

**Fifty-second Meeting of
the Business Facilitation Advisory Committee**

Agenda Item 2(a): Support Measures for Small and Medium Enterprises

Purpose

This paper briefs Members on the major support measures provided by the Commerce and Economic Development Bureau for small and medium enterprises (SMEs).

SME Financing Guarantee Scheme (SFGS)

2. Since 2012, the Government has been helping businesses obtain commercial loans by providing loan guarantees through the SFGS. To assist enterprises hard hit by the epidemic in coping with cash flow problems, the Government launched in April 2020 the Special 100% Guarantee Product under the SFGS to provide low-interest concessionary loans to SMEs. The Government has also raised the maximum loan amount per enterprise of various guarantee products, extended the maximum repayment period and the principal moratorium to strengthen the support to SMEs during the economic downturn.

3. The SFGS has been well-received by the business sector. As at end July 2023, a total of over \$258 billion of loans has been approved, including over 63 000 applications approved under the Special 100% Guarantee Product since its launch in April 2020, benefitting over 37 000 enterprises and involving over 380 000 employees.

4. Hong Kong's economy this year has improved visibly. Yet, the Government is mindful that it takes time for SMEs to consolidate their strengths on the way to recovery. Therefore, the Financial Secretary announced in the 2023-24 Budget the extension of the application period of the SFGS from end June 2023 to end March 2024, giving SMEs more room to adjust and secure a firm footing.

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

5. Established in 2012, the BUD Fund provides funding to non-listed Hong Kong enterprises to develop business in 37 economies¹ with which Hong Kong has signed Free Trade Agreements (FTAs) and/or Investment Promotion and Protection Agreements (IPPAs) through branding, upgrading and restructuring, and promoting sales. As at end July 2023, around 6 300 applications have been approved, involving a total funding amount of around \$3.8 billion and benefitting around 4 400 enterprises.

6. To step up the support to SMEs as Hong Kong resumes full connectivity with the world, the Government has implemented the enhancement measures announced by the Financial Secretary in the 2023-24 Budget. An additional \$500 million has been injected into the BUD Fund, thereby increasing the total commitment from \$6 billion to \$6.5 billion. In addition, the Government launched “Easy BUD” on 16 June 2023 to expedite the processing of applications with a smaller funding amount, thereby enabling more SMEs to make use of the funding to develop their business. The application form, requirements for supporting documents as well as vetting arrangements have been streamlined. The processing time of “Easy BUD” applications has also been halved to within 30 working days². To ensure the prudent use of public money while enabling efficient processing of applications, the funding amount per application under “Easy BUD” is capped at \$100,000.

7. A summary of the enhancements implemented since 2018 is at **Annex 1**.

¹ The 37 economies being covered include the Mainland, New Zealand, the four member states of the European Free Trade Association (comprising Iceland, Liechtenstein, Norway and Switzerland), Chile, Macao, the ten member states of ASEAN (comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Georgia, Australia, Japan, Korea, Kuwait, Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden, the United Arab Emirates and the United Kingdom.

² The performance pledge to complete the processing of general BUD Fund applications is within 60 working days.

SME Export Marketing Fund (EMF)

8. The EMF provides funding on a matching basis to encourage SMEs to participate in export marketing activities. As at end July 2023, around 290 000 applications have been approved under the EMF, involving a total funding amount of over \$4.8 billion and benefitting over 56 100 enterprises. With the relaxation of anti-epidemic measures and travel restrictions as well as society's gradual return to normalcy, in the first seven months of 2023, the monthly average number of applications received and the monthly average funding amount approved for the EMF have recorded a significant increase of 31% and 60% respectively over the monthly average of the previous year.

9. The Government has implemented the enhancement measures announced in the 2022 Policy Address. The cumulative funding ceiling per enterprise has been raised from \$800,000 to \$1 million. The special measure, which was originally scheduled to be effective for a period of two years and end in April 2023, has been extended to end in June 2026 so as to continue expanding the funding scope to cover exhibitions targeting the "local market" and online exhibitions, as well as relaxing the eligibility criteria to cover non-SMEs. From May 2021 to end July 2023, around 21 100 applications involving exhibitions targeting the local market and online exhibitions under the EMF have been received, among which around 96% of the applications were submitted by SMEs. Among the 21 100 applications, around 15 200 applications have been processed and approved, involving a funding amount of nearly \$357 million.

10. A summary of the enhancements implemented since 2018 is at [Annex 2](#).

"4-in-1" Integrated Services of SME Centres and "SME Link"

11. To enhance SMEs' understanding of the Government's various support measures with a view to facilitating better utilisation of various funding schemes, the Government has since October 2019 consolidated the services of the four SME centres, namely the "Support and Consultation Centre for SMEs" (SUCCESS) under Trade and Industry Department, the "SME Centre" under Hong Kong Trade Development Council, the "SME One" under Hong Kong Productivity Council (HKPC) and the "TecONE" under Hong Kong Science and Technology Parks Corporation, to provide "4-in-1" integrated services, so that

SMEs can obtain business information, consultation and referral services in any one of the aforementioned centres. The four SME centres co-organise “4-in-1” seminar series regularly. The theme of this seminar series in the first half of 2023 is “Business Upgrading and Transformation”. Ten seminars/webinars were held, covering areas such as digitalisation, intellectual property and application of innovative technology etc., with an aim of assisting enterprises in achieving business upgrade and transformation, and exploring markets. The four SME centres continue to provide on-going support to SMEs through various channels, including providing information on the latest enhancement measures of various government funding schemes through seminars/webinars, websites and emails to major trade and industrial organisations. From October 2019 to end July 2023, the four SME centres have handled over 178 500 enquiries.

12. Besides, the “SME Link”, a one-stop web portal, commenced operation in June 2022 to further enhance the “4-in-1” integrated services of the SME Centres whereby SMEs could access, from a single online platform, practical information, including that on various government funding schemes and SME support services, as well as on Mainland and overseas markets.

“SME ReachOut”

13. Established in January 2020 with the support of the Government, HKPC’s “SME ReachOut” assists SMEs in identifying suitable government funding schemes and addressing questions relating to applications. As at end July 2023, “SME ReachOut” has handled over 17 300 enquiries via telephone, emails or face-to-face/online meetings, and has conducted or participated in 230 activities through different means such as seminars/webinars and visits to chambers of commerce and commercial and industrial buildings to promote government funding schemes.

14. It was announced in the 2023-24 Budget that \$100 million be allocated to enhance the services of “SME ReachOut” in the next five years. Starting from October 2023, the Government will allocate funding to HKPC to gradually step up the services of “SME ReachOut”, including arranging visits to more chambers of commerce, commercial and industrial buildings and co-working spaces, and increasing the publicity in social media so as to step up the promotion of government funding schemes. At the same time, more one-on-one consultation

sessions will be provided to assist SMEs in applying for government funding and building their capacities, and enhancing their competitiveness through leveraging new technologies.

Advice Sought

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

Commerce and Economic Development Bureau
September 2023

**BUD Fund -
Major Enhancements Implemented since August 2018**

	Before Enhancements	After Enhancements - Effective from					
		1 August 2018	20 January 2020	9 April 2020	30 July 2021 to June 2022	7 November 2022	16 June 2023
Total Approved Commitment	\$1 billion	\$2.5 billion	\$4.5 billion		\$6 billion		\$6.5 billion
Geographical Scope	Mainland	Mainland and ASEAN	Mainland, ASEAN and other economies which have signed FTAs with Hong Kong ¹ (20 in total)		Mainland, ASEAN and other economies which have signed FTAs and/or IPPAs with Hong Kong ² (37 in total)		
Cumulative Funding Ceiling per Enterprise	\$500,000	Mainland: \$1 million ASEAN: \$1 million	Mainland: \$2 million ASEAN and other FTA economies: \$2 million	Mainland, ASEAN and other FTA economies: \$4 million	Mainland, ASEAN and other FTA and/or IPPA economies: \$6 million	Mainland, ASEAN and other FTA and/or IPPA economies: \$7 million ³	
Funding Ceiling per Project	\$500,000	\$1 million					General applications: \$1 million “Easy BUD”: \$100,000

	Before Enhancements	After Enhancements - Effective from					
		1 August 2018	20 January 2020	9 April 2020	30 July 2021 to June 2022	7 November 2022	16 June 2023
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	Mainland, ASEAN and other FTA and/or IPPA economies: 60	Mainland, ASEAN and other FTA and/or IPPA economies: 70	
Initial Payment	25% of the approved government funding		Up to 75% of the approved government funding				General application: Up to 75% of the approved government funding “Easy BUD”: No initial payment

¹ The 20 FTA economies being covered include the Mainland, New Zealand, the four member states of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland), Chile, Macao, the ten member states of the ASEAN (comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Georgia and Australia.

² A total of 17 economies had been added in three phases from July 2021 to June 2022, including Japan, Korea, Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden, the United Kingdom, Kuwait and the United Arab Emirates. New FTA and/ or IPPA economies will be covered automatically under the geographical scope of the BUD Fund upon their signing of the FTAs and/or IPPAs with Hong Kong.

³ The funding amount under “Easy BUD” is incorporated into the cumulative funding ceiling under the BUD Fund.

**EMF -
Major Enhancements Implemented since August 2018**

	Before Enhancements	After Implementation of Enhancements (individual effective date as specified)
I. Enhancement Measures		
Cumulative Funding Ceiling per Enterprise	\$200,000	<u>1 August 2018</u> : \$400,000 <u>20 January 2020</u> : \$800,000 <u>7 November 2022</u> : \$1,000,000
Funding Ceiling per Application	\$50,000	<u>1 August 2018</u> : \$100,000
Funding Disbursement	Reimbursement after completion of the export promotion activity.	<u>20 January 2020</u> : 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.
Eligible Enterprise	Hong Kong SMEs with substantive business operation in Hong Kong may apply.	<u>30 April 2021</u> (until end June 2026): Non-listed Hong Kong enterprises with substantive business operation in Hong Kong are eligible.
Eligible Activities	Local exhibitions should mainly target markets outside Hong Kong. For local exhibitions open to both the public and traders, the total period which is open to the public should not exceed one third of the total duration of the activity.	<u>11 May 2020</u> : The duration for public admission of local exhibitions is relaxed to not exceeding half of the total duration of the activity. <u>30 April 2021</u> (until end June 2026): Local exhibitions targeting the local market are also eligible.
	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.	<u>9 April 2020</u> : Participation in virtual exhibitions which target the export market and are organised by Government-related organisations or reputable exhibition organisers with good track records is also eligible for funding support. <u>30 April 2021</u> (until end June 2026): Online exhibitions targeting the local market are also eligible.

	Before Enhancements	After Implementation of Enhancements (individual effective date as specified)
	Business missions should be conducted in physical form and be organised by organisations with good track records for participating enterprises to promote their own products or services and must include one-on-one business matching sessions for the enterprises to meet with foreign buyers.	<u>1 November 2019:</u> The scope of business missions is expanded to cover business missions organised by the Government, Government-related organisations and 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. <u>30 April 2021:</u> Business missions conducted in either physical or online form are eligible for funding support.
Eligible Expenditure Items	Fee for non-exhibitors to place on-site printed advertisements in an exhibition is fundable.	<u>30 June 2021:</u> Fee for exhibitors to place on-site advertisements (including printed advertisements and display on electronic panels) as well as advertising through the use of mascot in an exhibition is fundable.
	Fee for participating as an exhibitor in an online exhibition is fundable.	<u>30 June 2021:</u> Fee for participating as an exhibitor in an online exhibition, including fee for conducting business matching activities and taking up a speaking session, is fundable.
	Fee for the design of a virtual booth in an online exhibition is not covered.	<u>30 April 2021:</u> Fee for the design of a virtual booth in an online exhibition is fundable.
	Advertisement fee on the online exhibition website is not covered.	<u>30 June 2021:</u> Fee for exhibitors to place advertisements on the online exhibition website is fundable.
	Fee for video/product shooting and editing services is not covered.	<u>30 April 2021:</u> Fee for video/product shooting and editing services associated with the promotion of the product and/or services at the eligible promotion activity the applicant participated in is fundable.
II. Facilitation Measure		
Submission Method	By mail or in person	<u>2 March 2020:</u> Additional submission method of drop-in box <u>31 March 2020:</u> Additional submission method of on-line e-Form