立法會
Legislative Council

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Panel on Commerce, Industry, Innovation and Technology

Meeting on 17 March 2026

Background brief on support for small and medium enterprises

Purpose

This paper provides background information on the support measures provided by the Administration for small and medium enterprises("SMEs")(including the Dedicated Fund on Branding, Upgrading and Domestic Sales ("BUD Fund")). It also summarizes the major views and concerns raised by Members.

Background

2. As at September 2025, there were over 350 000 SMEs [1] in Hong Kong. They accounted for over 98% of the total number of enterprises and provided job opportunities for more than 1.2 million people, accounting for over 43% of total number of the total employment (excluding the civil service) in Hong Kong. The vitality and business performance of SMEs are of crucial importance to the development of Hong Kong's economy. The Administration has implemented a number of measures to support SMEs. The gist and latest developments of these key measures, including the various enhancement initiatives mentioned in the 2026-2027 Budget, are summarized in the ensuing paragraphs.

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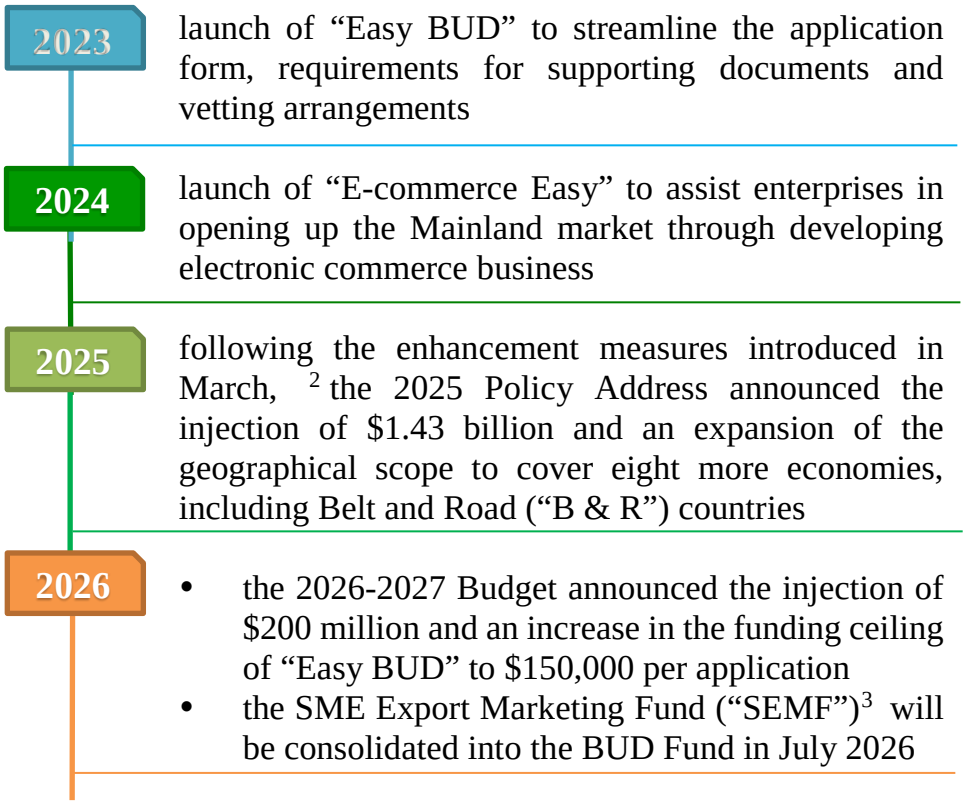
[1] According to the Trade and Industry Department, SMEs are manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees in Hong Kong.

Measures in market promotion, and development of markets and production bases

(a) **BUD Fund**

Established in 2012, the BUD Fund **provides SMEs with funding on a matching basis to encourage them to implement projects for brand-building and enhancing business competitiveness**, so as to develop and explore more diversified markets.

The major development of the BUD Fund is illustrated in the diagram below:



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[2] Major enhancement measures include:
(a) adjusting the matching ratio from 1 (Government):1 (Enterprise) to 1:3 of the total approved expenditure;
(b) adjusting the initial payment from 75% to 20% of the approved Government funding;
(c) adjusting the funding ceiling for each approved General and "E-commerce Easy" project from $1 million to $800,000, and limiting the total approved Government funding for an applicant to not exceeding $800,000 at any one time; and
(d) adjustments to fundable items.

[3] The Administration launched SEMF in 2001 to encourage SMEs to participate in export promotion activities by providing financial assistance on a matching basis.

(b) Expand e-commerce business

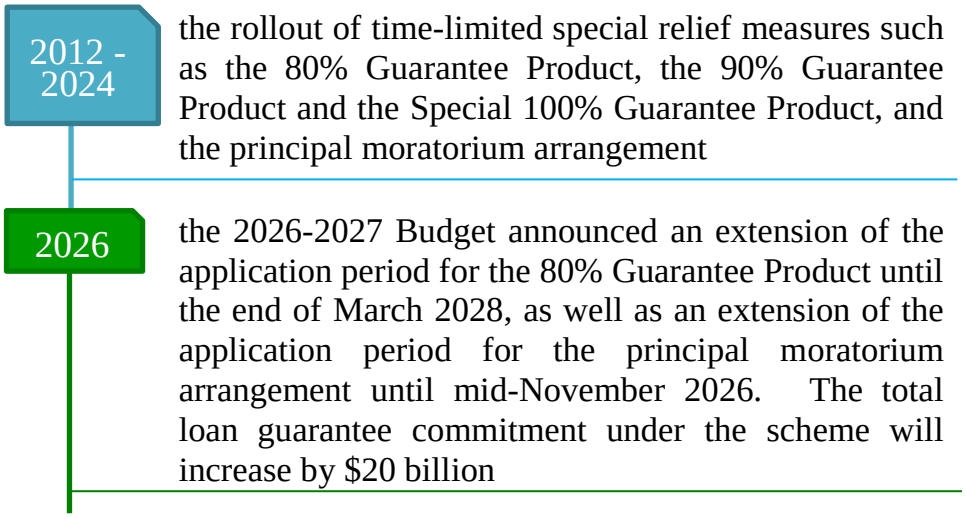
In the light of the rapid growth of global e-commerce, the Administration set up the interdepartmental **E-commerce Development Task Force** in 2024 to coordinate and formulate policies to **help enterprises to grasp the opportunities and develop e-commerce**. The Hong Kong Trade Development Council ("HKTDC") also launched the "E-commerce Express"[4] to strengthen support for SMEs to tap into the Mainland market and boost e-commerce sales.

Measures in financing

(c) **SME Financing Guarantee Scheme** ("SFGS")

The Hong Kong Mortgage Corporation Limited ("HKMC")[5] launched SFGS on 1 January 2011. SFGS aims at **helping local** enterprises, particularly **SMEs**, **to obtain financing** for **meeting their business needs**. Under SFGS, HKMC acts as guarantor for up to 70% of the approved loans that enterprises obtain from participating lending institutions ("PLIs"). The interest rate of each loan is a commercial decision made by PLIs.

The major development of SFGS is illustrated in the diagram below:



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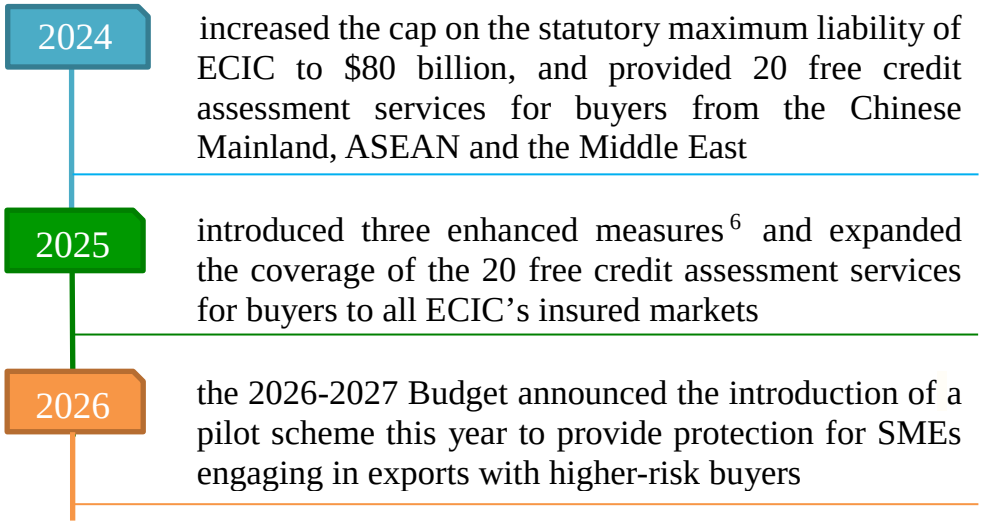
4 The 2025-2026 Budget announced that HKTDC would implement the "E-Commerce Express" ("電子商務快車"). HKTDC changed the Chinese name of the service to "電子商務快綫".

5 In the light of HKMC's business development, the SFGS business has been transferred to and carried on by its wholly-owned subsidiary, HKMC Insurance Limited, since 1 May 2018

(d) Export credit insurance

The Hong Kong **Export Credit Insurance Corporation** ("ECIC") encourages and supports the export trade by **providing** Hong Kong exporters with **insurance protection** against non-payment risks arising from commercial and political events. ECIC also supports Hong Kong exporters in expanding into different markets and helps them to seize the opportunities brought about by the post-epidemic recovery.

The major development of export credit insurance is illustrated in the diagram below:



Other support measures

(e) SME ReachOut

"**SME ReachOut**", which was commissioned by the Administration and is operated by the Hong Kong Productivity Council ("HKPC"), has been in operation since January 2020. It **helps SMEs to identify suitable government funding schemes, answer questions** relating to **applications** and provides SMEs with capacity-building services. The

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6 The features of the three support measures, which will expire on 30 June 2026, are as follows:

(a) extension of the free pre-shipment cover for holders of the Small Business Policy ("SBP") which is tailor-made for SMEs;

(b) a 50% discount on pre-shipment risks cover premiums for each non-SBP holder; and

(c) reduction of premium rates for emerging markets, bringing them in line with the rates for traditional major markets in order to help exporters explore new markets.

Administration has allocated $100 million to HKPC for the period from 2023-2024 to 2028-2029, with the aim of progressively enhancing the services of "SME ReachOut" (including leveraging new technologies to boost competitiveness).

Members' views and concerns

Enhancing the BUD Fund

3. Members enquired about the **expected results and the details of implementing the measures to enhance the BUD Fund and consolidate SEMF into it**. These included the funding ceiling per enterprise, the implications of adjusting the initial payment ratio for micro, small and medium-sized enterprises, whether applications submitted before the adjustment measures took effect would be affected and whether an assessment had been conducted on the impact of the adjustments on the sector.

4. The Administration advised that the relevant enhancement measures and consolidation plan would improve operational efficiency and reduce costs. Meanwhile, the cumulative funding ceiling per enterprise under the BUD Fund or the "E-commerce Easy" would remain unchanged. Applications submitted by enterprises before the new measures took effect would continue to be processed under the original funding terms. Currently, the majority of enterprises had yet to reach the cumulative funding ceiling of $7 million under the BUD Fund. It was therefore anticipated that following consolidation, enterprises would still be able to utilize the BUD Fund flexibly to implement marketing initiatives.

5. Members were concerned about **whether the scope of the BUD Fund's application would be expanded to include all overseas markets**, in order to provide better support for the sector in exploring domestic, traditional and emerging markets. The Administration advised that the current geographical coverage of the BUD Fund included 40 economies with which Hong Kong had signed Free Trade Agreements ("FTAs") and/or Investment Promotion and Protection Agreements. These economies accounted for around 80% of Hong Kong's total external merchandise trade value in 2024. In addition, as announced in the 2025 Policy Address, another eight economies would be covered. As Hong Kong signed more FTAs or investment agreements in the future, the geographical scope of the BUD Fund would expand further.

6. Some Members expressed concerns about the **efficiency of the approval process for the BUD Fund** and suggested that the authorities

leverage the "Digital Corporate Identity" ("CorpID") Platform to facilitate application by businesses and alleviate the pressure on frontline staff responsible for processing them. To shorten the approval process and reduce costs, the Administration advised that HKPC would apply artificial intelligence technology to accelerate the approval process. HKPC also simplified the online application forms to enhance operational efficiency. Furthermore, the authorities would study ways to further simplify the application process for the BUD Fund by making use of the CorpID platform.

Assisting small and medium enterprises with financing difficulties

7. Members expressed concern about the **financing difficulties faced by SMEs in recent years** and the **Government's support measures in response**. The Administration advised that more flexible repayment options had been provided so that enterprises might choose to repay 10%, 20% or 50% of the original principal amount payable each month during the specified period. This gave them more time to gradually transit to normal repayment. For certain repayment options, the maximum repayment period for 100% guaranteed products could be as long as 15 years. Furthermore, in the 2024 Policy Address, the Chief Executive introduced a number of measures, including the relaunch of the principal moratorium under SFGS for one year. This allowed enterprises to apply for principal moratorium for up to 12 months. Enterprises facing financial difficulties might also negotiate other feasible repayment arrangements with their banks.

Support measures to enhance export credit insurance

8. Members expressed concern about **whether the three support measures introduced by ECIC in 2025 would be extended beyond their expiry date of June 2026**. They also asked how ECIC would **strengthen** its **export credit insurance services** for B&R markets, including the Chinese Mainland, ASEAN and the Middle East, in order to help enterprises explore more business opportunities.

9. The Administration advised that ECIC would continue to closely monitor the changes in the global economic environment and review the effectiveness of the three measures to provide timely support to Hong Kong exporters. ECIC currently covered 137 regions under the B&R Initiative. As at December 31 2025, the Chinese Mainland was ECIC's largest insured market which achieved an approximately 15% year-on-year increase in total insured business for 2025, while the total insured business in ASEAN, the Middle East and other B&R regions recorded an approximately 83% year-on-year increase.

Support measures from the Hong Kong Trade Development Council

10. Members asked **how HKTDC assisted Hong Kong SMEs in developing the Mainland market** and **how it supported enterprises intending to set up in Hong Kong or expand into the ASEAN and Middle East markets**.

11. The Administration advised that in addition to launching the "E-commerce Express", HKTDC organized a variety of outreach activities, large-scale exhibitions and conferences to help Hong Kong enterprises, especially SMEs, to seize opportunities in the Mainland and global markets. For example, the second Hong Kong Shopping Festival ("HKSF") took place on Mainland e-commerce platforms in August 2025. This event attracted almost 260 brands, enabling SMEs to leverage the platforms' high traffic and large customer base to raise the profile of Hong Kong products and explore the domestic market. Building on the success of the two HKSFs, HKTDC would continue to organize HKSF in the Mainland and ASEAN e-commerce markets over the next three years (2026–2028) to promote Hong Kong brands.

Relevant papers

12. A list of relevant papers is set out in the **Appendix**.

Council Business Divisions
Legislative Council Secretariat
12 March 2026

Appendix

Support measures for small and medium enterprise

List of relevant papers

Committee	Date of meeting	Paper
Panel on Commerce, Industry, Innovation and Technology	18 March 2025	Agenda Item III: Support measures for small and medium enterprises Minutes of meeting
	30 September 2025	Agenda Item I: Briefings by the Secretary for Commerce and Economic Development, the Secretary for Innovation, Technology and Industry and the Secretary for Constitutional and Mainland Affairs on the Chief Executive's 2025 Policy Address Minutes of meeting
	27 January 2026	Agenda Item I: Policy briefings by the Commerce and Economic Development Bureau, the Innovation, Technology and Industry Bureau and the Constitutional and Mainland Affairs Bureau Minutes of meeting

Council meeting	Paper
10 May 2023	Members' motion: Comprehensively promoting the upgrading and transformation of industries to foster the diversification of financial and economic development Progress report
18 October 2023	Members' motion: Comprehensively reviewing the securities market regime for small and medium enterprises Progress report

Council meeting	Paper
18 December 2024	Members' motion: Actively responding to economic transformation and maintaining a favourable business environment Progress report
21 May 2025	Question 19: Special 100% Loan Guarantee
18 June 2025	Members' motion: Stimulating the vigorous development of Hong Kong's small and medium enterprises with new quality productive forces and actively dovetailing with the country's high-quality 'going global' strategy Progress report
15 October 2025	Question 2: The BUD Fund Question 22: Support for the exhibition industry
28 January 2026	Question 15: Supporting export trading enterprises in market expansion
25 February 2026	Question 2: Measures to support the digital transformation of small and medium enterprises