

**Business Facilitation Advisory Committee  
Wholesale and Retail Task Force**

*Support Measures for Small and Medium Enterprises*

**Purpose**

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

**SME Financing Guarantee Scheme (SFGS)**

2. The Government has been providing 80% loan guarantees to enterprises under the SFGS since 2012. The 90% and Special 100% Guarantee Products were launched respectively in December 2019 and April 2020 to help SMEs obtain commercial loans, with a view to helping businesses with relatively less operating experience and professionals seeking to set up their own practices obtain financing, and cope with liquidity problems. In view of the volatile epidemic situation in the past two years, the Government has enhanced the SFGS several times to strengthen support for SMEs.

3. In light of the rapid deterioration of the epidemic situation in early 2022, the Government introduced further enhancements to the SFGS, including further extending the application period of the SFGS to 30 June 2023; raising the maximum loan amount per enterprise of the Special 100% Guarantee Product from the total amount of employee wages and rents for 18 months originally to 27 months and the ceiling from originally \$6 million to \$9 million, while extending the maximum repayment period from originally eight years to ten years. Furthermore, the maximum duration of principal moratorium is extended by six months to 30 months, while enterprises are offered the option of making partial repayment of principal over a longer period of time. The aforementioned enhancement measures came into effect on 1 April 2022. The total commitment

of the Government for the SFGS has been increased from \$218 billion to \$280 billion. The major features of the various guarantee products under the SFGS are at **Annex 1**.

4. The SFGS has been well-received by the business sector. As at end July 2022, a total of approximately \$211 billion of loans has been approved under the SFGS, among which over 53 000 applications have been approved for the Special 100% Guarantee Product since its launch in April 2020, benefitting 32 000 enterprises. A total of \$15.9 billion of loans were approved to over 5 800 wholesale and retail enterprises, which account for about 18% of the beneficiaries so far.

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

5. The BUD Fund provides funding on a matching basis to encourage SMEs to implement projects relating to branding, upgrading and promoting domestic sales. In the past few years, the Government has injected a total of \$5 billion into the BUD Fund, and implemented a number of enhancement measures (see **Annex 2**) to further increase the funding support to help enterprises capture the business opportunities brought about by the national dual circulation development strategy and develop more diversified markets. Among them, enhancements introduced since July 2021 are as follows –

- (a) extension of geographical coverage of the funding from 20 economies (including the Mainland) with which Hong Kong has signed Free Trade Agreements (FTAs) to currently 37 economies (including the Mainland) with which Hong Kong has signed FTAs and/or Investment Promotion and Protection Agreements (IPPAs)<sup>1</sup>; and
- (b) increase the cumulative funding ceiling per enterprise from \$4 million to \$6 million.

6. The BUD Fund and its various rounds of enhancement measures are well-received by the trade. As at end July 2022, a total of \$2.8 billion had been approved for 4 875 applications. Among them, \$580.1 million had been approved

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<sup>1</sup> See Annex 2.

for 1 163 applications from the wholesale and retail industry, which account for about 24% of the applications approved so far.

### **SME Export Marketing Fund (EMF)**

7. The EMF provides funding on a matching basis to encourage SMEs to participate in export marketing activities. In the past few years, the Government has injected a total of \$2 billion into the EMF and launched rounds of enhancement measures (see **Annex 3**). Over the years, many enterprises in the wholesale and retail industry have benefitted from the EMF and successfully expanded their businesses into the Mainland and overseas markets. As at end July 2022, out of the total of \$4.4 billion approved for 268 474 applications from all industries, \$418.5 million had been approved for 22 014 applications from the wholesale and retail industry, which account for over 8% of the applications approved so far.

8. To assist enterprises in exploring new opportunities amid the epidemic, from 30 April 2021, the Government has expanded the funding scope of the EMF from exhibitions specifically aiming at markets outside Hong Kong to large-scale exhibitions organised by organisers with good track record targeting the local market and online exhibitions; and relaxed the eligibility criteria to cover non-SMEs<sup>2</sup>. Effective for a period of two years, the aforementioned measures could help support enterprises which are affected by the epidemic in conducting local market promotion and making full use of both online and offline avenues to conduct promotion activities, and help maintain Hong Kong's leading position in large-scale merchandise exhibitions. From May 2021 to end July 2022, around 9 700 applications involving exhibitions and online exhibitions targeting the local market under the EMF had been received, among which only around 510 applications were submitted by non-SMEs, showing that SMEs continued to benefit from the EMF. Around 7 000 applications had been approved, involving a total funding amount of around \$170.9 million.

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<sup>2</sup> All non-listed enterprises registered in Hong Kong under the Business Registration Ordinance (Cap. 310) with substantive business operations in Hong Kong are eligible to apply for the EMF.

## **“4-in-1” Integrated Services of SME Centres**

9. 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 four existing SME centres, namely the “Support and Consultation Centre for SMEs” under Trade and Industry Department, the “SME Centre” under Hong Kong Trade Development Council, the “SME One” under Hong Kong Productivity Council and the “TecONE” under Hong Kong Science and Technology Parks Corporation, to provide “four-in-one” integrated services, so that SMEs can receive one-stop consultation and referral services in any one of the aforementioned centres. The four SME centres provide on-going support to SMEs during the epidemic through various channels, including providing information on various relief measures under the Anti-epidemic Fund and the latest enhancement measures of various Government funding schemes through webinars, websites and emails to major trade and industrial organisations. Since October 2019, the four SME centres have handled over 130 000 enquiries. We have also newly established an online platform “SME Link” (<https://www.smelink.gov.hk>), from where SMEs can access comprehensive information and support services, including Government funding schemes information, non-financial assistance services, and information on the Mainland market and regulations.

## **SME ReachOut**

10. SME ReachOut has been in operation since January 2020 to assist SMEs in identifying suitable funding schemes and addressing questions related to applications. So far it has handled over 12 000 enquiries via telephone, emails or face-to-face meetings, and has conducted more than 160 activities through different means such as seminars and visits to chambers to promote Government funding schemes.

**Advice Sought**

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

**Commerce and Economic Development Bureau  
August 2022**

## Annex 1

### Major Features of the Various Guarantee Products under the SFGS

<b>Feature</b>	<b>80% Guarantee Product</b>	<b>90% Guarantee Product</b>	<b>Special 100% Guarantee Product</b>
(a) Target Segment	Local SMEs and non-listed enterprises	Local smaller-sized enterprises, businesses with relatively less operating experience, as well as professionals seeking to set up their own practices	Local enterprises most affected by the coronavirus disease 2019 epidemic
(b) Eligible Borrower	Eligible enterprises must have business operation in Hong Kong and be registered in Hong Kong under the Business Registration Ordinance (Cap. 310). Listed companies, lending institutions and affiliates of lending institutions are not eligible for the Scheme.	Eligible enterprises must have business operation in Hong Kong and be registered in Hong Kong under the Business Registration Ordinance (Cap. 310). Listed companies, lending institutions and affiliates of lending institutions are not eligible for the Scheme.	Eligible enterprises must have business operation in Hong Kong and be registered in Hong Kong under the Business Registration Ordinance (Cap. 310). Listed companies, lending institutions and affiliates of lending institutions are not eligible for the Scheme.  Applicants need to provide proofs that they have suffered at least a 30% decline in sales turnover during the specified period.
(c) Business Operation History	They must have business operation for at least one year on the date of guarantee application.	The requirements of having business operation for at least one year on the date of guarantee application and financial statement is removed.	They must have business operation for at least three months by end March 2022.

<b>Feature</b>	<b>80% Guarantee Product</b>	<b>90% Guarantee Product</b>	<b>Special 100% Guarantee Product</b>
(d) Approval of Credit Facility	By the lending institutions	By the lending institutions	By the lending institutions, based on the relevant eligibility criteria
(e) Guarantee Coverage	80%	90%	100%
(f) Maximum Guarantee Period	7 years	5 years	10 years
(g) Maximum Amount of Credit Facility Per Enterprise (including its related companies) at any point in time	\$18 million, including credit facilities guaranteed under any guarantee products, except the Special 100% Guarantee Product.	\$8 million, including credit facilities guaranteed under any guarantee products, except the Special 100% Guarantee Product.	Up to the total amount of employee wages and rents for 27 months, subject to the loan ceiling at \$9 million.
(h) Reuse of Guarantee Amount after Loan Repayment	Unlimited reuse of guarantee amount after loan repayment, subject to the loan ceiling of \$18 million at the time of application of each enterprise (see (g)).	Unlimited reuse of guarantee amount after loan repayment, subject to the loan ceiling of \$8 million at the time of application of each enterprise (see (g)).	Not applicable
(i) Form of Credit Facilities	Term loans and revolving credit lines, without any restriction on the proportion between the two.	Term loans only	Term loans only
(j) Use of Credit Facilities	The credit facility must be used for providing general working capital for the enterprise's business operations, or	Same as the 80% Guarantee Product.	The credit facility must be used for providing general working capital for the enterprise's business operations, but

Feature	80% Guarantee Product	90% Guarantee Product	Special 100% Guarantee Product
	<p>acquisition of equipment or assets (excluding residential properties) in relation to the enterprise's business.</p> <p>The credit facility must not be used for repaying, restructuring or repackaging existing debts (except for allowing refinancing of facilities guaranteed under the SFGS).</p>		<p>must not be used for repaying, restructuring or repackaging existing debts.</p>
(k) Maximum Loan Interest Rate, which will be reviewed from time to time	<p>10% per annum in general (loans with annual interest rate over 10% but not more than 12% will be considered on a case-by-case basis).</p>	<p>8% per annum for enterprises with operating history of more than three years.</p> <p>10% for enterprises with operating history of three years or less.</p>	<p>Prevailing floating interest rate is 2.75% per annum (equivalent to the Hong Kong Prime Rate announced by The Hong Kong Mortgage Corporation Limited from time to time minus 2.5% per annum)</p>
(l) Personal Guarantee by Individual Shareholder(s)	<p>Personal guarantee by individual shareholder(s), directly or indirectly, holding more than 50% of the equity interest of the enterprise is required.</p>		
(m) Guarantee Fee	<p>Guarantee fee is payable</p>	<p>Guarantee fee is payable</p>	<p>Nil</p>
(n) Principal Moratorium	<p>Existing and new SME borrowers may apply before 31 December 2022 to their participating lending institutions for principal moratorium of up to 30 months.</p>		
(o) Application Period	<p>Until 30 June 2023</p>		



<b>Feature</b>	<b>80% Guarantee Product</b>	<b>90% Guarantee Product</b>	<b>Special 100% Guarantee Product</b>
(p) Maximum Guarantee Commitment as Provided by the Government	\$280 billion. Commitment under the three guarantee products may be used interchangeably, subject to the total commitment remaining within \$280 billion.		
(q) Total Guarantee Committed (as at end July 2022)	\$79 billion	\$12.3 billion	\$98.7 billion
	The total remainder of loan guarantee commitment for interchangeable use is \$90 billion.		

## Annex 2

### **Dedicated Fund on Branding, Upgrading and Domestic Sales Major Enhancements Implemented by the Government since August 2018**

	Before Enhancements	After Implementation of Enhancements Effective from			
		1 August 2018	20 January 2020	9 April 2020	30 July 2021 to June 2022
<b>Total Approved Commitment</b>	\$1 billion	\$2.5 billion	\$4.5 billion		\$6 billion
<b>Geographical Scope</b>	Mainland	Mainland and Association of Southeast Asian Nations (ASEAN)	Mainland, ASEAN and other economies which have signed FTAs with Hong Kong <sup>1</sup> (20 in total)		Mainland, ASEAN and other economies which have signed FTAs and/or IPPAs with Hong Kong <sup>2</sup> (37 in total)
<b>Cumulative Funding Ceiling per Enterprise</b>	\$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
<b>Funding Ceiling per Project</b>	\$500,000	\$1 million			
<b>Maximum Number of Approved Projects</b>	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
<b>Initial Payment</b>	25% of the approved Government funding		Up to 75% of the approved Government funding		

<sup>1</sup> 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.

<sup>2</sup> As at end June 2022, 17 economies had been added, 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.

**SME Export Marketing Fund**

**Major Enhancements Implemented by the Government since August 2018**

	<b>Before Enhancements</b>	<b>After Implementation of Enhancements (individual effective date as specified)</b>
<b>I. Enhancement Measures</b>		
<b>Cumulative Funding Ceiling per Enterprise</b>	\$200,000	<u>1 August 2018</u> : \$400,000 <u>20 January 2020</u> : \$800,000
<b>Funding Ceiling per Application</b>	\$50,000	<u>1 August 2018</u> : \$100,000
<b>Funding Disbursement</b>	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.
<b>Eligible Enterprise</b>	Hong Kong SMEs with substantive business operation in Hong Kong may apply.	<u>30 April 2021</u> (effective for a period of two years): Non-listed Hong Kong enterprises with substantive business operation in Hong Kong are eligible.
<b>Eligible Activities</b>	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> (effective for a period of two years): 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> (effective for a period of two years): Online exhibitions targeting the local market are also eligible.

	<b>Before Enhancements</b>	<b>After Implementation of Enhancements (individual effective date as specified)</b>
	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.
<b>Eligible Expenditure Items</b>	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.
<b>II. Facilitation Measure</b>		
<b>Submission method</b>	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