

**For discussion
on 19 May 2020**

Legislative Council Panel on Commerce and Industry
Support for Small and Medium Enterprises

Purpose

This paper briefs Members on the new and enhanced measures to support local enterprises, particularly small and medium enterprises (SMEs), in face of the economic downturn and in preparation for Hong Kong's relaunch.

SMEs in need of support

2. Hong Kong is deep into recession, as reflected by the contraction in Gross Domestic Product in the last four consecutive quarters, including a record level decline of 8.9% in real terms in the first quarter of 2020 from a year earlier, brought about by the outbreak of the Coronavirus Disease 2019 (COVID-19). The impact on the economy is not only profound but also widespread, from trading, private consumption to investment, affecting most sectors of our economy. In order to provide expeditious assistance to help affected enterprises, especially SMEs, ride out the storm, the Government has introduced a number of relief measures in the 2020-21 Budget and the two rounds of measures under the Anti-epidemic Fund since February 2020, involving over \$280 billion in total. These include a series of measures to relieve the pressure faced by enterprises in respect of operating cost, such as reducing profits tax, waiving rates for non-domestic properties as well as fees for business registration and company annual returns registration, subsidising electricity, water and sewage charges for non-domestic households, reducing rents for tenants of Government properties/properties covered by short-term and temporary waivers, etc. In addition, we have also introduced a number of new and enhanced measures to help SMEs cope with challenges such as shortage of liquidity, lack of resources for business promotion and export credit risk, as well as to climb up the technology ladder, as elaborated in the ensuing paragraphs.

SME Financing Guarantee Scheme (SFGS)

3. To help ease the cash flow problem of enterprises which have been severely hit by the COVID-19 outbreak, the Government obtained the approval of the Finance Committee on 18 April 2020 to introduce a number of enhancements to the various loan guarantee products under the SFGS, including –

(a) for the 80% and 90% Guarantee Products, to –

- increase the maximum loan amount per enterprise from \$15 million to \$18 million for the 80% Guarantee Product, and from \$6 million to \$8 million for the 90% Guarantee Product;
- provide, for a one-year period, interest subsidy for loans to bring the interest rate per annum to a level on par with that of the Special 100% Guarantee Product (i.e. 2.75% at the moment), subject to a subsidy cap of 3%; and
- extend, for a one-year period, the eligibility criteria to cover publicly listed companies in Hong Kong.

(b) for the Special 100% Guarantee Product, to –

- increase the total guarantee commitment from \$20 billion to \$50 billion;
- increase the maximum loan amount per enterprise from \$2 million to \$4 million;
- extend the application period from 6 months to 12 months; and
- extend the principal moratorium period from 6 months to 12 months.

4. The Special 100% Guarantee Product under the SFGS was launched on 20 April 2020. Response to this new concessionary low-interest loan is overwhelming. During a span of three weeks since the product's launch (up to 8 May 2020), the HKMC Insurance Limited (HKMCI), administrator of the

SFGS, has received 1 491 applications involving a total loan amount of around \$3.3 billion, and has approved 1 312 applications involving a total loan amount of more than \$2.9 billion. The average loan amount is \$2.2 million per application approved, a good indication that the increased maximum loan amount as set out in paragraph 3(b) above can well cater for the needs of the targeted beneficiaries. On average, the HKMCI takes two to three days to approve an application upon receipt of complete documentation.

5. In tandem, the 80% and 90% Guarantee Products continue to provide financial assistance to SMEs in need of higher loan amounts. Since the introduction of the 90% Guarantee Product in December 2019, the number of applications and the loan amount approved under these two products have both increased. From January to April 2020, 1 646 applications were approved under the 80% and 90% Guarantee Products, involving an amount of around \$4.8 billion, representing respectively increases of 102% and 11% over the same period in 2019¹. The enhancements set out in paragraph 3(a) above will be implemented within May 2020, except for interest subsidy the timing of which will be announced in due course after finalising the detailed implementation arrangement with the participating lending institutions.

The Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) and the SME Export Marketing Fund (EMF)

6. The Government has also implemented a number of enhancement measures under the BUD Fund and the EMF, including an injection of \$3 billion in December 2019 to further increase the funding support for enterprises to promote their products/services in the Mainland and overseas markets. Latest enhancements introduced since January 2020 are highlighted as follows –

(a) for the BUD Fund –

- extension of geographical coverage from the Mainland and the ten member states of the Association of Southeast Asian Nations (ASEAN) to include other economies with which Hong Kong has signed Free

¹ Figures in 2019 cover only loans approved under the 80% Guarantee Product, as the 90% Guarantee Product was introduced on 16 December 2019.

Trade Agreements (FTAs)²;

- doubling the cumulative funding ceiling for each enterprise from \$2 million to \$4 million, and removal of two individual ceilings for undertaking projects in the Mainland and other economies which have signed FTAs with Hong Kong (previously \$2 million cumulative funding each);
- increasing the ratio of initial payment from 25% to up to 75% of the approved government funding; and
- expansion of the list of fundable items to include virtual exhibitions organised by Government-related organisations or reputable exhibition organisers with good track record.

(b) for the EMF –

- doubling the cumulative funding ceiling for each enterprise from \$400,000 to \$800,000;
- introduction of initial payment of up to 75% of the approved government funding;
- expansion of the list of fundable items to include virtual exhibitions organised by Government-related organisations or reputable exhibition organisers with good track records; and
- extending the coverage of the EMF to exhibitions with public admission element of up to 50%, with a view to providing enterprises with more avenues to promote their products.

An overview of the major enhancements and other facilitation measures implemented under these two funding schemes since August 2018 is at **Annex**.

² As at April 2020, Hong Kong has signed FTAs with the Mainland China, New Zealand, the four member states of the European Free Trade Association (including Iceland, Liechtenstein, Norway and Switzerland), Chile, Macao, the ten member states of ASEAN (including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Georgia and Australia.

7. Specifically, as the COVID-19 outbreak impacts on most countries, some overseas exhibitions cannot proceed as planned due to suspension/cancellation of such events, cancellation of flights or entry restrictions. Expanding both the BUD Fund and the EMF to cover virtual exhibitions would facilitate enterprises in continuing their promotion through online platforms amid the pandemics. In addition, with the removal of individual ceilings for undertaking projects in the Mainland and other economies under the BUD Fund as mentioned in paragraph 6(a) above, enterprises can now flexibly make full use of the total funding of up to \$4 million for their promotion work in their preferred markets.

8. The trade responded positively to the enhancement measures to the BUD Fund and the EMF. Under the BUD Fund, 3 352 applications were received (comprising respectively 2 381 and 971 applications for the Mainland and other FTA markets) and \$666 million were approved (comprising \$487 million and \$179 million respectively for projects in the Mainland and other FTA markets) from August 2018 up to April 2020, representing 52% of the total applications received and 59% of the total funding approved since its launch in 2012. The enhancements have also attracted more new users including new companies. During this period, first-time applicants accounted for 60% of the applications approved, including over 100 start-ups.

9. The enhanced measure of increasing the ratio of initial payment is particularly welcomed by the trade. From 20 January to end April 2020, 73% of the applications received opted for initial payment as compared to 32% for the applications received from 1 August 2018 to 19 January 2020 when the ratio of initial payment was restricted to 25%, a testament to the importance of providing a higher ratio of initial payment to help businesses facing severe shortage of financial resources.

10. Under the EMF, around 26 600 applications were received from August 2018 to April 2020, representing an increase of about 27% as compared to the corresponding period in 2017 to 2019. The total funding approved during this period also increased remarkably by 59%, amounting to \$473 million.

Enhanced Integrated Services of SME Centres

11. We are also mindful of the importance to make our funding schemes user-friendly, so that SMEs can make full use of our schemes to develop their business. In this connection, the Government has consolidated the services of the Support and Consultation Centre for SMEs (SUCCESS) under the Trade and Industry Department (TID), the SME Centre under the Hong Kong Trade Development Council (HKTDC), SME One under the Hong Kong Productivity Council (HKPC) and the TecONE under the Hong Kong Science and Technology Parks Corporation (HKSTPC) in October 2019. A number of new initiatives, such as setting up a one-stop referral system and providing an “Event Calendar of SME Centres”, have been implemented with a view to providing SMEs with more convenient and tailored support services and allowing them to obtain the necessary information on all government funding schemes at any service point. In view of the COVID-19 outbreak, the four SME centres have promptly re-engineered their mode of delivering services to SMEs, including providing information on various relief measures under the Anti-epidemic Fund and enhancements to various government funding schemes through webinars, websites and emails to major trade and industrial organisations. Since the launch of the four-in-one integrated services in October 2019 and up to end April 2020, the four SME centres have handled over 25 000 enquiries.

12. To enhance SMEs’ awareness of government funding schemes, we have adopted a proactive approach in reaching out to SMEs. TID and the four SMEs centres have organised or participated in over 30 briefing sessions and seminars which attracted over 15 000 participants. Representatives of the administrators of the relevant funding schemes have joined the activities to provide on-site consultation to participants.

13. To step up support service for SMEs on funding applications, a dedicated service team entitled “SME ReachOut” has also commenced operation since January 2020 to help SMEs identify suitable funding schemes and provide direct support to SMEs who wish to apply for funding schemes through face-to-face or online meetings. As at end April 2020, SME ReachOut has handled some 2 000 enquiries via phone, email or in-person, arranged 20 outreach activities including visits to various chambers, business organisations and co-working spaces, and conducted 6 seminars/webinars to provide SMEs with information on various funding schemes. SME ReachOut, with the support of the Innovation and Technology Commission (ITC) and TID,

also organised “Fund Fair GO Online” from 23 to 29 April to promote ten government funding schemes through a series of webinars, attracting a total of around 9 000 viewers.

14. In the coming months, SME ReachOut plans to further broaden the scope of outreach activities through conducting promotion activities at commercial and industrial buildings, and using social media and other communication platforms to boost the utilisation of government funding schemes.

Convention and Exhibition Industry Subsidy Scheme and Printing and Publishing Sector Subsidy Scheme

15. To help reinvigorate Hong Kong’s reputation as an international premier convention and exhibition (C&E) hub as a key feature of our relaunch programme and to support enterprises exploring markets and opportunities once the pandemic subsides, we will launch the Convention and Exhibition Industry Subsidy Scheme under the First Anti-epidemic Fund to subsidise (a) all participants of HKTDC’s exhibitions and major conventions 50% of their participation fee, subject to a cap of \$10,000; and (b) the organisers of exhibitions and international conventions at the Hong Kong Convention and Exhibition Centre and AsiaWorld-Expo 100% of the venue rental. The Scheme will run for 12 months, counting from the time when it is opportune for resuming the holding of major events again.

16. We have instituted special arrangements to ensure that eligible SMEs may also apply in tandem for funding support under the BUD Fund/EMF to cover its participation fee on a matching basis. For example, for an eligible SME, if the participation fee is \$20,000 or less, it can take part in the exhibition for free, as it would be able to obtain 50% subsidy each from the Subsidy Scheme and the EMF. If the participation fee is \$30,000, it would obtain \$10,000 from the Subsidy Scheme and \$15,000 from the EMF, and hence would only need to pay \$5,000. TDC and TID would work closely together in order to streamline application procedures and minimise the red tape so that eligible SMEs could obtain the subsidies they need smoothly.

17. The printing and publishing sector has been hard hit with drastic drop in business volume as many promotional activities and international book fairs

have been either cancelled or postponed. The annual Hong Kong Book Fair is the single most important sales and promotional platform of the sector for launching new books and products, and for connecting with readers. We will launch the Printing and Publishing Sector Subsidy Scheme under the Second Anti-epidemic Fund to meet all the participation fees of eligible participants of the sector in the coming Hong Kong Book Fair, subject to a cap of \$100,000.

Support provided by HKTDC

18. To help SMEs cope with the challenges to Hong Kong's economy due to the COVID-19 outbreak, HKTDC will make good use of the additional Government subvention this year to provide SMEs with comprehensive support through an array of activities, services and platforms.

Helping SMEs capture opportunities through digital platforms and trade exhibitions

19. C&E activities are the main channel for many local SMEs to connect with international buyers and capture opportunities. The COVID-19 outbreak and the travel restrictions to prevent and suppress the outbreak imposed by different countries resulted in the postponement of numerous C&E activities across the globe since February. April is the traditional sourcing season. To facilitate SMEs to conduct sourcing while staying indoor during the epidemic, HKTDC launched the first Spring Virtual Expo in April with strengthened business matching. The responses were overwhelming with over 1 million buyers browsing *hktdc.com Sourcing* which represented about 50% month-to-month increase. HKTDC also recorded a double-digit increase in sourcing-related enquiries. HKTDC will conduct virtual expos quarterly this year to allow buyers and exhibitors to forge business connections online and beyond physical exhibitions, which could in turn generate a greater synergy effect with physical exhibitions. Furthermore, HKTDC launched various promotion plans encompassing exhibitions and online marketing to allow SMEs to better utilise HKTDC's platforms to enhance promotion through online marketing and live product display. Once the epidemic has come to an end, HKTDC will strengthen its global buyer recruitment work, such as working with airlines and hotels to provide travel discounts for those coming to Hong Kong for exhibitions.

Supporting SMEs to explore new markets on the Mainland and overseas

20. The severe impact of the COVID-19 outbreak on global economy has made it more necessary for SMEs to tap into new markets across the globe, find new partners and explore new supply chains. For the Mainland market, especially the Guangdong-Hong Kong-Macao Greater Bay Area, HKTDC will help Hong Kong enterprises seize business opportunities through trade missions, industry promotions and participation in leading sectoral exhibitions, as well as *Chic HK* campaigns in different Mainland cities which target younger consumers.

21. For emerging markets, HKTDC will help SMEs explore relocating their manufacturing lines to industrial parks in the ASEAN, and at the same time help them access local markets for their products and services. HKTDC will also organise *In Style • Hong Kong* campaign in Bangkok, Thailand in March 2021 to promote Hong Kong's advantages. Furthermore, HKTDC is planning to lead Hong Kong SMEs to participate in major exhibitions in the ASEAN and set up Hong Kong Pavilions in order to enhance the image of Hong Kong designs and products.

Enhancing SMEs' competitiveness and resilience

22. To help SMEs enhance their competitiveness and resilience, HKTDC launched an SME support programme called *SME Transformation Sandbox* for organisations and individuals from different sectors. The programme will provide training, market information and one-on-one advisory services to help SMEs upgrade and transform in the four areas of branding, e-commerce, opening new markets and relocation. The programme will also introduce relevant Government funding schemes. During the epidemic, HKTDC continued to help SMEs through digital platforms by conducting advisory sessions via video conference and hosting weekly webinars. To help SMEs put what they have learnt into practice, HKTDC will offer various digital marketing packages at preferential rates.

Support provided by the Hong Kong Export Credit Insurance Corporation (ECIC)

23. ECIC was established in 1966 under the Hong Kong Export Credit Insurance Corporation Ordinance (Cap. 1115) with the mission of encouraging and supporting export trade by providing Hong Kong exporters with insurance protection against non-payment risks arising from commercial and political events.

24. Amidst the worsening business environment caused by the volatile global economy, the continued China-US trade conflict and weakening external demands in the past years, ECIC has been stepping up efforts in strengthening protection to Hong Kong exporters against rising credit risks, and has introduced a few rounds of support measures for the export trade. In particular, the latest round of support measures was introduced in April 2020, effective for one year until 31 March 2021, to assist exporters in overcoming the current period of economic difficulty caused by the COVID-19 outbreak. The measures aim to provide enhanced policy coverage, strengthen insurance protection for exporters, and help improve their cash flow by reducing fees payable and extending payment deadline. A summary of ECIC's support measures is set out below –

- free pre-shipment cover for Small Business Policy (SBP) holders³ on all approved buyers in all ECIC-insured markets⁴;
- 20% increase in credit limits of all approved buyers in all ECIC-insured markets for SBP holders, up to a maximum of \$5 million⁴;
- increasing premium discount to 50% for SBP holders⁴;
- extension of premium payment period for one month for SBP holders;
- waiver of annual policy fee for all policyholders;

³ Small Business Policy holders are Hong Kong exporters with annual sales turnover less than \$50 million.

⁴ ECIC has introduced in 2018 special enhanced measures to strengthen protection for Hong Kong exporters affected by the tariff measures of US, including providing free pre-shipment cover for SBP holders affected by the US tariff measures; increasing the credit limit on US buyers for SBP holders by 20% to a maximum of \$5 million; providing 30% discount on premium for SBP holders; and providing six free buyer credit assessments for each Hong Kong exporter.

- granting across-the-board payment period of 120 days for each approved credit limit (instead of 60 to 90 days in general) for all policyholders;
- waiver of additional premium payments for changes to payment terms due to buyers' requests as a result of the pandemic situation for all policyholders;
- expediting claims settlement payments up to \$1 million for all policyholders, with such cases processed within five days upon receipt of all relevant documents;
- simplifying procedures and exercising flexibility in processing claims cases of payment difficulties for all policyholders; and
- 10 additional free buyer credit assessments to all policyholders⁴.

25. Since the introduction of the latest round of measures in April 2020, 939 SBP holders received free pre-shipment cover and 786 SBP holders enjoyed a 20% uplift of credit limits for their approved buyers, with the uplifted credit limits amounting to \$496 million. A total of 345 SBP holders and 227 SBP holders enjoyed premium payment extension and additional premium discount respectively. 112 policyholders received waiver of annual policy fee; 1,850 policyholders were granted extended payment term to 120 days; and there were 55 cases of waiver of additional premium for extended/new payment term.

Recent Enhancement Measures under Relevant Funding Schemes of the Innovation and Technology Fund (ITF) targeting Enterprises

Technology Voucher Programme (TVP)

26. Launched in November 2016 under the ITF, the TVP subsidises local enterprises/organisations in using technological services and solutions to improve productivity or upgrade or transform their business processes. A series of enhancement measures have been made since its launch.

27. Since 28 February 2018, the eligibility criteria had been relaxed from SMEs with at least one year of operation to all non-listed enterprises registered

in Hong Kong under the Business Registration Ordinance (Cap. 310) regardless of their size and duration of operation. Since 27 February 2019, the TVP has been made a regular programme under the ITF. The eligibility criteria had also been further expanded to cover companies incorporated and registered in Hong Kong under the Companies Ordinance (Cap. 622) that are exempted from business registration, and statutory bodies set up in Hong Kong (these companies/organisations should not be receiving recurrent Government subventions). The funding ceiling per enterprise/organisation had been doubled from \$200,000 to \$400,000, and the maximum number of approved projects had been increased from 3 to 4.

28. Furthermore, from 1 April 2020 onwards, the TVP has been further enhanced by raising the Government's funding ratio from two-thirds to three-quarters and increasing the funding ceiling from \$400,000 to \$600,000 and the maximum number of approved projects from 4 to 6 for each enterprise/organisation so as to promote the wider use of technological services and solutions among local enterprises/organisations to enhance their competitiveness.

29. With the series of enhancement measures, we have observed an increasing trend in the number of applications received under the TVP, from a monthly average of around 50 in 2017 to around 300 in 2020 (January to April). As at end April 2020, ITC has received a total of 4 089 applications. So far, 2 453 applications have been assessed by the TVP Committee, of which 2 252 were approved, representing a success rate of about 92% and involving a total funding of around \$350 million. About 57% of the approved applications involved SMEs with less than 10 employees.

Researcher Programme (RP) and Postdoctoral Hub (PH)

30. To further nurture innovation and technology (I&T) talents, with effect from 27 February 2019, the Government has extended the maximum funding period for each researcher under the RP and each postdoctoral talent under the PH⁵ from 24 to 36 months to allow sufficient time for them to contribute to their R&D projects.

⁵ The RP and PH fund enterprises/organisations undertaking R&D projects funded by the ITF, incubatees and I&T tenants of HKSTPC and the Cyberport as well as start-ups selected for investment under the Innovation and Technology Venture Fund to hire a maximum of two researchers and two postdoctoral talents under the respective programmes to conduct R&D work.

31. Moreover, to further enlarge the I&T talent pool in Hong Kong, the Government has since 9 March 2020 expanded the funding scope of the RP and the PH to cover all technology companies conducting or planning to conduct R&D activities in Hong Kong to assist more companies, including SMEs, in engaging talents to conduct R&D work.

32. Similar to the existing arrangements, under the extended schemes, each eligible technology company can engage two researchers and two postdoctoral talents each with a maximum engagement period of 36 months. The maximum monthly allowances for researchers with Bachelor's degree and Master's degree are \$18,000 and \$21,000 respectively, while the maximum monthly allowance for postdoctoral talents is \$32,000. As at end April 2020, we have received 25 applications under the extended schemes of which 4 applications have been approved. We are processing the remaining applications.

33. In order to provide more flexibility for eligible organisations/enterprises in engaging R&D talent, we will consolidate the RP and the PH from 1 July 2020 onwards. Each eligible organisation/enterprise or eligible R&D project can engage up to a total of four I&T talents with a Bachelor, Master or Doctoral degree to undertake R&D work.

Extension of the funding scope of the Public Sector Trial Scheme (PSTS)

34. To assist more local technology companies in realising and commercialising their R&D outcomes and to encourage public sector organisations to utilise more local R&D outcomes, ITC has extended the funding scope of the PSTS⁶ to cover all technology companies conducting R&D activities in Hong Kong since 30 March 2020 to support them to produce prototypes/samples of their R&D outcomes and/or conduct trials in the public sector. The maximum funding amount for each project is \$1 million.

⁶ The PSTS was introduced in 2011 under the ITF to support public sector bodies to try out new technologies or products developed from ITF-funded projects and by incubatees or graduate tenants of HKSTPC and the Cyberport with a view to assisting the relevant enterprises/organisations in applying local R&D outcomes to local use and enhancing the prospects of realisation and commercialisation.

Arrangements for Disbursing Partial Funding in Advance

35. To assist enterprises in coping with the operating pressure under the current difficult economic environment, we have introduced arrangements to disburse partial funding in advance for the TVP, the Enterprise Support Scheme (ESS)⁷, the Reindustrialisation and Technology Training Programme (RTTP)⁸ and the Patent Application Grant (PAG)⁹ according to the nature of individual funding schemes, so as to facilitate the commencement of projects or training of talent by enterprises.

Subsidy Scheme for Encouraging Early Deployment of 5G

36. In May 2020, we have launched a subsidy scheme to encourage early adoption of the latest 5G technologies in the public and private sectors, in order to foster innovation and smart city applications and to improve efficiency, productivity and quality of service that are crucial to Hong Kong's overall competitiveness. The subsidy scheme is open for application from 5 May to 30 November 2020.

37. A total of \$60 million has been set aside under the Anti-Epidemic Fund for the scheme to subsidise 50% of project costs for approved projects deploying 5G technologies and fostering synergies across sectors, subject to a cap of \$500,000 for each project. We anticipate that about 100 innovative 5G projects can be supported. When the subsidised project is completed, the beneficiary is required to widely share experience and best practices with the sector.

Distance Business Programme

38. Under the Anti-Epidemic Fund, the Government has set aside \$500 million to launch a time-limited Distance Business Programme (D-Biz

⁷ Launched in 2015 under the ITF, the ESS provides dollar-for-dollar matching fund of up to \$10 million per approved project for companies in Hong Kong, including SMEs, to carry out in-house R&D with a view to encouraging more private sector R&D investment.

⁸ The RTTP funds local enterprises, including SMEs, on a 2(Government):1(enterprise) matching basis for their staff to receive training in advanced technologies, especially those related to "Industry 4.0".

⁹ The PAG provides funding support to encourage local companies (including SMEs) and inventors to capitalise their intellectual work through patent registration.

Programme) to support enterprises to continue business and services during the epidemic through adoption of information technology (IT) solutions. The D-Biz Programme provides funding support through fast-track processing for enterprises to adopt IT solutions for developing distance business. The Programme is implemented by ITC with HKPC engaged as the Secretariat. All private enterprises (excluding publicly listed companies, statutory bodies and non-government organisations funded by the Government) with a valid Business Registration Certificate, ongoing business commenced before 1 January 2020 and with substantive business operation in the industry related to the project at the time of application are eligible.

39. The Programme covers 12 categories of IT solutions for distance business¹⁰. Full funding support will be provided, subject to a cap of \$100,000 for each IT solution (including up to 10% as training expenses for the employees) and a cap of \$300,000 for each enterprise. The Programme will provide an IT Service Providers Reference List (the "Reference List") to offer relevant market information for enterprises' reference. The Programme has invited applications from IT service providers to enroll on the Reference List since 4 May 2020. The Reference List with the first batch of service providers was made available on 15 May 2020 on the Programme's website, which will be updated regularly thereafter. Enterprises may submit funding applications under the Programme from 18 May to 31 October 2020.

Advice Sought

40. Members are invited to note the support measures for SMEs set out in the paper.

Commerce and Economic Development Bureau Innovation and Technology Bureau May 2020

¹⁰ The 12 types of IT solutions are online business; online order taking and delivery, smart self-service systems; online customer services and engagement; digital customer experience enhancement; digital payment/online point-of-sale; online/cloud-based financial management systems; online/cloud-based human resources management systems; remote document management, cloud storage and remote access services; virtual meeting and conference tools; virtual team management and communications; cybersecurity solutions; and other online/ custom-built/cloud-based business support systems.

**Major Enhancements and Other Facilitation Measures Implemented on
the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund)
and the SME Export Marketing Fund (EMF) since August 2018**

BUD Fund

	Before Enhancements	After Implementation of Enhancements <u>effective from</u>		
		<u>1 August 2018</u>	<u>20 January 2020</u>	<u>9 April 2020</u>
Total Approved Commitment	\$1 billion	\$2.5 billion	\$4.5 billion	
Geographical Scope	Mainland	Mainland and ASEAN	Mainland, ASEAN and other economies which have signed FTAs with Hong Kong ¹	
Cumulative Funding Ceiling per Enterprise	\$0.5 million	Mainland: \$1 million ASEAN: \$1 million	Mainland: \$2 million ASEAN and other FTA economies: \$2 million	Mainland, ASEAN and other FTA economies: \$4 million
Funding Ceiling per Project	\$0.5 million	\$1 million		
Maximum Number of Approved Projects	3	Mainland: 10 ASEAN: 10	Mainland: 20 ASEAN and other FTA economies: 20	Mainland, ASEAN and other FTA economies: 40
Initial Payment	25% of the approved government funding		Up to 75% of the approved government funding	

¹ New FTA economies will be covered automatically upon their signing of the FTAs with Hong Kong.

Other facilitation measures implemented

Application procedures

- Consolidate the various application tracks and application forms to simplify the application procedures, so that enterprises only need to complete a unified application form.
- Process applications on a continual basis instead of by batches on a quarterly basis.
- Remove the requirements for the grantee to open and maintain a separate interest-bearing bank account and to deposit into the account the required amount of matching funds before receiving the initial payment.
- All projects, including those opting for initial payment, can commence upon submission of applications.
- Waive the requirement on enterprises' number of year of substantive business operations in Hong Kong to provide greater facilitation to start-ups.

Project implementation

- Relax the budget cap of individual expenditure items (including procuring/leasing of additional machinery/equipment, producing samples/prototype, patent/trademark/design/utility model registration).
- Allow more fundable items (including costs for setting up new business entity in the Mainland, procuring/leasing additional machinery/equipment for increasing production capacity under the Mainland Programme, etc.).
- Provide greater flexibility and autonomy for enterprises in the reallocation of grant amongst approved budget items.
- Allow cross-region implementation of project measures within the geographical scope of BUD Fund to provide flexibility to enterprises in devising measures that best suit their business plans having regard to the location of their existing production base and other resource considerations.
- Simplify the requirements on procurement procedures by reducing the number of quotations required to reduce the administrative costs of enterprises.
- Provide full funding support for the audit fee of approved projects under the enterprises' funding ceiling, capped at \$10,000 per audit, to reduce the costs of enterprises.

EMF

	Before Enhancements	After Implementation of Enhancements effective from		
		<u>1 August 2018</u>	<u>20 January 2020</u>	<u>9 April 2020</u>
I. Enhancement Measures				
Cumulative Funding Ceiling per Enterprise	\$200,000	\$400,000	\$800,000	
Funding Ceiling per Application	\$50,000	\$100,000		
Condition of Use of Funding	The last \$50,000 of the funding cannot be used for participation in export promotion activities previously funded by the first \$150,000 of the funding received by the enterprise.	The condition of use is removed .		
Funding Disbursement	Reimbursement after completion of the export promotion activity.	Introduced an option for enterprises to apply for an initial payment of up to 75% of the approved government funding , to be followed by reimbursement of the balance after completion of the export promotion activity.		

	Before Enhancements	After Implementation of Enhancements effective from		
		<u>1 August 2018</u>	<u>20 January 2020</u>	<u>9 April 2020</u>
Eligible Activities	Business missions should be organised by organisations with good track records for participating enterprises to promote their own products and/or services and must include one-on-one business matching sessions for the enterprises to meet with foreign buyers.	The scope of business missions is expanded to cover business missions organised by the Government, Government-related organisations or non-profit distributing trade and industrial organisations for the purpose of market expansion with business meetings with the local government, the local trade and industry or the local trade and industrial organisations, or with factory or site visits (effective from 1 Nov 2019).		
	Export promotion activities (such as placing advertisements, keyword search, listing product information, setting up or enhancing online shop, etc.) conducted through electronic platforms/ media are eligible for funding support.	Participation in virtual exhibitions organised by Government-related organisations or reputable exhibition organisers with good track records is also eligible for funding support.		
II. Facilitation Measure				
Submission method	By mail or in person			Submission through on-line e-form is introduced (effective from 31 Mar 2020).