

## Hong Kong Productivity Council Accelerates the Upgrading and Transformation of SMEs

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To survive fierce market competition and escalating trade conflict, technological and management capabilities are true sources for enterprises to retain their competitive edge. As one of the main industry support organisations, Hong Kong Productivity Council (hereinafter "HKPC") has been working with various parties to facilitate industrial upgrading and market exploration for both Hong Kong SMEs and Hong Kong-owned SMEs in China, with the aim to take their business to the next level. This report will give an introduction of HKPC and the related industry support policies.

### ABOUT HKPC

HKPC is a statutory organisation established in 1967 with the mission of enhancing industry productivity and competitiveness in Hong Kong through provision of integrated support ranges from technology transfer, consultancy to training. It is led and monitored by a council comprising government officials and representatives from various sectors. The funding of the HKPC comes from government subventions and self-generated income. HKPC plays an active role in helping Hong Kong industries to transform upstream R&D into market ready products and provides consultancy service to more than 1,000 enterprises every year. In 2016/17, HKPC introduced 28 new services and products, commercialised 19 products (or technologies) and registered 18 patents<sup>1</sup>.

HKPC is dedicated to setting up resource hubs to different industries. Its headquarter in Kowloon Tong is equipped with a spectrum of industry support centres and accredited testing facilities. By joining membership at a monthly fee at HK\$800, corporate users could utilize facilities such as 3D printing machine, laser cutting tooling and AR/VR application development system to develop their innovative idea into workable industrial designs and products.

Apart from acting as a technical services platform provider, HKPC plays as implementation partner for several government funding schemes to SMEs. Major schemes include BUD Fund, Enterprise Upgrading and Transformation Subvention Scheme, and Cleaner Production Partnership Programme. It is worth noticing that the schemes are not only applicable to local enterprises, but also foreign-invested business registered in Hong Kong and their legal entities in China. The following will give a highlight to the schemes.

HKPC Hong Kong Headquarter in Kowloon Tong



Source: HKPC Homepage

<sup>1</sup> HKPC Annual Report 2016-17

## HIGHLIGHTS OF GOVERNMENT FUNDING SCHEMES

### 1. Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund)-Enterprise Support Programme

HKPC has acted as the secretariat for the HK\$1 billion BUD Fund-Enterprise Support Programme since its inception in 2012. The fund provides support for Hong Kong enterprises to develop brands, upgrade business operations and promote sales in the Mainland market. According to the report published by HKPC<sup>2</sup>, up to the end of Dec 2016, 716 applications were approved which involves HK\$262 million of funding. Enterprises from manufacturing and service sector account for about half of the successful applications respectively, in which the top industries were found to be Wholesale and Retail Services (28%), Import/Export Trade (10%), Electronics Manufacturing (6%), and Textile and Garment Manufacturing (6%). On 1<sup>st</sup> August this year, another HK\$1.5 billion was injected and enhancement measures were launched to upgrade the existing "Mainland Programme" and extend the geographical scope of BUD Fund to include ASEAN markets by launching the "ASEAN Programme".

【Table 1 Details of BUD Fund-Enterprise Support Programme】

	Details
Fund Size & Geographical Scale	<ul style="list-style-type: none"> <li>Fund size: HK\$ 2.5 billion</li> <li>Geographical Scale: Provide funding support to branding, business upgrading and sales promotion activities in both Mainland and ASEAN market.</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li><u>Non-listed enterprises</u> registered in Hong Kong under the Business Registration Ordinance (Chapter 310) with <u>substantive business operations</u> in Hong Kong</li> </ul>
Scope of Funding	<ul style="list-style-type: none"> <li>Branding: Brand Development Strategy and Planning, Brand Positioning and Image Design, Brand Assessment and Market Survey, and Brand Promotion, etc</li> <li>Upgrading &amp; Restructuring: New Product Design, New Technology Adoption, Management System Upgrading, Manufacturing Automation, etc</li> <li>Promoting Sales: Sales Market Survey, Sales Strategy and Plan Formulation, Sales Channel Building, Product/Service Promotion, etc</li> </ul>
Cumulative Funding Ceiling per Enterprise	<ul style="list-style-type: none"> <li>HK\$1 million for a maximum of 10 approved projects<sup>3</sup> for Mainland Programme and ASEAN Programme <u>respectively</u></li> </ul>
Funding Ceiling per Project	20-50% of the total approved project cost with the ceiling amount of HK\$1 million <sup>4</sup>
Project Duration	Each funded project should be completed within 24 months
Success Cases <sup>5</sup>	<ul style="list-style-type: none"> <li>Manova International Ltd: Project on R&amp;D of smartphone accessories, patents application and establishment of sales channel in Mainland China</li> <li>Videoscape Technology Co. Ltd: Project on product upgrading by IC design, R&amp;D staff hire and quality testing intensification</li> <li>Mei Shing Watch Products Mfg. Co. Ltd: Project on automation of production line for Hong Kong-invested Huizhou manufacturer</li> <li>Sunfun (China) Ltd - Hong Kong: Projects on Mainland wine market exploration, EC platform establishment and HKQAA commercial wine supplier and transporter Accreditation</li> <li>Kiu Fung Hong Ltd: Project on branding activity and sales expansion of "Edo Pack" products in Mainland</li> <li>Vincent Raya Co. Ltd: Wax Expert trademark registration, expand beauty hair removal beauty services in China and ASEAN countries and set up a CRM system for customer data management</li> </ul>

### 2. Enterprise Upgrading and Transformation Subvention Scheme

Apart from market exploration, HKPC also works with governments in Pearl River Delta (thereinafter "PRD") to facilitate industrial products-related technological upgrading and innovation for Hong Kong manufacturer in PRD.

<sup>2</sup> BUD Fund Case Sharing Guide Book published by HKPC in 2017 March

<sup>3</sup> Cumulative funding ceiling per enterprise before 1<sup>st</sup> Aug, 2018: HK\$0.5 million for a maximum of 3 approved projects

<sup>4</sup> Funding ceiling per project before 1<sup>st</sup> Aug, 2018: HK\$0.5 million

<sup>5</sup> BUD Fund Case Sharing Guide Book published by HKPC in 2017 March

HKPC provides fee-based consultant services and technical support whereas governments in PRD subsidizes 50%-80% of the service fee charged by HKPC. Under the scheme, an on-site basic assessment with suggestions for short-term improvement will be provided at the first stage. It followed by an in-depth assessment with a variety of short-term to long-term improvements suggestions. Applicants shall select and implement the improvement options with the guidance of HKPC in the Project Counselling Stage.

【Table 2 Details of Enterprise Upgrading and Transformation Subvention Scheme】

	Dongguan	Zhuhai	Zhongshan
Responsible Department	Bureau of Commerce of Dongguan-Processing Trade Div.	Bureau of Commerce of Zhuhai- Processing Trade Div.	Bureau of Technology of Zhongshan- Planning Div.
Eligibility	<ul style="list-style-type: none"> <li>Enterprise in processing trade and in line with the city's local industrial development policies</li> <li>Graded as B-level or above by China Customs</li> <li>Recommended<sup>6</sup> and approved<sup>7</sup> by competent organisations</li> </ul>	<ul style="list-style-type: none"> <li>Legal entity engaging in processing trade within the last 2 years in Zhuhai</li> <li>Graded General-Credited or above by China Customs</li> <li>Export or domestic sales revenue reached US\$1 million last year</li> </ul>	<ul style="list-style-type: none"> <li>Legal entity registered in Zhongshan</li> <li>In line with the industrial development policies and with strong innovation capabilities</li> </ul>
Scope of Funding and Assessment	<ul style="list-style-type: none"> <li>Product design</li> <li>Production and testing technology</li> <li>Eco-friendly production</li> </ul>	<ul style="list-style-type: none"> <li>Domestic sales (Strategies and planning)</li> <li>Management optimization</li> <li>Automation</li> </ul>	
Basic Assessment	<ul style="list-style-type: none"> <li>A subsidy of RMB40,000 out of total charges of HK\$50,000</li> </ul>	<ul style="list-style-type: none"> <li>A subsidy of 80% of the assessment fee (up to RMB40,000)</li> </ul>	<ul style="list-style-type: none"> <li>A subsidy of 60% of the assessment fee (up to RMB30,000)</li> </ul>
In-depth Assessment	<ul style="list-style-type: none"> <li>A subsidy of 50% of the service fee (up to RMB300,000)<sup>8</sup></li> </ul>	<ul style="list-style-type: none"> <li>A subsidy of 50% of the service fee (up to RMB50,000)</li> </ul>	<ul style="list-style-type: none"> <li>A subsidy of 60% of the service fee (up to RMB300,000)</li> </ul>
Project Counselling		<ul style="list-style-type: none"> <li>A subsidy of 50% of the service fee (up to RMB300,000)</li> </ul>	
Success Cases <sup>9</sup>	<ul style="list-style-type: none"> <li>Dongguan Eagle Sankyou Screws &amp; Fasteners Co., Ltd: Explored the high value-added market by getting certified as an aircraft parts manufacturer (ASO9100) with the assistance of HKPC</li> <li>Gaowen Underwear Products Co., Ltd: Improvement in production efficiency by introduction of a computer-aided bra cup moulding system and a data base for semi-finished moulds</li> <li>R.E.A.C. Electronic Co., Ltd: Reduced labour turnover rate by 10% by improving talent management</li> <li>Universal Marble &amp; Granite Group Ltd.: Increase in employee satisfaction and operation efficiency by introduction of Performance Excellence Model</li> </ul>		

### 3. Cleaner Production Partnership Programme

Hong Kong manufacturers have moved their production to South China in 1980s-1990s. With the tightening environmental regulations in mainland, green production is another challenging task for those manufacturers. As the implementation agent for Cleaner Production Partnership Programme (Hereinafter "CPPP"), HKPC aims to facilitate Hong Kong owned factories in both Hong Kong and Guangdong Province to adopt cleaner production (CP) technologies and practice. Apart from sponsoring the consulting fee of on-site improvement assessment, CPPP also

<sup>6</sup> The Hong Kong General Chamber of Commerce, Federation of Hong Kong Industries, The Chinese Manufacturers' Association of Hong Kong, The Chinese General Chamber of Commerce, Dongguan City Association of Enterprises with Foreign Investment, village or street level bureau of commerce, Productivity (Dongguan) Consulting Co. Ltd

<sup>7</sup> Reviewed and approved by both Bureau of Commerce of Dongguan and HKPC

<sup>8</sup> The total subsidy of In-depth Assessment and Project Counselling is RMB300,000. Enterprises undergo In-depth Assessment is eligible for a maximum subsidy of RMB50,000 only.

<sup>9</sup> HKPC website

provides funding support for participating factories to install equipment and modify production process after the on-site assessment. As at March 2018, 332 applications were approved and it is expected the application for on-site assessment will be closed in Jun 2019.

【Table 3 Details of CPPP】

Key Initiative	On-site Improvement Assessment	Demonstration Project
Eligibility	<ul style="list-style-type: none"> <li>Any business registered in Hong Kong under the Business Registration Ordinance (Chapter 310) and meets any one of the following requirements:               <ol style="list-style-type: none"> <li>operating a factory or a workshop involving polluting processes in Hong Kong</li> <li>operating a factory in the <u>Guangdong province</u> in the form of sole ownership, joint venture or “three forms of processing and assembly operations or compensatory trade”(三來一補)</li> <li>with its major shareholder (at least 30% shareholding or equity interest) being a Hong Kong resident (i.e. natural person) who is also a major shareholder (more than 50% shareholding or equity interest) of a factory in Guangdong</li> </ol> </li> </ul>	
Target Industries	<ul style="list-style-type: none"> <li>Chemical products</li> <li>Food and beverage</li> <li>Furniture</li> <li>Metal and metal products</li> </ul>	<ul style="list-style-type: none"> <li>Non-metallic mineral products</li> <li>Printing and publishing</li> <li>Paper/paper product manufacturing; and</li> <li>Textiles</li> </ul>
Project Nature	<ul style="list-style-type: none"> <li>Assess rooms for improvement in energy efficiency and emission reduction</li> <li>Recommend practical cleaner production improvement options</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate the effectiveness of CP technologies through installation of new equipment or modification of production processes</li> </ul>
Funding Ceiling	50% of the total cost with the ceiling amount of HK\$28,000 per factory	50% of the total cost with the ceiling amount of HK\$330,000 per project
Success Cases <sup>10</sup>	Applicants	
	Esquel Group: Introduction of steam management system to reduce steam consumption during textile production	HK\$268,018
	Uni-Asia Group Ltd: Introduction of auto-loading cartoner machine and flow wrap machine to reduce energy consumption and improve production efficiency	HK\$330,000
	Lee Kum Kee International Holdings Ltd: Installation of sterilizer with heat recovery function to save energy	HK\$330,000

## COMMENT

Although technological upgrade and market exploration are closely related with competitiveness of a business, it always involve a considerable amount of investment, thereby discouraging decision makers of SMEs with limited funds from taking the first step. Gaining access to support and funding schemes available in Hong Kong and the Pearl River Delta region is thus crucial for Hong Kong SMEs. HKPC has been working on constructing the platform for supporting local SMEs to utilize the variety of development resources. “SME One”<sup>11</sup> platform set up by HKPC is available to gain access to more funding schemes other than the above programmes.

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<sup>10</sup> HKPC’s seminar in Dongguan on 4<sup>th</sup> Sep, 2018

<sup>11</sup> Website of SME One platform: <https://www.smeone.org/index.php?lang=zh>