

LCQ18: Support for small and medium enterprises amid the epidemic

Following is a question by the Hon Nixie Lam and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (January 26):

Question:

Given the fluctuating situation of the Coronavirus Disease 2019 epidemic, the anti-epidemic measures announced by the Government are often implemented within a short period of time, affecting the conduct of quite a number of physical commercial activities. Some operators of small and medium enterprises (SMEs) have relayed to me their hope that the Government will enhance its support for them amid the epidemic. In this connection, will the Government inform this Council:

(1) of the measures in place to assist SMEs in expediting the sale of products by the e-commerce model; whether it will provide SMEs with tax concessions, technical support and loan schemes dedicated for assisting them in digital transformation, so as to increase the incentives for them to adopt the e-commerce model; and

(2) as some members of the industries have pointed out that the level of subsidy to be disbursed by the Government under the fifth round of the Anti-epidemic Fund to those business operators affected by the tightening of social distancing measures is just a drop in the bucket, whether the Government will increase the relevant subsidy amounts; whether it will provide those operators with convenience or concessions (e.g. according priority to hire government venues and rental concessions) after the epidemic has stabilised, so as to facilitate their resumption of normal business as early as possible?

Reply:

President,

The Government strives to support small and medium enterprises (SMEs), and through a number of funding schemes encourage them to enhance their competitiveness and explore more diversified markets. In view that SMEs are severely impacted by the pandemic, the Government has also rolled out a series of relief measures under the Budget and the Anti-Epidemic Fund (AEF) to provide financial support to help SMEs weather the storm.

Having consulted the Innovation and Technology Bureau, the Financial Services and the Treasury Bureau and the Human Resources Planning and Poverty Co-ordination Unit, my consolidated reply to the specific question raised is as follows:

(1) The Technology Voucher Programme (TVP) under the Innovation and Technology Fund administered by the Innovation and Technology Commission (ITC) aims to support enterprises to use technological services and solutions to improve productivity, or upgrade or transform their business processes, including the introduction of sale of products by the e-commerce model. Having regard to its operational experience and views from the industry, the ITC introduced enhancement measures for the TVP in 2020. For instance, each approved project can be funded up to three-quarters of the project cost, with a cumulative funding ceiling of \$600,000. The pandemic has accelerated the need for digitalisation, with the number of TVP applications increasing considerably from around 700 in 2018 to around 5 100 in 2021. As at end 2021, about 7 100 TVP applications have been approved with total funding of around \$1.1 billion. In addition, the ITC launched the time-limited Distance Business Programme (D-Biz Programme) under the AEF in 2020, which covers information technology (IT) categories relating to distance business (including the development of online service platforms such as web portals and mobile apps), in order to support enterprises to adopt IT solutions to continue business and provide services during the pandemic. The D-Biz Programme was open for application from May 18 to October 31, 2020. As at January 25, 2022, projects of over 25 740 approved applications have been implemented, involving total funding of around \$1.7 billion. Beneficiaries include a wide range of industries, over 95 per cent of which are SMEs.

Hong Kong Science and Technology Parks Corporation and Cyberport have provided three rounds of rental concessions from 2019 to 2021, with the second round supported by the AEF. The three rounds of initiatives in total benefitted around 2 000 tenants in the Science Park, INNOPARKs and Cyberport, etc.

Furthermore, to alleviate the possible cash flow pressure facing SMEs during the pandemic, on top of the existing 80 per cent and 90 per cent Guarantee Products, the Government introduced the Special 100 per cent Guarantee Product under the SME Financing Guarantee Scheme (SFGS) in April 2020 to provide low-interest concessionary loans to SMEs. Multiple rounds of enhancements have since been made, including raising the Government's total commitment under SFGS to \$218 billion, increasing the maximum loan amount, the maximum repayment period, and the maximum duration of principal moratorium, as well as extending the application period to June 30, 2022. SMEs may use the loans for digital transformation in accordance with their needs. As at end 2021, over 47 000 applications have been approved under the Special 100 per cent Guarantee Product, involving loan guarantees of approximately \$81.6 billion which accounts for half of the SFGS's total approved commitment, benefitting over 29 000 enterprises.

(2) In view of the development of the pandemic, the Government has tightened social distancing measures with effect from January 7, 2022. Having regard to the impact of this decisive tightening of measures on the business of certain sectors, the Government has swiftly deployed the uncommitted balance under the AEF to introduce the fifth-round support measures. In terms of subsidy rates, as premises were required to close for a longer period of time during the fourth-round AEF, the subsidy rates for premises and individuals under

this round of AEF were pitched at half and two-third of the subsidy rates under the fourth-round AEF respectively.

Regarding rental concessions, the Government announced the extension of the 75 per cent rental or fee concessions for eligible tenants of government premises and eligible short-term tenancies and waivers under the Lands Department on August 25, 2021. During the rental concession period, tenants of Government properties who have to close their properties at the request of the Government will continue to receive full rental waiver for the duration of the closure. These concessions remain valid until March 31, 2022.

The Government will continue to, having regard to the development of the pandemic and the impact of the anti-epidemic and social distancing measures, consider providing support to premises and individuals directly affected by the relevant measures. The Government will also continue with the anti-epidemic work with a view to enabling premises currently required to close to resume business as soon as possible.