

Government strives to enhance effectiveness of funding schemes for enterprises

In response to the views reflected to the Chief Executive, Mrs Carrie Lam, by a business representative on the worsening business environment caused by the recent social unrest in Hong Kong and the difficulties they encountered when making applications for various funding schemes for enterprises at the Joint Business Community Luncheon today (October 31), a Government spokesman said that the Government is aware of the views of the trade, and will continue to consolidate relevant services proactively and simplify application procedures to ensure suitable and timely assistance is available to enterprises for coping with the current difficult situation.

The spokesman said that the Government has consolidated the services of the existing four small and medium-sized enterprises (SMEs) centres (the Support and Consultation Centre for SMEs of the Trade and Industry Department, the SME Centre of the Hong Kong Trade Development Council, SME One of the Hong Kong Productivity Council and TecONE of the Hong Kong Science and Technology Parks Corporation) to provide "four-in-one" integrated services starting from October 1, so that SMEs can obtain the necessary information on all funding schemes at any service point. The Government has also set up a one-stop referral system with a view to providing a more tailored service for SMEs.

The Government has also extended its reach to enterprises by arranging visits to more than 30 local trade and industrial associations. By reaching out to the SMEs, it aims to raise their awareness of the SMEs funding schemes. The Government will also establish a dedicated service team soon to provide support on funding applications.

Furthermore, the Government will continue to enhance various funding schemes by simplifying the application procedures, shortening the processing time and removing barriers, such as relaxing the funding cap for individual expenditure items. A larger proportion of upfront payments will be provided for enterprises with applications approved under the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) and the SME Financing Guarantee Scheme (SFGS), so that enterprises can launch their business projects sooner.

The spokesman said the Government understands that enterprises may encounter problems with cash flow under the current economic situation. Therefore, enhancement measures for the 80 per cent Guarantee Product under the SFGS have been rolled out since November last year, which include further reductions in the annual guarantee fee rates by 50 per cent; an increase in the maximum loan amount from \$12 million to \$15 million; and the lengthening of the maximum loan guarantee period from five years to seven years. After the launch of enhancement measures, in the first nine months of this year the

number of approved applications and the additional loan amount increased year-on-year by 70 per cent (from 1 267 applications to 2 154 applications) and 107 per cent (from \$5.366 billion to \$11.086 billion) respectively, reflecting the effectiveness of the new measures in assisting enterprises in loan financing.

Moreover, the Financial Secretary announced in August the extension of the application period of the 80 per cent Guarantee Product to June 30, 2022, and in September announced the extension of the validity period of the three above-mentioned enhancement measures to the same date. Under the SME Financing Guarantee Scheme and the SME Loan Guarantee Scheme, an arrangement for a principal moratorium of a maximum of 12 months has also been introduced, during which only interest payments have to be made.

The Government will also inject capital into the SFGS to introduce a new loan guarantee product which provides a 90 per cent guarantee for approved loans to help businesses of smaller scales with relatively less operating experience, as well as professionals seeking to set up their own practices, to obtain financing. For this new product, applicants are no longer required to have at least one year of operating experience or submit any financial statements. The maximum loan amount will be \$6 million to be repaid in five years.

The injection to the BUD Fund has also been increased to \$3.5 billion (\$1.5 billion was injected in August last year, while the remaining \$2 billion is pending approval from the Legislative Council within this year). With the injection in August last year, the funding ceiling for each enterprise was increased from \$500,000 to \$2 million, and the geographical scope was also extended to include the Association of Southeast Asian Nations markets on top of the Mainland market. From the fourth quarter of 2018 to the third quarter of 2019, the number of applications and the approved funding increased year-on-year by 120 per cent and 210 per cent respectively. When the \$2 billion injection is approved by the Legislative Council, the funding ceiling for each enterprise will be increased to \$4 million (eight times the original funding ceiling). The geographical scope will also be further extended to cover economies which have signed free trade agreements with Hong Kong.

On the SME Export Marketing Fund, \$2 billion has been injected in this term of government (\$1 billion was injected in August last year and the remaining \$1 billion is pending approval from the Legislative Council within this year). Since the injection in August last year, the funding ceiling for each enterprise has been increased from \$200,000 to \$400,000. When the injection of the additional \$1 billion is approved this year, the funding ceiling will be raised to \$800,000 (four times the original ceiling). After the injection in August 2018, from the last quarter in 2018 to the third quarter in 2019 (four quarters in total), the number of applications and the approved funding increased year-on-year by around 50 per cent and around 110 per cent respectively.

The spokesman said that the significant increase in the number of applications for various funding schemes shows that these schemes can provide

effective assistance to enterprises. The Government will continue to monitor the utilisation of the funding schemes and listen to the views of the trade to ensure that the schemes are tailored to their needs.