

**For discussion on
16 March 2021**

Legislative Council Panel on Commerce and Industry

Enhanced Measures for Supporting Small and Medium Enterprises

Purpose

This paper briefs Members on a range of proposed enhancement measures for supporting small and medium enterprises (SMEs) announced in the 2020 Policy Address and 2021-22 Budget to help SMEs ride out the storm amidst the current economic hardship and recover as soon as the epidemic subsides.

Proposed Enhancement Measures

2. The Coronavirus Disease 2019 (COVID-19) has severely impacted on the global economy. Hong Kong is no exception, as our economy contracted by 6.1% in 2020, the largest annual decline on record and the first time for Hong Kong to register two consecutive years of negative growth. SMEs are hardest hit. To this end, the Government has announced a range of enhancement measures for supporting SMEs in the 2020 Policy Address and 2021-22 Budget, including:

- (a) injecting \$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), thereby increasing the cumulative funding ceiling per enterprise and extending the geographical coverage; and expanding the funding scope of the SME Export Marketing Fund (EMF) to cover large-scale exhibitions targeting the “local market” and virtual exhibitions, for a period of two years (details at **Enclosure 1**);
- (b) enhancing the SME Financing Guarantee Scheme (SFGS) Special 100% Guarantee Product, including extending the application period, increasing the maximum loan amount, extending repayment period and duration of principal moratorium (details at **Enclosure 2**); and
- (c) allocating an additional subvention of \$375 million to the Hong Kong Trade Development Council (HKTDC) for developing virtual platforms to enhance its ability to organise online events and to proceed with digitalisation, as well as for promoting Hong Kong’s strengths in the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and in healthcare products and services. HKTDC’s major support measures for SMEs in 2021-22 (including

measures to be implemented using the aforementioned additional subvention) are at **Enclosure 3**.

Implementation Timetable

3. Subject to Members' support of the proposed enhancement measures for the BUD Fund and the EMF, we will seek approval from the Finance Committee (FC) of the Legislative Council (LegCo) as soon as possible to launch the enhancement measures for the EMF and the BUD Fund starting from April and July 2021 respectively.

4. As regards the SFGS, the enhancement measures for the Special 100% Guarantee Product will come into effect by end March 2021. The application period will be extended to 31 December 2021. We will submit an information note to the FC of LegCo separately.

5. As regards HKTDC, the Government will allocate \$301 million to HKTDC from 2021-22 to 2023-24 for developing virtual platforms, and allocate \$74 million in 2021-22 for promoting Hong Kong's strengths in the GBA development and in healthcare products and services.

Advice Sought

6. Members are invited to offer views on the above-mentioned enhancement measures for supporting SMEs.

**Commerce and Economic Development Bureau
Trade and Industry Department
Hong Kong Trade Development Council
March 2021**

**Enhance the Dedicated Fund on Branding, Upgrading and Domestic Sales
and the SME Export Marketing Fund**

Dedicated Fund on Branding, Upgrading and Domestic Sales

To support enterprises in exploring more diversified markets, the Financial Secretary announced in the 2021-22 Budget a further injection of \$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), thereby:

- (a) increasing the cumulative funding ceiling per enterprise from \$4 million to \$6 million; and
- (b) extending its geographical coverage from all economies with which Hong Kong has signed Free Trade Agreements (FTAs) to also include all economies with which Hong Kong has signed Investment Promotion and Protection Agreements (IPPAs).

A comparison of the current and enhanced funding scope and ceilings under the BUD Fund is at **Annex**.

SME Export Marketing Fund

2. To support enterprises in conducting “local market” promotion activities through both online and offline avenues, as well as to maintain Hong Kong’s leading position as the hub for large-scale merchandise exhibitions, the Chief Executive announced in the 2020 Policy Address the expansion of the funding scope of the SME Export Marketing Fund (EMF), for a period of two years, including:

- (a) expanding the funding scope from exhibitions specifically aiming at markets outside Hong Kong to large-scale exhibitions organised by organisers with good track record targeting the “local market”; as well as virtual exhibitions organised by Hong Kong Trade Development Council and reputable exhibition organisers with good track record; and
- (b) relaxing the eligibility criteria to cover non-SMEs¹.

¹ All non-listed enterprises registered in Hong Kong under the Business Registration Ordinance (Cap. 310) with substantive business operations in Hong Kong will be eligible to apply for the EMF.

Justification

BUD Fund

Extend Geographical Coverage

3. The current-term Government has injected a total of \$3.5 billion into the BUD Fund, and launched rounds of enhancement measures, including:

- (a) extending the geographical coverage from the Mainland to the member states of the Association of Southeast Asian Nations (ASEAN), and then further to all economies with which Hong Kong has signed FTAs;
- (b) increasing the cumulative funding ceiling per enterprise gradually, from \$0.5 million to \$2 million, and then further to \$4 million; and
- (c) increasing the ratio of initial payment from 25% to up to 75% of the approved government funding.

4. The enhancements are well received by the trade. From July 2017 to January 2021, over 6 800 applications were received, with over \$1.33 billion of total funding amount approved.

5. To support enterprises in developing more diversified markets by fully utilising the better protection offered by IPPAs², we propose further injecting \$1.5 billion into the BUD Fund, thereby further extending the geographical coverage to all economies with which Hong Kong has signed IPPAs, now and in future. The proposed extension can facilitate Hong Kong enterprises in capturing the advantages offered by IPPAs, including fair and equitable treatment and better protection to their investments.

6. So far Hong Kong has signed 22 IPPAs covering 31 foreign economies. Upon implementing the proposed extension, the BUD Fund's geographical coverage will extend from the 20 FTA economies³ to the 37 economies with which Hong Kong has signed FTAs and / or IPPAs⁴. As our IPPA network gradually expands, we further propose extending the geographical coverage to new IPPA economies automatically upon signing of the IPPA in future. Publicity and promotional activities will be carried out to encourage enterprises to make best use of the BUD Fund to develop these markets.

² An IPPA is an agreement between governments for the promotion and protection of investments made by investors of one contracting party in the area of the other contracting party

³ 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.

⁴ The 17 newly added economies include Japan, the Republic of 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.

Increase Funding Ceiling

7. The Mainland economy quickly rebounds as its epidemic situation has stabilised. The Mainland is also determined to expand its domestic market and establish a new economic development pattern featuring complementary domestic and international dual circulations, hence its domestic consumption is expected to grow. On the other hand, the extension of geographical coverage can allow Hong Kong enterprises to develop more overseas markets. As such, we propose increasing the cumulative funding ceiling per enterprise from \$4 million to \$6 million to provide more funding support for Hong Kong enterprises to capture the business opportunities brought about by the national dual circulation development strategy and explore more overseas markets.

8. To provide timely and flexible support to enterprises, we propose that the Director-General of Trade and Industry (DGTI) may from time to time review and further adjust the BUD Fund's geographical coverage and funding ceilings, having regard to the ever-changing market needs and situation, so as to allow enterprises to make best use of the BUD Fund to develop their businesses.

EMF

9. The current-term Government has injected a total of \$2 billion into the EMF, and launched rounds of enhancement measures, including:

- (a) increasing the cumulative funding ceiling per enterprise gradually, from \$200,000 to 400,000, and then further to \$800,000;
- (b) increasing the funding ceiling per application from \$50,000 to \$100,000; and
- (c) introducing an initial payment of up to 75% of the approved government funding.

10. The enhancement measures are also well received by the trade. From July 2017 to January 2021, over 45 000 applications were received, with over \$780 million of total funding amount approved.

11. Due to the epidemic, the number of applications received and the funding amount approved for participating in local and overseas exhibitions in 2020 respectively decreased by 74% and 37% year-on-year. On the other hand, the number of applications received and the funding amount approved for conducting export promotion activities through electronic platforms or media respectively increased by 58% and 67% year-on-year.

12. As the global epidemic lingers on, it will take more time for overseas markets to recover; and it is unlikely that overseas exhibitions can fully resume within a short period of time. At the same time, virtual exhibitions have become increasingly popular under the new normal brought about by the epidemic. Against the above background, expanding the funding scope to cover large-scale exhibitions targeting the

“local market” and virtual exhibitions held by organisations with good track record will help enterprises explore local business opportunities and utilise digital technologies to develop businesses; while relaxing the eligibility requirement to cover non-listed enterprises will enable more enterprises to benefit from the EMF.

13. To cater for the ever-changing market needs, DGTI will continue to review and further adjust the funding ceilings and funding scope from time to time, in line with the principles of the EMF.

Financial Implications

BUD Fund

14. We propose injecting \$1.5 billion into the BUD Fund, increasing the total commitment of the BUD Fund from \$4.5 billion to \$6 billion.

15. Hong Kong Productivity Council (HKPC), which has been administering the BUD Fund from the outset, will continue to operate it for the Government. The Government will provide about \$86.3 million per annum to HKPC for covering the staff and other operating costs of a dedicated team for programme management, administrative support and project monitoring⁵. On-site inspections for selected approved projects will be conducted to help guard against misuse of funds or fraudulent claims. The Government will also disburse about \$12.6 million per annum to HKPC for various publicity and promotional activities, and other implementation expenses^{5&6}. HKPC will contribute about \$11 million per annum in terms of expenses in relation to professional manpower support to undertake, supervise, monitor and review the work of the dedicated team, venue rentals and other ancillary technical and support services.

16. We estimate that the new injection will enable the BUD Fund to operate up to 2024, on the assumption that the enhancement measures are implemented by phases in 2021 and 2022 (details at paragraphs 19 to 21 below).

EMF

17. Expenditure of the EMF is covered by the Export Marketing and Trade and Industrial Organisation Fund (“EMTSF”)⁷. The current total approved commitment of the EMTSF is \$7.25 billion. The EMTSF is expected to support the EMF and the Trade and Industrial Organisation Support Fund to operate up to 2025 after implementation of the enhancement measures.

⁵ Such provisions to HKPC may be adjusted based on the actual number of applications received and when new markets are covered under the BUD Fund.

⁶ Including the expenses for maintaining of an online submission system and an electronic administration system, engaging organisation(s) with local knowledge of the FTA and IPPA markets for providing advisory and support services in application vetting and project monitoring, and engaging agency staff for support services, etc.

⁷ The EMTSF covers expenditures of the EMF and the Trade and Industrial Organisation Support Fund.

Public Consultation

18. We have briefed the Small and Medium Enterprises Committee on the proposed enhancement measures. The trade is in strong support of the proposals and calls for their early implementation.

Implementation Timetable

19. Subject to Members' support of the proposals, we plan to seek approval from the Finance Committee of the Legislative Council as soon as possible to launch the proposed enhancement measures for the EMF in April 2021, and the enhancement measures for the BUD Fund by phases as follows:

Phase 1 (July 2021)	<ul style="list-style-type: none"> • Increase the cumulative funding ceiling per enterprise from \$4 million to \$6 million • Extend the geographical coverage to Japan and the Republic of Korea
Phase 2 (Q1 2022)	<ul style="list-style-type: none"> • Extend the geographical coverage to Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden and the United Kingdom
Phase 3 (Q2 2022)	<ul style="list-style-type: none"> • Extend the geographical coverage to Kuwait and the United Arab Emirates

20. Hong Kong is seeking to accede to the Regional Comprehensive Economic Partnership (RCEP) as soon as possible. Extending the geographical coverage to all RCEP economies can facilitate the trade's exploration of those markets early. As Japan and the Republic of Korea are the only two RCEP economies not being covered by the BUD Fund, we therefore will first extend the geographical coverage to Japan and the Republic of Korea.

21. We propose extending the geographical coverage to 13 economies in Europe and the Americas and two economies in the Middle East in the second and third phases respectively, having taken into account HKPC's capacity in coping with the workload and preparatory work arising from handling additional applications and monitoring of approved projects. DGTI will from time to time review and where appropriate adjust the implementation timetable, having regard to the ever-changing market needs and situation.

Background

BUD Fund

22. Established in 2012, the BUD Fund provides funding support to non-listed Hong Kong enterprises to enhance their competitiveness and further business development in the Mainland and other FTA markets through developing brands, upgrading and restructuring operations and promoting sales. As at end-January 2021, around 3 300 applications have been approved, involving a total funding amount of \$1.68 billion and benefiting some 2 600 enterprises.

EMF

23. Established in December 2001, the EMF provides financial support to encourage SMEs to expand their markets outside Hong Kong through participation in export promotion activities. As at end-January 2021, around 246 000 applications have been approved, involving a total funding amount of around \$3.98 billion and benefiting more than 50 000 enterprises.

Annex to Enclosure 1

Comparison of the current and enhanced arrangements under the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund)

	Current Arrangement	The Arrangement After Full Implementation of Enhancement Measures
Total Approved Commitment	\$4.5 billion	\$6 billion
Geographical Coverage	Mainland, ASEAN and other economies with which Hong Kong has signed FTAs ¹ (20 in total)	Mainland, ASEAN and other economies with which Hong Kong has signed FTAs and / or IPPAs ² (37 in total)
Cumulative Funding Ceiling per Enterprise	\$4 million	\$6 million
Funding Ceiling per Project	\$1 million	\$1 million
Maximum Number of Approved Projects per Enterprise	40	60

¹ So far Hong Kong has signed eight FTAs covering 20 economies, namely 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 So far Hong Kong has signed 22 IPPAs covering 31 foreign economies, namely the ten member states of the ASEAN, Australia, Austria, Belgo-Luxembourg Economic Union, Canada, Chile, Denmark, Finland, France, Germany, Italy, Japan, Republic of Korea, Kuwait, Mexico, the Netherlands, New Zealand, Sweden, Switzerland, Thailand (an ASEAN member state), the United Arab Emirates and the United Kingdom.

Enhance the SME Financing Guarantee Scheme
Special 100% Guarantee Product

On 20 April 2020, the Government launched the Special 100% Guarantee Product under the SME Financing Guarantee Scheme (SFGS) to provide low-interest loans to small and medium enterprises (SMEs) hard hit by the COVID-19 epidemic, for one-year until 19 April 2021. The Special 100% Guarantee Product has been well received by businesses since its launch. As at 31 January 2021, \$42.7 billion of loans were approved, benefitting over 20 000 enterprises, involving over 260 000 employees.

2. As the epidemic has been lingering on for over one year, to continue to relieve the cash flow pressure of SMEs, the Financial Secretary has announced in the 2021-22 Budget:

- (a) extending the application period of the Special 100% Guarantee Product to 31 December 2021¹;
- (b) increasing the maximum loan amount per enterprise from the total amount of employee wages and rents for 12 months to that for 18 months, subject to a ceiling of \$6 million;
- (c) extending the maximum repayment period from five years to eight years; and
- (d) extending the maximum duration of principal moratorium from 12 months to 18 months.

Financial Implications

3. We estimate that the Government's total commitment for guaranteeing loans under the SFGS will remain within the overall approved commitment of \$183 billion after implementation of the enhancement measures for the Special 100% Guarantee Product.

Public Consultation

4. We have briefed the Small and Medium Enterprises Committee on the proposed enhancement measures. The trade is in support of the proposals and calls for their early implementation.

¹ Eligible enterprises should have been operating for at least three months as at the end of June 2020, and have suffered at least a 30% decline in sales turnover in any month since February 2020 compared with the monthly average of any preceding quarter from early 2019 to mid-2020. Prior to the implementation of the enhancement measures, eligible enterprises should have been operating for at least three months as at the end of 2019, and have suffered at least a 30% decline in sales turnover in any month since February 2020 compared with the monthly average of any quarter in 2019.

Implementation Timetable

5. The enhancement measures for the Special 100% Guarantee Product will come into effect by end March 2021. The application period will be extended to 31 December 2021.

Background

6. The Government has been helping SMEs obtain commercial loans with the SFGS, and launched the 80% and 90% Guarantee Products in May 2012 and December 2019 respectively. To assist enterprises hard hit by the COVID-19 epidemic and having suffered at least a 30% decline in sales turnover in coping with cash flow problems, the Finance Committee of the Legislative Council approved the launch of the Special 100% Guarantee Product on 20 March 2020, and subsequently approved on 18 April the increase in loan guarantee commitment of the Special 100% Guarantee Product to \$50 billion and interchangeable use of its loan guarantee commitment with those for the 80% and 90% Guarantee Products (\$183 billion in total), whilst enhancing the product details. The Special 100% Guarantee Product was officially launched on 20 April 2020, for one year until 19 April 2021.

7. In order to provide further assistance and support to SMEs, we enhanced the Special 100% Guarantee Product in September 2020, which included increasing the maximum loan amount from the total amount of employee wages and rents for six months, to that for 12 months, or \$5 million (originally \$4 million), whichever is lower; and increasing the maximum repayment period from three years to five years.

8. A comparison of major features of the guarantee products under the SFGS is at [Annex](#).

Annex to Enclosure 2

**Comparison of the Guarantee Products under
the SME Financing Guarantee Scheme (SFGS)**

Feature	80% Guarantee Product	90% Guarantee Product	Enhanced Special 100% Guarantee Product
(a) Target Segment	Local small and medium enterprises (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 COVID-19 epidemic
(b) Eligible Borrower	<p>Eligible enterprises must have business operation in Hong Kong and be registered in Hong Kong under the Business Registration Ordinance (Chapter 310). Listed companies[^], lending institutions and affiliates of lending institutions are not eligible for the Scheme.</p> <p>[^] Extended, for a one-year period until 31 May 2021, the eligibility criteria to cover publicly listed companies in Hong Kong.</p>	<p>Eligible enterprises must have business operation in Hong Kong and be registered in Hong Kong under the Business Registration Ordinance (Chapter 310). Listed companies[^], lending institutions and affiliates of lending institutions are not eligible for the Scheme.</p> <p>[^] Extended, for a one-year period until 31 May 2021, the eligibility criteria to cover publicly listed companies in Hong Kong.</p>	<p>Eligible enterprises must have business operation in Hong Kong and be registered in Hong Kong under the Business Registration Ordinance (Chapter 310). Listed companies, lending institutions and affiliates of lending institutions are not eligible for the Scheme.</p> <p>Extended to provide assistance to enterprises newly set up at the beginning of the outbreak of the COVID-19 epidemic: In addition, applicants need to provide proofs that they have suffered at least a 30% decline in sales turnover in any month since February 2020 compared with the monthly average of any preceding quarter from early 2019 to mid-2020 (previously any quarter in 2019).</p>

Feature	80% Guarantee Product	90% Guarantee Product	Enhanced Special 100% Guarantee Product
(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.	Extended to provide assistance to enterprises newly set up at the beginning of the outbreak of COVID-19 epidemic: They must have business operation for at least three months by end June 2020 (previously end December 2019).
(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	Seven years	Five years	Extended from five years to Eight years

Feature	80% Guarantee Product	90% Guarantee Product	Enhanced Special 100% Guarantee Product
(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) under the SFGS.	\$8 million, including credit facilities guaranteed under any guarantee products, except the Special 100% Guarantee Product) under the SFGS.	<p>Up to the total amount of employee wages and rents for 18 months (previously 12 months), the loan ceiling raised from \$5 million to \$6 million.</p> <p>Rent can be calculated on the basis of rateable value of business premise.</p> <p>For enterprises that do not have employee(s) and rented office(s), proxy is made to 50% of the highest monthly net income of the enterprise from early 2019 to mid-2020 multiplied by 18.</p> <p>Enterprises are eligible for the Special 100% Guarantee Product up to the maximum of \$6 million regardless of its related companies (whether with the same business nature or otherwise) or its existing credit facilities guaranteed under the 80% or 90% Guarantee Products, if any.</p>
(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 (including related companies) (per (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 (including related companies) (per (g)).	Not applicable

Feature	80% Guarantee Product	90% Guarantee Product	Enhanced Special 100% Guarantee Product
(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 acquisition of equipment or assets (excluding residential properties) in relation to the enterprise's business. The credit facility must not be used for repaying, restructuring or repackaging existing debts (except for allowing refinancing of facilities guaranteed under the SFGS).	Same as the 80% Guarantee Product. Enterprises with credit facilities guaranteed under the existing SFGS may make new applications for switching to 90% guarantee coverage for the loans concerned during the application period of the 90% Guarantee Product.	The credit facility must not be used for repaying, restructuring or repackaging existing debts due by the borrower to the relevant lending institution.
(k) Maximum Loan Interest Rate, which will be reviewed from time to time	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). Subsidy to bring the interest rate per annum on par with Hong Kong Prime Rate minus 2.5%, subject to a 3% cap, for a one-year period, covering guarantee applications to be received up to 31 May 2021.	8% per annum for enterprises with operating history of more than three years. 10% for enterprises with operating history of three years or less. Subsidy to bring the interest rate per annum on par with Hong Kong Prime Rate minus 2.5%, subject to a 3% cap, for a one-year period, covering guarantee applications to be received up to 31 May 2021.	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)

Feature	80% Guarantee Product	90% Guarantee Product	Enhanced Special 100% Guarantee Product
(l) Personal Guarantee by Individual Shareholder(s)	Personal guarantee by individual shareholder(s), directly or indirectly, holding more than 50% of the equity interest of the enterprise is required.	Personal guarantee by individual shareholder(s), directly or indirectly, holding more than 50% of the equity interest of the enterprise is required.	Personal guarantee by individual shareholder(s), directly or indirectly, holding more than 50% of the equity interest of the enterprise is required.
(m) Guarantee Fee	Guarantee fee is payable	Guarantee fee is payable	Nil
(n) Principal Moratorium Arrangement	Existing and new SME borrowers may apply before 31 December 2021 (previously 31 March 2021) to their PLIs for principal moratorium of up to 18 months.	Existing and new SME borrowers may apply before 31 December 2021 (previously 31 March 2021) to their PLIs for principal moratorium of up to 18 months.	Existing and new SME borrowers may apply before 31 December 2021 to the relevant lending institutions for principal moratorium of up to 18 months (previously 12 months).
(o) Application period	Until 30 June 2022	Until 30 June 2022	Until 31 December 2021
(p) Maximum Guarantee Commitment Provided by the Government	\$100 billion	\$33 billion	\$50 billion
	Commitment under the three guarantee products may be used interchangeably, subject to the total commitment remaining within \$183 billion.		
(q) Total Guarantee Committed (as at end January 2021)	\$66.3 billion	\$4.8 billion	\$42.7 billion
	Total remainder of loan guarantee commitment for interchangeable use at \$69.2 billion		

**Support measures for Small and Medium Enterprises
provided by Hong Kong Trade Development Council**

As the statutory body which promotes, assists and develops Hong Kong's external trade, the Hong Kong Trade Development Council (HKTDC), amid numerous challenges, has been helping small and medium enterprises (SMEs) to diversify markets and to grasp opportunities through its global network, as well as physical and digital platforms.

Major support measures for SMEs in 2021-22

2. In 2021-22, to support economic recovery during and after the epidemic, HKTDC will strengthen its support for SMEs to ride out the epidemic challenges. It will provide assistance to SMEs in the following four major areas:

- (a) fully utilising the solid advantages of Hong Kong as an international financial and business centre to consolidate Hong Kong's position as a global commercial hub;
- (b) with the national dual circulation policy, the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and the full implementation of the Hong Kong-Association of Southeast Asian Nations (ASEAN) Free Trade Agreement, launching a series of events to help Hong Kong companies including SMEs seize the enormous opportunities from the Mainland and ASEAN markets, etc., as well as fostering the "Hong Kong-Mainland-ASEAN" tripartite partnership;
- (c) actively equipping SMEs by, amongst others, making hybrid mode of physical and virtual offerings as regular features in its anchor events to broaden their reach to global audience; and
- (d) creating opportunities for start-ups.

3. The Government provides subvention to HKTDC every year to support HKTDC to launch various events that promote Hong Kong companies and assist SMEs. To further assist Hong Kong companies to operate in the business environment which is affected by the COVID-19 outbreak, the Financial Secretary announced in the 2021-22 Budget that the Government will provide an additional subvention of a total of \$375 million to HKTDC from 2021-22 to 2023-24, consisting of:

- (a) \$301 million in three years¹ to subsidise HKTDC to develop virtual platforms to enhance its capability to organise online events and to proceed with digitalisation (details at paragraph 20 below); and
- (b) \$74 million in 2021-22 to subsidise HKTDC to promote Hong Kong's strengths in the development of the GBA and promote Hong Kong's healthcare products and services (details at paragraphs 8-9 below).

4. Taking into account the additional subvention mentioned in paragraph 3 above, the Government will provide a total subvention of about \$634.1 million to HKTDC in 2021-22.

Consolidating Hong Kong's position as the global commercial hub

5. Affected by the epidemic, companies worldwide have been more proactive in the search for opportunities. In 2021-22, HKTDC will focus on Hong Kong's resilient pillar sectors such as financial and professional services, as well as industries with potential such as innovation and technology, to strengthen promotion of Hong Kong as the ideal location for companies worldwide to expand their businesses. With the steady recovery of the Mainland economy which is also a major global economic engine, HKTDC will leverage the global interest in the GBA development, and make use of its 50 offices worldwide to strengthen connection with stakeholders around the globe, in order to promote Hong Kong as the springboard to unlock the enormous opportunities in the GBA and further consolidate Hong Kong's position as the global two-way commercial and investment platform, which will in turn bring more opportunities for SMEs in Hong Kong.

6. At the same time, HKTDC will consolidate its two mega overseas promotions² under a unified brand "Think Business, Think Hong Kong" to reposition promotion activities in mature and emerging markets with a view to stepping up promotion of Hong Kong's role as an international business and investment hub after the epidemic. When the epidemic situation has improved, HKTDC will hold the mega promotion event "Think Business, Think Hong Kong" in Thailand, Italy and Spain by gathering governments, business sectors and professional bodies, in order to fully showcase Hong Kong's core capabilities and attract companies in these target markets to expand businesses through Hong Kong.

¹ The additional subvention from 2021-22 to 2023-24 is \$101 million, \$100 million and \$100 million respectively.

² i.e. "Think Asia/Global, Think Hong Kong" and "InStyle · Hong Kong".

Promoting Hong Kong as a healthcare innovation and investment hub

7. The epidemic has made countries worldwide realise the importance of innovation and investment in the healthcare sector. At the same time, the changing demographics, rising income level and technology penetration in Asia over the past years have brought huge investment potential to the healthcare sector.

8. As the world's financial and investment hub, Hong Kong has a robust intellectual property protection regime, excellent research teams and competence in commercialising innovations. To help relevant companies grasp opportunities, HKTDC will use the additional subvention to promote Hong Kong's healthcare products and services in 2021-22. HKTDC will stage an inaugural "Asia Summit on Global Health", bringing together business and political leaders and investors in biotechnology, life sciences, healthcare infrastructure and related fields, to explore new trends in the healthcare industry; promote the advantages of Hong Kong's healthcare products and services; foster investment and unlock market opportunities; and promote Hong Kong as the healthcare innovation and investment hub in Asia. HKTDC will also add dedicated zones on biotechnology and anti-epidemic innovations in the Hong Kong International Medical and Healthcare Fair, as well as promote Hong Kong's biomedical and healthcare innovations at its local and major international events, in order to showcase Hong Kong's strengths, foster investment, and provide a platform for local healthcare SMEs to expand businesses.

Helping Hong Kong companies further expand Mainland and ASEAN markets

Fully utilising Mainland recovery and opportunities from the GBA development

9. The Mainland is the first economy in the world to recover from the epidemic and offers tremendous potential as a market and business partner. In particular, the GBA offers an extremely ideal entry point for Hong Kong companies especially SMEs which wish to explore the Mainland market. In 2021-22, HKTDC will use the additional subvention to actively promote Hong Kong's advantages in the GBA development. HKTDC will launch a one-stop support platform called "GoGBA" to provide information and useful tools (including market information, research reports, policies and regulations, concessions and subsidies, business network, etc.) to complement HKTDC's support and consultation services, seminars and trainings, as well as field trips, in order to help companies explore opportunities and gain practical experience for further expansion into other Mainland markets. HKTDC will also set up a "HKTDC GBA Centre" in Shenzhen to provide advice and information for companies interested in tapping the GBA or Mainland market; as well as organise workshops, focus groups and other networking activities to help Hong Kong SMEs grasp opportunities from the GBA. Furthermore, HKTDC will organise large-scale events in the GBA to promote Hong Kong's products and services, including organising "SmartHK" in Guangzhou as an anchor event of the "Guangdong-Hong Kong Cooperation Week" to promote Hong Kong's services and technology industry, as well

as hosting product promotion events in Shenzhen to showcase technology-driven and lifestyle products for underlining Hong Kong's capabilities in design and creativity.

Harnessing potential of Mainland domestic market

10. To assist Hong Kong companies expand into the Mainland domestic market, especially the huge GBA market, besides the physical and online outlets of its "Design Gallery" in the Mainland, HKTDC will also launch a one-stop "ConsignEasy" service to help companies tackle logistics, warehousing, taxation and other matters related to selling in the Mainland. To strengthen promotion, HKTDC will organise online marketing campaigns to promote Hong Kong brands and products, as well as set up Hong Kong Pavilions and organise participation of Hong Kong companies at major Mainland exhibitions (such as "China International Import Expo" and "China-ASEAN Expo").

Helping Hong Kong companies penetrate into ASEAN market

11. HKTDC has been sparing no efforts to promote Hong Kong brands and expand networks overseas. The full implementation of the Free Trade Agreement between Hong Kong and ASEAN has made it more advantageous for SMEs to explore opportunities in the ASEAN market. Besides underlining Hong Kong's role as the commercial hub connecting ASEAN, the Mainland and all parts of the world through major events (such as "Think Business, Think Hong Kong" to be held in Thailand), HKTDC will also actively promote Hong Kong's advantages in various industries through different events.

12. Amongst others, to help local SMEs explore the e-commerce market in ASEAN, HKTDC will launch different initiatives such as the "E-tail.id" programme targeting the Indonesian market which helps Hong Kong companies arrange logistics and sales matters, etc. HKTDC will also launch a new promotion mode with physical display, online business matching and product introduction in Malaysia, Thailand, and Viet Nam, etc., in order to let Hong Kong companies enter major ASEAN markets without physical presence.

Supporting Hong Kong manufacturers restructure supply chains

13. To support Hong Kong manufacturers who need to restructure their supply chains, HKTDC will work with the Government to help Hong Kong companies explore different supply chain cooperation options in the overseas Economic and Trade Cooperation Zones set up by the Mainland, with a focus on Cambodia, Malaysia, Indonesia and Thailand. Based on the needs of different industries, HKTDC will introduce different industrial parks and related partners in various markets to Hong Kong companies, as well as organise information sessions, provide advisory services and organise virtual missions.

Providing opportunities for Hong Kong service industry by facilitating tripartite partnership

14. Through events such as trainings and business matching, HKTDC will actively foster tripartite cooperation between ASEAN project owners, potential Mainland investors and various service providers in Hong Kong (including finance, accounting, legal services, intellectual property management, supply chain management, branding and marketing, etc.). At the same time, since many Mainland private enterprises (MPEs) are looking to enter the international market in recent years, HKTDC will create more opportunities for service providers in Hong Kong by lining them up with interested MPEs.

Equipping SMEs

“Transformation Sandbox” programme

15. HKTDC’s “Transformation Sandbox” (T-Box) programme helps SMEs realise their transformation goals and covers areas such as digitalisation, e-commerce, branding, access to new markets, as well as production and supply chain. Currently, over 1 200 Hong Kong companies have joined the programme. In 2021-22, HKTDC will arrange SMEs which have participated in the T-box programme to attend networking sessions, and invite them to join visits to and exchange activities in Shenzhen and other GBA cities when circumstances permit.

Helping SMEs accelerate digitalisation

16. With e-commerce growing exponentially under the epidemic, HKTDC will support Hong Kong SMEs to accelerate their digitalisation journey. HKTDC will provide training in e-commerce and digital business to participating companies through events like “Digital Academy” and “E-tailing Academy”.

17. “Asian E-tailing Summit” is HKTDC’s flagship e-commerce event which brings together regional and international e-commerce elites every year to explore opportunities and share knowledge. HKTDC will continue to invite global e-commerce leaders to share their experience with attendees according to the themes of the summit, in order to enable SMEs to promptly grasp the latest developments in e-commerce.

Expanding global opportunities for companies with events in hybrid mode

18. The epidemic has at the same time seriously affected convention and exhibition (C&E) activities worldwide. To facilitate local SMEs to connect with companies around the world while staying indoor during the epidemic, HKTDC launched several virtual exhibitions in 2020 to connect buyers and suppliers worldwide, which also helped them explore business opportunities and expand into overseas

markets. HKTDC also organised its flagship conventions such as the “Belt and Road Summit”, “Asian Financial Forum” and “Asian Logistics, Maritime and Aviation Conference” on virtual platforms, providing an avenue for stakeholders worldwide to share and exchange views under the epidemic.

19. To cope with the new normal brought by the epidemic, HKTDC will regularise the use of hybrid mode comprising both physical and virtual platforms to organise various major C&E and promotion events, so as to broaden the reach to global audience.

20. To this end, HKTDC will use the additional subvention of \$301 million from the Government in three years to develop virtual platforms, in order to make the organisation of hybrid events more effective and provide a seamless event experience for users (e.g. enhancing instant interaction functions, using artificial intelligence to help users conduct year-round business matching). Furthermore, HKTDC will proceed with digitalisation to enhance its overall service efficiency and quality. At the same time, HKTDC will upgrade its online service system to facilitate service users and provide personalised market analysis. HKTDC will also strengthen big data analysis to help predict future business trends, and provide to SMEs services that are more effective, more diversified and better suit their needs.

21. As regards physical C&E activities, the Convention and Exhibition Industry Subsidy Scheme under the Anti-epidemic Fund set up by the Government will subsidise, amongst others, participation fees of exhibitors of exhibitions organised by HKTDC and participants of its major conventions. HKTDC will also strengthen its buyer and exhibitor recruitment work, in order to attract more companies including SMEs to participate in HKTDC’s C&E activities once the epidemic situation has improved.

Creating opportunities for start-ups

22. To help local start-ups find investors and partners, HKTDC will provide promotion, support and matching platforms for them through its flagship start-up promotion activities “Entrepreneur Day” and “Start-up Express” programme, other international conventions (such as the “Asian Financial Forum” and “Belt and Road Summit”) as well as overseas and Mainland promotion activities (such as “Think Business, Think Hong Kong” and “SmartHK”). HKTDC will also offer project pitching, business tips, entrepreneurial consultation and business matching services, etc to start-ups.

23. HKTDC will set up Start-up Zones in its exhibitions to help start-ups connect with established start-up entrepreneurs and seasoned advisors for professional advice and assistance in developing business proposals. HKTDC will also organise activities to nurture start-ups such as “IP Hatch” to match them with intellectual property owners.

Conclusion

24. As Hong Kong and the world tackle the challenges brought by the epidemic, HKTDC will continue to endeavour to support Hong Kong's SMEs and facilitate external trade. The Government will continue to work closely with HKTDC to help SMEs find new business prospects, innovate and transform through different channels, in order to help them re-start under the new normal brought by the epidemic.
