

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

Agenda Item 2(b): “Digital Transformation Support Pilot Programme”

Purpose

This paper briefs Members on the Digital Transformation Support Pilot Programme.

Background

2. Small and medium enterprises (SMEs) constitute over 98% of the local enterprises and are the backbone of Hong Kong’s economy. Promoting digital transformation among SMEs is one of the key drivers of the development of a digital economy.

3. According to the views of the Sub-group on Digital Transformation formed under the Digital Economy Development Committee (DEDC) led by the Financial Secretary (the Sub-group) and the industries, there remains a considerable number of SMEs with limited progress in terms of digitalisation of their operations. Some SMEs with very limited or no prior exposure to information technology (IT) also face different challenges in the course of digital transformation, including difficulties in selecting suitable technology solutions or solution providers. Despite the various subsidy schemes in place to assist SMEs in upgrading and transformation, those lacking manpower and expertise in technology may experience great difficulties when it comes to procurement. SMEs are also concerned that with limited financial resources, it may be difficult for them to budget for IT expenditure. These pain points have hindered many SMEs from implementing or expediting their digital transformation plans.

4. With funding approval by the Finance Committee of the Legislative Council on 14 July 2023, Cyberport will implement a Digital Transformation Support Pilot Programme (the Pilot Programme) to help accelerate the pace of digital transformation of SMEs by providing funding support to SMEs to acquire IT solution packages included under the Pilot Programme. In addition to financial assistance, Cyberport will also conduct promotional activities for the Pilot Programme and organise regular seminars for SMEs and provide them with relevant guidance, including the provision of education on digital

transformation, in order to assist SMEs in identifying IT solutions that suit their business and budget requirements.

Digital Transformation Support Pilot Programme

Beneficiaries

5. To maximise the benefit of the Pilot Programme, after making reference to the DEDC's study on digital transformation of local SMEs, the food and beverage (F&B) industry and the retail industry are designated as the target industries under the Pilot Programme. The reasons are as follows –

- (a) Coverage of the industries: According to the statistics of the Census and Statistics Department, as at December 2022, there were nearly 82 000 SMEs¹ engaged in accommodation and food services as well as retail in Hong Kong, accounting for over 20% of the total number of SMEs. In terms of employment, the number of people employed in the relevant industries amounted to 380 000, taking up more than 25% of the total employment. It is anticipated that the digital transformation in the F&B and retail industries, being the two pilot industries under the Pilot Programme, can raise technology awareness among more SMEs in these industries and elsewhere and encourage them to enhance productivity through technology application;
- (b) State of digital transformation of the industries: According to the survey conducted by the Sub-group earlier, around 30% of the surveyed F&B and retail enterprises assessed themselves to be lagging behind in terms of their degree of digitalisation. The industries also stated that some smaller-scale enterprises expressed concerns about funding and the lack of channels to acquire suitable technology solutions. Whilst agreeing to the need for digital transformation, these enterprises were reluctant to go ahead for various factors. The Pilot Programme is designed to address the pain points of these SMEs;
- (c) High relevance to people's living: The Government is committed to promoting smart city development to enable members of the public to enjoy convenience in daily life brought about by technological development. As the F&B and retail industries are closely related and highly relevant to people's daily living, the support provided to

¹ Referring to non-manufacturing enterprises which employ fewer than 50 persons.

the two pilot industries will enable members of the public to experience more personally and directly the convenience and benefits to be brought about by technology and digital economy.

Eligibility

6. SMEs applying for funding under the Pilot Programme must belong to the F&B or retail industries, and must be registered in Hong Kong under the Business Registration Ordinance (Cap. 310) with substantive business operation in Hong Kong. They must not be listed companies, statutory bodies or non-governmental organisations subvented by public funding. To ensure that the Pilot Programme can target those SMEs in need and of relatively small scale, enterprises² with 50 or more full-time employees³ are not eligible for the Pilot Programme.

Funding Support

7. The Pilot Programme will operate on a one-to-one matching basis with funding support up to \$50,000 for each eligible enterprise to acquire IT solution packages included under the Pilot Programme. To benefit more SMEs, one project at most may be approved for each enterprise under the Pilot Programme.

8. Cyberport expects that the Pilot Programme will facilitate the adoption of basic technology solutions by at least 8 000 SMEs for enhancing their productivity and undergoing business upgrading and transformation.

Solution Packages

9. With reference to the views of the Sub-group and the industries on the current state of digital transformation of local enterprises, three designated categories of digital technology solutions (i.e. point of sale and payment systems, online promotion, and customer management and discount systems) (see **Annex**) will be available on a pilot basis to provide an array of basic and off-the-shelf hardware, software and subscription-based solution⁴ for selection by enterprise applicants in the F&B and retail industries. Enterprise applicants may submit applications and make declarations for technology solutions that are not currently in use by them.

² Including related corporate group enterprises (i.e. under the same parent company) registered under different company registrations. If the group employs 50 or more full-time employees in total, the applications from its related enterprises will not be approved.

³ Excluding part-time employees.

⁴ A subscription period of up to two years will be funded for subscription-based IT solutions.

Application Procedures

10. Prior to accepting funding applications from enterprises in the F&B and retail industries, each solution provider⁵ can enrol at most one solution package in each category, but various additional services and functions can be provided on top of the package. Eligible solution packages will then be included under the Pilot Programme. Information of the solution packages (including specific pricing) will be published on the dedicated website and opened to enterprises in the F&B or retail industries for selection and submission of funding applications in respect of their preferred solution packages.

11. Applications from solution providers and enterprises will be screened preliminarily by the Cyberport secretariat to confirm their eligibility. The applications will then be submitted to an independent vetting committee for consideration and approval. Members of the vetting committee will comprise representatives from the industries, professionals and the Government.

12. Cyberport anticipates that around six batches of funding applications can be processed, with applications from enterprises in the F&B and retail industries being invited on an alternate basis. The Pilot Programme will stipulate the application period and quota of applications for each batch.

Funding Disbursement

13. To simplify the application process and reduce the administrative burden of enterprises as far as possible, Cyberport will disburse the funding support directly to the solution provider selected by the enterprise applicant. The funding support will be disbursed in instalments. Successful enterprise applicants must make a cash provision of no less than half of the cost of their approved solution, submit documentary proof of the provision to Cyberport and confirm receipt of the solution package. Thereafter, Cyberport will disburse the relevant share of funding support to the solution provider. After 12 months of the approval of the funding application, the enterprise applicant will be required to submit documentary proof of the remainder payment and a final report including feedback on the solution package to Cyberport, such that Cyberport will disburse the remaining funding to the solution provider.

⁵ Solution providers should have substantive support service in Hong Kong and good track record, the pricing level of existing services, and other technical requirements (e.g. data interoperability and cybersecurity).

14. Cyberport will closely monitor the project progress and conduct spot-checks to ensure optimal use of the funded technology solutions. To ensure proper use of public funds, any enterprise or solution provider failing to comply with the relevant terms of funding, such as failure of the enterprise to settle the committed amount, or failure of the solution provider to deliver within the deadline, may be required by the Government and Cyberport to return the disbursed funding in full or in part.

Advice Sought

15. Members are invited to note the content of this paper and offer comments.

Hong Kong Cyberport Management Company Limited
September 2023

**Categories of digital technology solutions
supported by the Digital Transformation Support Pilot Programme**

Category	Description
Point of sale and digital payment system	To assist enterprises in automating their payment process and the workflow of shopfront, and support electronic payment to open up new payment channels. Systems of this category can also include in-store self-service sales solutions such as self-ordering systems and vending machines. The systems may automatically generate reports through marketing data, allowing enterprises to analyse their business and providing them with a basis for making business decisions.
Online promotion (Optional solution: Digital payment system)	To develop company websites and social media pages for enterprises, or to help them promote their business through online search engines and social media.
Customer management and discount system (Optional solution: Digital payment system)	Systems of this category support sales promotion activities such as electronic membership programmes and electronic coupons. The systems may also provide functions such as customer support, case management and knowledge base, and provide reports to allow enterprises to effectively view, analyse and manage sales activities, targets, potential customers identified and related follow-up work, so that enterprises can enhance interactions with existing and potential customers, and centrally store customer information and contact records.