

LCQ14: Supporting wholesale and retail sectors in developing e-commerce

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 (February 16):

Question:

Some merchants of the wholesale and retail (W&R) sectors have relayed that, in response to online shopping becoming increasingly common due to the Coronavirus Disease 2019 epidemic, they are planning to develop local and cross-border e-commerce, including expanding their businesses into markets outside Hong Kong such as the Mainland cities in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area). They hope that the Government will provide support in this regard. In this connection, will the Government inform this Council:

(1) given that the new wave of the epidemic has dealt a blow to merchants of the W&R sectors, whether the Government will allocate \$2.5 billion or more for re-launching the Distance Business Programme which was well received by enterprises, so as to support more merchants of the W&R sectors in developing local and cross-border e-commerce; if so, of the details; if not, the reasons for that;

(2) in respect of each of the three funds/programmes, namely (i) the Dedicated Fund on Branding, Upgrading and Domestic Sales, (ii) the SME Export Marketing Fund and (iii) the Technology Voucher Programme, for supporting enterprises in developing markets outside Hong Kong and making use of technologies such as e-commerce, of the respective numbers of applications from merchants of the W&R sectors which were received and approved by the authorities so far, the respective percentages of such numbers in the relevant total numbers of applications, as well as the amount of funding involved in such approved applications, and the percentage of such amount in the total amount of funding approved;

(3) whether it has assessed the effects that the four aforesaid programmes/funds may have on the development of local and cross-border e-commerce by merchants of the W&R sectors; and

(4) whether it will roll out other measures to support merchants of the W&R sectors in developing markets in the Mainland cities of the Greater Bay Area through cross-border e-commerce?

Reply:

President,

The Government strives to support Hong Kong enterprises and assist them in applying technologies to enhance competitiveness and develop more diversified markets, most notably the huge Mainland market, through among others various funding schemes and support services. In addition, having regard to the pandemic's impact on small and medium enterprises (SMEs), the Government has rolled out a series of relief measures as well as enhanced the Government funding schemes under the Budget and the Anti-Epidemic Fund (AEF), including assisting the trade in leveraging e-commerce to rise to the challenge of changing consumer shopping patterns amidst the pandemic as well as to develop markets outside Hong Kong.

Having consulted the Innovation and Technology Bureau, the consolidated reply to the specific questions raised is as follows:

(1) Under the AEF, the Innovation and Technology Commission (ITC) launched the time-limited Distance Business (D-Biz) Programme to support enterprises to adopt IT solutions to continue their business and services during the pandemic.

During the application period from May 18 to October 31, 2020, over 38 000 applications were received, of which around 35 000 applications were approved. Over 25 740 approved applications have proceeded to implementation, involving total funding of around \$1.7 billion. Around 95 per cent of the applications came from SMEs. As at end January 2022, over 19 200 applications have completed their projects.

The Government does not have any plan to re-introduce the D-Biz Programme. That said, the Technology Voucher Programme (TVP) of the ITC, a regular programme which aims to support enterprises in using technological services and solutions to improve productivity, or upgrade or transform their business processes, is similar in nature to the D-Biz Programme. Having regard to the operational experience and the trade's views, the ITC introduced further enhancement measures for the TVP in 2020. For instance, each approved project can be funded up to three-quarters of its cost, with a cumulative funding ceiling of \$600,000.

(2) Figures on applications from the wholesale and retail sectors for the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), the SME Export Marketing Fund (EMF) and the TVP are as follows:

	BUD Fund	EMF	TVP
Period covered (Since launching)	June 2012 to January 31, 2022	December 2001 to January 31, 2022	November 2016 to January 31, 2022

Number of applications received (Percentage share out of total number of applications received)	2 572 (Note 1) (21.6 per cent)	26 461(Note 1) (8.4 per cent)	4 025(Note 2) (30.3 per cent)
Number of applications approved (Percentage share out of total number of applications approved)	1 043 (24.5 per cent)	19 979 (7.7 per cent)	2 585 (29.4 per cent)
Amount of funding approved (\$) (Percentage share out of total amount of funding approved)	503.95 million (21.4 per cent)	362.67 million (8.6 per cent)	396 million (29.0 per cent)

Note 1: Including applications withdrawn by applicant enterprises or under processing

Note 2: Including applications under processing

(3) The BUD Fund provides funding support to enterprises for developing brands, upgrading and restructuring their operations and promoting sales. Its funding scope covers assisting enterprises in developing e-commerce and integrating online-offline modes of sales and marketing, such as designing and establishing online sales platforms, setting up online shops on third-party online sales platforms, establishing company websites or including electronic payment functions therein, and developing and enhancing mobile applications, etc.

The EMF provides funding support to local enterprises for participation in export promotion activities, including exhibitions and business missions, and assists enterprises in conducting export promotion activities through electronic platforms or media such as placing advertisements, adding keyword search, uploading product information, setting up or enhancing online shops, etc., as well as providing funding support to enterprises for setting up or enhancing their own company websites/mobile applications for export promotion. Moreover, to support enterprises affected by the pandemic in conducting local market promotion activities, the Government has expanded the scope of EMF to cover large-scale exhibitions and online exhibitions targeting the local market for a period of two years since April 30, 2021. As the above two funding schemes cover various electronic channels for product promotion, enterprises in the wholesale and retail sectors conducting product promotion activities through such channels for developing e-commerce businesses may apply for funding from suitable schemes according to their needs.

The D-Biz Programme covers 12 IT solution categories relating to distance business. The most popular solutions are online business, online customer services and engagement, and digital customer experience enhancement. Beneficiary enterprises come from various sectors, of which over 5 300 approved applications which have proceeded to implementation are from the retail sector, involving total funding of around \$360 million. As the Secretariat does not keep statistics of the wholesale sector, we are unable to provide the relevant figures.

The TVP subsidises local enterprises/organisations in using technological services and solutions to improve productivity, or upgrade or transform their business processes, in order to enhance their long-term competitiveness. TVP funding can be used to support any technological services or solutions that assist enterprises in achieving the objectives of TVP. Solutions including big data and cloud-based analytics solution, cyber security solution, enterprise resource planning solution, logistics management systems and e-commerce platform are all conducive to the development of local and cross-border e-commerce by the wholesale and retail businesses.

(4) Driven by the Nation's dual circulation development strategy, the Mainland market's demand and imports are expected to continue to grow. In addition, the pandemic has expedited the development of e-commerce. In view of such developments, the Government has in recent years been endeavouring to assist Hong Kong enterprises in meeting the needs of the Mainland market and leveraging the business opportunities therein, through both online and offline avenues.

Apart from enhancing various funding schemes, the Government also provides an additional subvention totalling \$301 million to the Hong Kong Trade Development Council (HKTDC) over a span of three years from 2021-22 to 2023-24, to subsidise the development of virtual platforms, etc., to enhance its capability in organising online events and proceeding with digitalisation. Since the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) is an important market to Hong Kong enterprises and the best entry point to tap into the Mainland market, the HKTDC launched in June 2021 a one-stop "GoGBA" digital platform and has established the "HKTDC GBA Centre" in Shenzhen to provide Hong Kong enterprises with market information on the GBA, as well as business promotion and matching services. The HKTDC also plans to organise a major promotional event in both online and offline modes in Shenzhen within this year to help Hong Kong enterprises promote their featured products.

As some Hong Kong enterprises may not be familiar with online sales in the Mainland, the HKTDC provides a one-stop "ConsignEasy" service to help them manage logistics, warehousing, taxation and other matters related to online sales in the Mainland, and has set up physical and online outlets of "Design Gallery" in the Mainland for promoting Hong Kong-designed products. The HKTDC has also established a "Transformation Sandbox" programme to help enterprises carry out digital transformation and devise online-offline marketing plans according to their scale and needs, through exploring with different online platforms, collaborating with technology enterprises, organising workshops and providing market information.

The Government will continue to step up support to enterprises and encourage them to make good use of the Government funding schemes to explore markets outside Hong Kong, including the Mainland market, through e-commerce.