

LCQ10: Support for small and medium enterprises

Following is a question by the Hon Shiu Ka-fai and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (January 15):

Question:

It is learnt that the disturbances arising from the opposition to the proposed legislative amendments, which erupted more than half a year ago, have brought great impacts on trade fair activities, including a substantial decrease in the number of exhibitors, a slump in the attendances of overseas and local buyers, and shortened exhibition hours due to unexpected incidents or traffic conditions, causing heavy losses to the exhibitors. On the other hand, the Government has announced earlier that there will be enhancements to the SME Export Marketing Fund (EMF): starting from the 20th of this month, the cumulative funding ceiling for each small and medium enterprise (SME) will be raised from \$400,000 to \$800,000, and an option will be added whereby SMEs may apply for an initial payment of up to as much as 75 per cent of the approved government funding. In this connection, will the Government inform this Council:

(1) whether it has conducted studies on granting ex-gratia payments to exhibitors who have suffered losses due to the social movements; if so, of the details; if not, the reasons for that;

(2) why it has not (i) set the effective date of EMF enhancement measures retrospectively at the date on which the disturbances arising from the opposition to the proposed legislative amendments erupted, (ii) set the ceiling of the initial payment at the full amount of the approved government funding, and (iii) raised, from 50 per cent to 75 per cent or 100 per cent, the percentage of the maximum amount of grant in the total approved expenditure for each export promotion activity, so as to alleviate SMEs' imminent financial hardship; and

(3) whether it conducted in the past six months studies in collaboration with organisations such as the Hong Kong Trade Development Council and the Airport Authority Hong Kong on providing exhibitors of exhibitions held in venues such as the Hong Kong Convention and Exhibition Centre and the AsiaWorld-Expo with subsidies on venue hire charges and other charges; if so, of the details; if not, the reasons for that?

Reply:

President,

Our reply to the three parts of the question is as follows:

(1) and (3) The Government has been closely monitoring the impact of social

events on the business environment, especially on small and medium enterprises (SMEs). To assist enterprises in coping with the pressure brought about by the economic downturn and alleviate their burden, the Government has since August 2019 announced four rounds of measures to support enterprises, safeguard jobs and relieve people's burden. These measures, involving a total expenditure of over \$25 billion, include spearheading in reducing rents for government properties and various license fees, imposing moratorium on fee review, water charge waiver, electricity charge subsidy, tax and rates concessions, enhancing funding schemes for SMEs, as well as introducing a new loan guarantee product, etc.

Regarding exhibition events, with careful planning by exhibition venue management companies and organisers, most of the indoor events were held smoothly and most exhibitors and buyers visited Hong Kong as planned for procurement. Major exhibition venues provided assistance as far as possible and made special arrangements in light of individual circumstances. For example, the Hong Kong Convention and Exhibition Centre allowed organisers to postpone events subject to space availability, provided flexible setting-up and moving-out arrangements, and relaxed setup restrictions of the exhibition venue, etc. The AsiaWorld-Expo (AWE) worked closely with organisers to enhance security, conducted continuous risk assessment with the Airport Authority Hong Kong and relevant government departments especially during event periods, as well as co-ordinated closely with public transport operators to adjust and enhance transport facilitation where necessary. AWE also provided check-in and bag-drop services in the AWE venue to facilitate exhibitors and buyers travelling between AWE, the city and the airport.

Furthermore, the Hong Kong Trade Development Council (TDC) strengthened measures to support buyers and exhibitors participating in its exhibitions, including enhancing transport facilitation and business matching services to ensure that events would be conducted safely and smoothly. The TDC also filmed video clips of events and interviews with participants to show to local and overseas stakeholders that Hong Kong is still an ideal exhibition hub.

(2) The SME Export Marketing Fund (EMF) referred to by the Hon Shiu aims at providing financial support to encourage SMEs to expand their markets outside Hong Kong through participation in promotion activities. The Government has expanded its funding scope to include missions organised by the Government, Government-related as well as trade and industrial organisations since November 2019. The Government recently obtained funding approval of the Finance Committee of the Legislative Council on December 6, 2019 to implement a series of enhancements to the EMF, including doubling the cumulative funding ceiling per SME from the current level of \$400,000 to \$800,000, and introducing a new option to allow enterprises to apply for an initial payment of up to 75 per cent of the total approved government funding. The enhancements will be implemented starting from January 20, 2020.

On the question of whether the enhancement measures could be applied retroactively, the funding scope of the EMF covers various expenditures related to participation in trade fairs and exhibitions including rental fees for exhibition booths charged by the organiser or co-organiser, the

construction, set-up and design fees of booths, fees for placing advertisements in the catalogues of trade fairs or exhibitions, and fees for printing brochures or leaflets, etc. SMEs may submit an application for funding support within 60 days after the completion date of a promotion activity. In other words, since the new enhancement of doubling the funding ceiling will be implemented starting from January 20, 2020, the provision of accepting an application within 60 days after completion of an activity means that the new enhancement measure will be applicable to eligible promotion activities completed on or after November 21, 2019.

On the ceiling of initial payment, the newly introduced initial payment option aims at rendering financial support to SMEs before commencement of the activities, thereby facilitating them in making preparations to kick-start the project, and alleviating their cash flow pressure at the initial stage of the project. The Government considers that setting the ceiling of initial payment at 75 per cent of the approved government funding has struck a right balance between achieving the above objective and ensuring prudent use of public money.

As for the maximum proportion of government funding support, the EMF provides funding support on a matching basis where the Government will fund up to 50 per cent of the total approved expenditure of an activity and the enterprise should contribute no less than 50 per cent of the total approved expenditure in cash. Funding support on a matching basis is meant to ensure that beneficiaries have a concrete plan and are willing to devote resources to implement the suitable promotion activities, thereby ensuring proper use of public money. The Government considers the current arrangement has struck a right balance between the two objectives.