grateful if the circulation of and access to such information be restricted to the Public Accounts Committee only and such information be excluded from publication.



Yours sincerely,

A handwritten signature in black ink that reads "Christine Wai". The signature is written in a cursive, flowing style.

(Ms Christine Wai)

for Director-General of Trade and Industry

Encl.

c.c. Secretary for Financial Services and the Treasury  
Director of Audit

In response to the questions raised by the Public Accounts Committee (PAC) of the Legislative Council in its letter dated 17 December 2018, we provide our reply as follows:

### **Part 1: Introduction**

**1) Regarding the annual expenditure on various schemes under the programme area "Support for SMEs and Industries" from 2013-2014 to 2017-2018 mentioned in Table 4 in the Audit Report, please provide the annual amount of staff expenditure for the respective schemes and the average number of applications handled by each person per year.**

1) The Government attaches great importance to the development of small and medium enterprises (SMEs). The Trade and Industry Department (TID) supports and facilitates the development of Hong Kong's SMEs and industries through various channels, including providing information and consultation services for SMEs through its Support and Consultation Centre for SMEs (SUCCESS), and organising seminars and workshops to help broaden SMEs' business knowledge and enhance their entrepreneurial skills. TID also administers various funding schemes (including the SME Export Marketing Fund, the Trade and Industrial Organisation Support Fund, the Dedicated Fund on Branding, Upgrading and Domestic Sales, and the SME Loan Guarantee Scheme) to assist Hong Kong enterprises across various sectors in obtaining finance, exploring markets and enhancing the overall competitiveness. We will continue to closely monitor changes in the market and the needs of SMEs with a view to improving the operation of the various funding schemes where appropriate. In addition, TID maintains regular liaison with local industries and trade and industrial organisations to deliberate on issues affecting the development of industries and support to SMEs, and provides secretariat support to advisory bodies such as the Small and Medium Enterprises Committee, the Trade and Industry Advisory Board, etc.

To carry out the above tasks, the annual staff expenditure under "Programme (3): Support for Small and Medium Enterprises and Industries of Head 181 – Trade and Industry Department" is set out in the table below -

<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
\$58,814,140	\$60,628,361	\$63,340,561	\$65,131,845	\$65,629,327

The staff expenditure for administering the various funding schemes has been subsumed under the overall expenditure for carrying out the abovementioned work. As the nature, application and vetting procedures, the complexity of cases, etc. of each of the funding schemes are different, the time and manpower resources involved in processing each application are also different. It is difficult to quantify separately the annual staff expenditure and the average number of applications handled by each person per year for individual funding scheme.

## **Part 2: Administration of SME Loan Guarantee Scheme and Special Loan Guarantee Scheme**

- 2) Apart from continuing to step up publicity, has the Administration reviewed the underlying reasons for the decline in the number of applications approved under the SME Loan Guarantee Scheme ("SGS")? For example, was it due to the unattractiveness of SGS to enterprises as a result of SGS's failure to adapt to the current business environment?**
- 2) TID has been monitoring the application situation and the effectiveness of the SME Loan Guarantee Scheme (SGS) on an on-going basis. The number of SGS applications is market-driven and affected by the overall economic environment, other loan guarantee scheme and various factors. Since its introduction in 2001, TID has introduced numerous enhancement measures for increasing the usage of the loan, loan guarantee ceiling, maximum guarantee period and total loan guarantee commitment to suit the changing economic environment and the needs of SMEs. We will continue to monitor the application situation of the SGS and review its operation according to the market environment and the needs of the trade so as to assist SMEs in obtaining financing.
- 3) What are the existing mechanism and procedures for checking available guarantee balances by SMEs, and how many days are required from submission of an enquiry to receipt of a reply?**
- 3) Currently, SMEs can submit enquiry requests to TID on their available loan guarantee balances by post, email or fax. Upon verifying the identity of the enquiring SMEs, TID will reply them on their available guarantee balances under the total guarantee limit within 3 working days. TID is actively working to provide an online enquiry service for the SGS to facilitate SMEs in checking their available guarantee balances under the total guarantee limit.

4) **The Trade and Industry Department ("TID") advised in response to the Audit Commission that SGS is market-driven and the number of applications is affected by various factors such as the loan policy of participating lending institutions (PLIs). Please advise on the following:**

(a) **Has TID studied if there is any change in the loan policy of PLIs which has resulted in a change in the number of applications received and the amount of guarantees allocated?**

(b) **For the top five PLIs with the highest number of approved loans, how many loan applications have been approved by them each year and what are the average and total amounts of loans granted (set out in a table)?**

(c) **Has the number of applications been affected by the changing mode of operation of SMEs in recent years (for example, more SMEs are renting co-working spaces) and has TID conducted regular reviews to see if SGS can meet the needs of SMEs amidst changes in their modes of operation?**

4)(a) TID has been maintaining liaison with the participating lending institutions (PLIs) to understand their utilisation situation of the SGS. We note that quite a number of PLIs are also concurrently participating in the SME Financing Guarantee Scheme (SFGS), which provides up to 80% loan guarantee since 2012. The SGS and SFGS complement each other in alleviating SMEs' financing burden and assisting them in obtaining loans from PLIs;

(b) Regarding those PLIs currently joining the SGS, the top five PLIs with the highest number of approved loans under the SGS, their yearly number of approved loans, average loan amounts and total loan amounts are tabulated at **Appendix**. As the relevant information of individual PLIs is commercially sensitive, in the circumstances that the relevant PLIs' consent has not been obtained, we suggest that the circulation of and access to such information be restricted to the Public Accounts Committee only and such information be excluded from publication; and

(c) An SME is eligible to apply for loan guarantee under the SGS if it is registered in Hong Kong under the Business Registration Ordinance (Cap. 310) with substantive business operations in Hong Kong, not an associate of the lender and not carrying on the business of a lender.

***\*Note by Clerk, PAC: Appendix not attached.***

Changes of business model of SMEs, for example, more SMEs are renting co-working spaces, if not involving the aforementioned criteria, would not affect their application eligibility.

- 5) **How would the Administration comment on the situation of default claims having been outstanding for an average of seven years? What is the existing staff establishment for handling these cases? Has the Administration had any plans to increase manpower to handle these cases in the past, or does it have any plans to do so in the future? What are the vetting procedures and handling time for default claims? As pointed out in paragraph 2.11, TID does not require PLIs to provide all supporting documents for verification during the application for SGS and the Special Loan Guarantee Scheme, whilst PLIs are required to provide supporting documents when they submit default claims to TID. In this connection, has the Administration reviewed whether the longer handling time of default claims pending PLIs' submission of documents and supplementary information is attributed to the discrepancy in the requirements for submission of documents at different vetting stages mentioned above?**
- 5) To handle the issue of default claims, in July and August 2018, TID notified all PLIs of the SGS that starting from August 2018, for each default claim that TID had requested additional information essential for vetting and the PLI concerned had not responded for over seven years, TID would issue a “Letter of Intent on Termination” (LoI) to inform the PLI that if it could not provide the required information by the specified deadline, TID would issue a “Letter of Termination” to terminate the loan guarantee with immediate effect. In late August 2018, the first batch of LoIs were issued (for 53 SGS claims). Amongst them, 2 claims have been withdrawn by the PLIs and 8 claims have been reactivated by the relevant PLIs. For the remaining 43 cases which the PLIs had not provided the relevant information within the two-month deadline, “Letter of Termination” was issued to the PLIs in end- October to terminate the relevant loan guarantees. TID also issued the second batch of LoI (involving 55 claims) to the relevant PLIs in November and will issue LoIs to the relevant PLIs for about 120 remaining cases in two batches in the first half of next year.

Currently, there are 13 staff handling applications for loan guarantees and processing default claims of the SGS in TID. There has been no change in the manpower level in the past ten years. As for the Special Loan Guarantee Scheme (SpGS), with its application period ended in end-2010

and the current work being mainly processing of default claims, the manpower has gradually reduced from around 80 staff when the scheme was in operation to 18 at present. TID currently has no plan to increase the manpower resources for the above two loan guarantee schemes.

Regarding the vetting process of default claims, PLIs may lodge a claim with TID within six months after a loan has been defaulted. To demonstrate that a PLI has duly discharged its obligations, exercised professional knowledge and prudent judgment in vetting the loan, managing the facility and taking recovery actions in accordance with the terms and conditions stipulated in the relevant Deeds signed between the PLIs and the Government, PLIs are required to provide relevant supporting documents for the default cases, including facility letters, bank statements, credit assessment reports, and information on recovery actions (including legal actions) taken/to be taken by the PLIs, etc.. The actual processing time for each default claim hinges on the complexity of the case and whether the PLI could provide complete information/documents. Generally speaking, TID will complete the vetting and effect compensation payment within one month after all the necessary information is received from the PLI.

Under SGS and SpGS, the Government relies on the professional knowledge and judgement of the PLIs in handling loan guarantee applications lodged by enterprises. PLIs have to make vetting decisions prudently in accordance with their prevailing credit policy and procedures. In order to facilitate SMEs in obtaining the facility as early as possible, TID does not request the PLIs to provide all the supporting documents during TID's vetting stage of the loan guarantee application. To enhance PLIs' understanding of the claim procedures and to shorten the time required for the vetting process, TID has issued guidelines to PLIs setting out the principles adopted by TID in vetting default claims, the claim procedures and the supporting documents required. While the documents required for TID's vetting of loan guarantee applications and default claim cases differ, this will not prolong the processing time of default claims.

- 6) Starting from late August 2018, for each SGS default claim in respect of which TID had requested additional information essential for vetting and the PLI concerned had not responded for over seven years, TID would issue to the PLI concerned a "Letter of Intent on Termination". TID would issue a "Letter of Termination" to terminate the guarantee with immediate effect unless the overdue**

**information was provided to TID within two months. Please advise on the following:**

- (a) Is TID allowed to implement the mechanism of issuing "Letter of Intent on Termination" and "Letter of Termination" under the cooperation agreements signed between TID and PLIs? Has any PLI raised objections to the mechanism or withdrawn from SGS since its implementation?**
  - (b) In case a PLI provides the required information to TID within two months after receiving a "Letter of Intent on Termination" but TID considers the information still insufficient, will TID issue a "Letter of Termination" after the two-month period or will it set another two-month deadline? Should the latter be the case, how many cases for which the two-month submission period has been extended?**
  - (c) Regarding the issuance of the first batch of "Letters of Intent on Termination" by TID to 12 PLIs in relation to 53 claims in late 2018, how many claims for which "Letters of Termination" had been issued and how many of them had been completed? Among the completed cases, how many ended up with the default claims being approved and what is the average amount of claims involved in the approved cases?**
  - (d) Regarding the remaining default claims which have been outstanding for a long time, what is TID's plan for issuing the "Letters of Intent on Termination" in batches, including when the next batch of letters will be issued and the expected number of cases to be handled?**
- 6)(a) In accordance with the relevant clauses of the Deeds signed between the Government and the PLIs, the PLIs have to promptly disclose to the Government the information required for the vetting of the default claims. Failure to do so entitles the Government to exercise its rights to terminate the guarantee concerned under the clauses of the Deeds. Upon implementing the mechanism of issuing the "Letter of Intent on Termination" and the "Letter of Termination", no PLIs have raised objection to the arrangements or have consequently withdrawn from the SGS so far;
- (b) If a PLI has provided TID with the information required for vetting the claim within two months from the receipt of the "Letter of Intent



on Termination”, but TID considers such information insufficient for processing the default claim, TID would liaise with the PLI and request the latter to provide supplementary information expeditiously with a view to completing the vetting process and effecting compensation. Therefore, TID would not issue the “Letter of Termination” after the two-month deadline for such cases. Currently, there are 16 default claims for which the vetting process have been resumed;

- (c) Among those 53 default claims which the first batch of “Letter of Intent on Termination” was sent to the relevant PLIs in end-August 2018, “Letter of Termination” had been issued for 43 claims, 2 claims were withdrawn by the PLIs and the vetting of 8 claims had resumed; and
- (d) Regarding the remaining default claims which the relevant PLIs had not responded for over 7 years, TID issued the second batch of “Letter of Intent on Termination” for 55 default claims in November. TID will issue the “Letter of Intent on Termination” to the relevant PLIs for around 120 remaining claims in two batches by the first half of 2019.

### **Part 3: Administration of the SME Export Marketing Fund**

- 7) Please provide a breakdown, by the four categories of activities within the funding scope of the SME Export Marketing Fund ("EMF"), of the number of applications and the total and average amounts of grants approved under EMF each year since 2008.**
- 7) The funding scope of the SME Export Marketing Fund (EMF) comprises four major categories of export promotion activities. Statistics on the annual number of applications approved, total grant involved and average grant per application of the four categories since 2008 are as follows:
  - (i) Participation in trade fairs/exhibitions and business missions outside Hong Kong, and local trade fairs/exhibitions (Table 1);
  - (ii) Advertisements on printed trade publications (Table 2);
  - (iii) Participation in export promotion activities conducted through electronic platforms/media (Table 3); and
  - (iv) Setting up or enhancing a corporate website of the applicant enterprise (Table 4).

Table 1: Participation in trade fairs/exhibitions and business missions outside Hong Kong, and local trade fairs/exhibitions

Year	Number of applications approved	Total grant involved (million)	Average grant per application
2008	9 674	\$ 174.3	\$ 18,015
2009	14 543	\$ 318.3	\$ 21,887
2010	13 382	\$ 267.9	\$ 20,018
2011	10 218	\$ 207.3	\$ 20,286
2012	9 725	\$ 198.6	\$ 20,420
2013	9 360	\$ 192.6	\$ 20,577
2014	7 982	\$ 165.2	\$ 20,692
2015	7 607	\$ 158.2	\$ 20,797
2016	6 278	\$ 134.7	\$ 21,456
2017	4 718	\$ 104.5	\$ 22,152
2018 (as at 30 Nov)	4 394	\$ 102.6	\$ 23,353

Table 2: Advertisements on printed trade publications

Year	Number of applications approved	Total grant involved (million)	Average grant per application
2008	3 616	\$ 20.1	\$ 5,563
2009	10 645	\$ 49.7	\$ 4,673
2010	9 556	\$ 40.5	\$ 4,238
2011	6 288	\$ 25.8	\$ 4,100
2012	4 553	\$ 19.2	\$ 4,218
2013	3 523	\$ 14.9	\$ 4,239
2014	2 601	\$ 12.1	\$ 4,642
2015	2 235	\$ 10.7	\$ 4,770
2016	2 005	\$ 12.3	\$ 6,150
2017	1 543	\$ 11.6	\$ 7,526
2018 (as at 30 Nov)	1 216	\$ 9.2	\$ 7,527

Table 3: Participation in export promotion activities conducted through electronic platforms/media

Year	Number of applications approved	Total grant involved (million)	Average grant per application
2008	11	\$ 0.1	\$ 5,228
2009	2 223	\$ 20.2	\$ 9,080
2010	3 364	\$ 42.4	\$ 12,595
2011	3 102	\$ 41.8	\$ 13,472
2012	3 020	\$ 41.7	\$ 13,822
2013	3 041	\$ 43.4	\$ 14,269
2014	2 801	\$ 39.6	\$ 14,142
2015	2 342	\$ 36.0	\$ 15,371
2016	1 276	\$ 10.4	\$ 8,167
2017	2 143	\$ 16.5	\$ 7,676
2018 (as at 30 Nov)	2 017	\$ 19.0	\$ 9,396

Table 4: Setting up or enhancing a corporate website of the applicant enterprise (new funding scope added in September 2015)

Year	Number of applications approved	Total grant involved (million)	Average grant per application
Sep 2015 - 2016	55	\$ 1.0	\$ 17,823
2017	128	\$ 2.9	\$ 22,304
2018 (as at 30 Nov)	125	\$ 3.7	\$ 29,267

- 8) **One of the categories of activities eligible for funding under EMF is "participation in trade fairs/exhibitions and business missions outside Hong Kong, as well as local trade fairs/exhibitions". Among the applications approved each year since 2008, please provide:**
- (a) **the respective numbers of approved applications by local and non-local activities; the respective average amounts of grants for the aforesaid two categories of activities; and**
  - (b) **in respect of the activities outside Hong Kong, the number of approved applications and the average amount of grants by regions (e.g. Mainland China, Southeast Asia, the United States, etc.).**

- 8) In respect of the funding scope of “participation in trade fairs/exhibitions and business missions outside Hong Kong, and local trade fairs/exhibitions” under the EMF, statistics on the annual number of applications approved and average grant per application by local and non-local activities are set out in Table 5 below.

Table 5: Number of applications approved and average grant per application for trade fairs/exhibitions and business missions by local and non-local activities

Year	Number of applications approved		Average grant per application	
	Local	Non-local	Local	Non-local
2008	6 811	2 863	\$ 17,508	\$ 19,221
2009	10 111	4 432	\$ 20,842	\$ 24,271
2010	8 951	4 431	\$ 19,692	\$ 20,677
2011	6 627	3 591	\$ 19,465	\$ 21,802
2012	6 137	3 588	\$ 19,320	\$ 22,300
2013	5 675	3 685	\$ 19,797	\$ 21,778
2014	4 771	3 211	\$ 19,497	\$ 22,467
2015	4 522	3 085	\$ 20,015	\$ 21,942
2016	3 989	2 289	\$ 20,969	\$ 22,304
2017	2 938	1 780	\$ 22,069	\$ 22,288
2018 (as at 30 Nov)	2 749	1 645	\$ 23,626	\$ 22,896

In respect of overseas activities (i.e. trade fairs/exhibitions and business missions outside Hong Kong), statistics on the annual number of applications approved and average grant per application by region are set out in Tables 6 and 7 below.

Table 6: Number of applications approved for overseas activities (i.e. trade fairs/exhibitions and business missions outside Hong Kong) by region

Year	Asia			Europe	America		Other regions
	The Mainland	ASEAN	Other Asian regions		United States of America	Other American regions	
2008	1 071	113	477	779	221	15	187
2009	2 066	160	337	1 200	334	16	319
2010	2 627	165	307	891	256	17	168
2011	1 968	171	346	707	263	22	114
2012	1 866	215	480	613	266	39	109
2013	1 631	260	788	530	271	71	134
2014	1 163	250	811	621	215	38	113
2015	1 148	183	811	556	248	34	105
2016	835	171	546	401	216	24	96
2017	655	140	364	352	172	7	90
2018 (as at 30 Nov)	568	135	353	330	160	15	84

Table 7: Average grant per application for overseas activities (i.e. trade fairs/exhibitions and business missions outside Hong Kong) by region

Year	Asia			Europe	America		Other regions
	The Mainland	ASEAN	Other Asian regions		United States of America	Other American regions	
2008	\$ 14,914	\$ 20,107	\$ 16,585	\$ 24,840	\$ 23,797	\$ 18,878	\$ 21,290
2009	\$ 17,918	\$ 22,047	\$ 20,567	\$ 34,746	\$ 30,444	\$ 14,383	\$ 25,067
2010	\$ 16,298	\$ 22,963	\$ 19,548	\$ 30,829	\$ 29,863	\$ 15,130	\$ 21,693
2011	\$ 17,538	\$ 20,862	\$ 18,913	\$ 31,578	\$ 30,817	\$ 22,081	\$ 24,118
2012	\$ 19,495	\$ 17,453	\$ 18,697	\$ 31,009	\$ 30,619	\$ 28,045	\$ 24,429
2013	\$ 20,268	\$ 16,076	\$ 17,074	\$ 31,595	\$ 30,687	\$ 23,441	\$ 21,160
2014	\$ 19,303	\$ 18,699	\$ 18,913	\$ 31,334	\$ 30,763	\$ 26,974	\$ 22,833
2015	\$ 18,920	\$ 19,523	\$ 18,485	\$ 29,964	\$ 31,433	\$ 15,477	\$ 23,088
2016	\$ 19,395	\$ 20,770	\$ 16,429	\$ 31,859	\$ 31,719	\$ 24,768	\$ 22,042
2017	\$ 18,863	\$ 19,994	\$ 16,525	\$ 31,027	\$ 30,799	\$ 27,809	\$ 23,220
2018 (as at 30 Nov)	\$ 21,894	\$ 17,119	\$ 15,824	\$ 30,476	\$ 32,489	\$ 25,180	\$ 20,213

- 9) **As the funding scope of EMF also covers participation in export promotion activities conducted through electronic platforms/media, as well as setting up or enhancement of a corporate website of the applicant enterprise, does it mean that one of the reasons given by the Administration for the declining number of applications, namely, the prevalence of Internet technology to carry out export promotion activities had led to a declining trend for SMEs to make use of traditional channels for export promotion, is not justifiable? Will the Administration review if there is a mismatch between the objectives of EMF and the needs of enterprises?**
- 9) In light of the increasing popularity among enterprises to conduct export promotion activities through electronic channels, the funding scope of the EMF was expanded in 2015 to cover export promotion activities conducted through electronic platforms/media, including the setting up or enhancement of a corporate website of an applicant enterprise, so as to support SMEs to promote exports through electronic means.

We notice that the mode of conducting export promotion through electronic channels is different from that conducted through traditional means. Establishing a corporate website can assist an enterprise in export promotion continuously, and contracts for electronic promotions usually cover multiple activities. Thus, an SME may only need to submit one application for promotional activities covering a longer period of time. In contrast, SMEs conducting export promotion through traditional means submit applications when they placed advertisements on printed trade publications or participated in exhibitions/trade fairs on an individual basis. Generally speaking, the cost of electronic promotion is lower than that of traditional promotion, and hence, the amount of grant applied per application is also lower. Moreover, the number of applications for EMF is affected by external factors. For instance, SMEs tend to be more cautious and may trim down export promotions in face of unstable external economic environment.

The trade has requested from time to time that the Government should strengthen support for SMEs in their export promotion, including increasing the grant ceilings and expanding the funding scope of the EMF. In the past five years, around 26% of the EMF beneficiaries were first-time applicants, reflecting that the EMF is well received among SMEs. TID will continue to monitor the application for and utilisation of the EMF, and adjust the operation of the scheme taking into account market development and the needs of the trade to provide better assistance to the industry.

**10) Since the launch of EMF in December 2001, the cumulative funding ceiling per SME has increased from the initial \$100,000 to \$150,000 in 2008 and to \$200,000 in 2013, and will further increase to \$400,000 in the current year. Moreover, although the Government has twice injected funds into EMF in 2015 and 2018, the number of applications has been declining and the utilization of cumulative funding has remained low for a long time. As at March 2018, of the 47 082 SMEs which had obtained funding under EMF since its launch, only 640 (1.4%) SMEs had been granted the full \$200,000. In this connection, please explain the reasons for the decisions to inject capital into EMF and increase the funding ceiling despite the declining number of applications and the persistently low utilization of cumulative funding.**

10) The trade has requested from time to time that the Government should strengthen support for SMEs in their export promotion, including increasing the cumulative grant ceiling per enterprise under the EMF. Taking into account the tremendous business opportunities for Hong Kong enterprises under the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area Development Plan, and that the Free Trade Agreement between Hong Kong and the Association of Southeast Asian Nations (ASEAN) can help enterprises tap these markets, the cumulative grant ceiling per enterprise of the EMF was increased to \$400,000 in August 2018.

The condition of use of the last \$50,000 of the grants, viz. the amount concerned must be used for participation in export promotion activities not funded by the first \$150,000 of the grants received by an SME, was the major cause for a relatively low percentage of enterprises that have fully utilised the grant ceiling of \$200,000 under the EMF. The condition of use was removed in August 2018 to encourage SMEs to fully utilise the grant ceiling.

Since the implementation of enhancement measures to the EMF, the number of applications received in August to November 2018 has increased by 36% to 4 606 as compared to the same period last year. As at 30 November 2018, there were 894 SMEs that have received grants at an amount of \$200,000 or above. This reflects that the trade has responded positively to the increase in grant ceiling and the removal of the condition of use of the last \$50,000 of the grants has encouraged SMEs to apply for the EMF. TID will continue to promote the EMF through different channels to attract more enterprises to submit applications and enhance the utilisation rate of the EMF.

- 11) Regarding the on-going satisfaction surveys conducted by TID, please advise how the surveys measure the overall perceived satisfaction and effectiveness of EMF. Has TID measured the effectiveness of EMF in terms of the beneficiaries' business performance (such as business turnover, market share, successfulness in developing new markets, etc.)? If yes, how effective is it?**
- 11) Since February 2018, TID has been conducting a questionnaire survey among EMF beneficiaries for assessing the effectiveness of the scheme. The beneficiaries may indicate through multiple choice questions in the questionnaire their overall satisfaction with the EMF (for example, from “very satisfied” to “very dissatisfied”) and if the EMF has help enhanced their marketing activities. As at 30 November 2018, about 97% of the respondents rated the EMF as “acceptable” or above level, and about 99% of the respondents indicated that the EMF helped make a “slight improvement” or above in their marketing activities.

The questionnaire survey also asks EMF beneficiaries to indicate the effectiveness of the EMF in assisting their export promotion, and assess the impact on their marketing strategy if there was no funding support from the EMF. As at 30 November 2018, the respondents indicated that the EMF assisted them in increasing marketing channels (62%), reducing operating costs (56%), and expanding overseas market and businesses (52%). Without the funding support of the EMF, the respondents would reduce expenditure for marketing activities (71%) and reduce participation in marketing activities (54%). The survey result reflects that the EMF has been effective in assisting beneficiaries in their export market promotion.

TID will continue to gather views from the beneficiaries and the trade through different channels, and review the operation of the EMF from time to time to provide appropriate assistance to the industry.

#### **Part 4: Support and Consultation Centre for SMEs (SUCCESS)**

- 12) It is mentioned in the Audit Report that applicants who do not meet the eligibility criteria for the SME Mentorship Programme ("MP") will also be considered by TID if there is capacity and they can provide explanations to justify their need to join MP. Please advise on the respective quotas of the last three rounds of MP; and the number of applicants who did not meet the eligibility criteria but were admitted to MP.**



- 12) Since the launch of the SME Mentorship Programme (MP) in 2000, TID has organised nine rounds of programme. Each round of the MP targets at successfully matching 150 to 200 applicants with mentors. In the last three rounds of the MP, 184 applicants (2016-18), 199 applicants (2014-15) and 194 applicants (2011-12) were successfully matched with a mentor.

Entrepreneurs who own and run a business with a valid business registration in Hong Kong under the Business Registration Ordinance (Cap. 310), and whose business has been established for less than five years and employs fewer than 20 employees locally are eligible to apply for the MP. In the last three rounds of the MP, there were 55 applicants (2016-18), 21 applicants (2014-15) and 23 applicants (2011-12) who did not fully meet the eligibility criteria but were admitted to the MP and successfully matched with a mentor.

- 13) Given that the Hong Kong Trade Development Council, Cyberport, Hong Kong Science and Technology Parks Corporation and other trade associations have launched mentorship programmes that are similar to MP, will the Government review the service contents or mode of operation of MP in order to make it complementary to other similar programmes and increase its attractiveness?**

- 13) The MP aims at providing an opportunity for SME entrepreneurs who are at their early stage of business to learn from and be guided by experienced entrepreneurs, senior executives, and professionals through one-on-one free advisory services. The characteristics of TID's MP are that it provides support to entrepreneurs of all business sectors and focuses on enhancing the mentees' business knowledge and entrepreneurial skill through one-on-one consultation. The eligibility criteria of the MP are simple so that appropriate support could be provided to SME entrepreneurs of all business sectors at the early stage of their businesses.

The mentorship programmes of other organisations usually have specific target groups such as technology-based start-ups or companies engaged in the provision of specific products/services, etc. We are of the view that different mentorship programmes have their own characteristics and SMEs may, having regard to their needs, join our MP and other mentorship programmes at the same time. In the past three rounds of the MP, there were mentees who were also participants of other mentorship programmes.

TID will continue to review the arrangements of the MP from time to time, taking into account the feedback from SMEs and the operation experience of other mentorship programmes so as to enhance the effectiveness of the MP in addressing the needs of SMEs.

- 14) It is mentioned in the Audit Report that the persistently low response rates of a number of evaluation surveys have definitely affected the reliability of the survey results and the effectiveness of the authorities in conducting objective and comprehensive evaluations of various support programmes for SMEs. In this connection, apart from sending reminders or making telephone calls in the hope of increasing the response rate, has the Administration considered conducting more effective research and evaluation in more different ways (e.g. holding focus group meetings or visiting trade associations and enterprises)?**
- 14) Results of the questionnaire surveys on various SME services of TID indicate that most respondents are satisfied with the services. We agree that a higher response rate of the surveys will enable us to review the services comprehensively and enhance service provision. A number of measures have thus been implemented to increase the response rate. For example, since the latter half of August 2018, a deadline has been set for completing the questionnaire on the SGS and follow-up actions will be taken on outstanding replies. Also, electronic questionnaire on the EMF has been made available since October 2018.

TID has been liaising with various trade and industrial organisations on SME services and conducting regular exchanges on its services with the Customer Liaison Group for SMEs. We have also been holding focus group discussions on specific services from time to time. For example, two focus group discussions on the EMF were held in June 2018 to gather suggestions from the trade for enhancing the EMF.