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16 January 2003

Ms Connie Szeto
Clerk to Panel on Commerce and Industry
Legislative Council Secretariat
3/F Citibank Tower
3 Garden Road, Central
Hong Kong
[Fax No.: 2869 6794]

Dear Ms. Szeto,

Panel on Commerce and Industry
Review on SME Funding Schemes

At the special meeting of the Legislative Council Panel on Commerce and Industry (the Panel) held on 16 December 2002, the Honourable CHAN Yuen-han asked whether it could be because of the size of the SMEs or the sectors they belong which led to applications being rejected. She also asked whether we have statistics on the number of employees not being able to benefit from the SME Training Fund (STF) because employers did not subscribe to their training needs. Our replies are as follows.

The STF provides training grant to encourage SMEs to provide training relevant to their business operations to their employers and employees, with a view to improving SMEs' capabilities and competitiveness. Businesses which are registered in Hong Kong under the Business Registration Ordinance (Chapter 310) and fall within the definition of "SMEs" (i.e. any manufacturing businesses which employ fewer than 100 persons in Hong Kong, or any non-manufacturing businesses which employ fewer than 50 persons in Hong Kong) are eligible to apply for the STF. In other words, the STF is open to all sectors. Nor has it set any lower limit on the size of establishment.

As at 31 December 2002, the STF received 11,201 applications, and approved 9,370 applications. 422 applications were being processed. In addition, 791 applications were withdrawn by the applicants, and 618 applications were rejected.

The 618 rejected applications were submitted by SMEs of different sizes, ranging from one to over 100 people. They came from over twenty different sectors, including more than ten manufacturing and non-manufacturing sectors respectively. Annex I shows the major reasons for rejecting these applications. It shows that these applications were rejected not because of small size or the sectors they belong.

Annex 2 provides detailed breakdown on the applications received under the STF and the rejected applications in terms of the sizes of establishment, and the sectors they belong (manufacturing vis-a-vis non-manufacturing). The information shows that the rejection rate for applications submitted by SMEs with less than 10 people is not higher than that for applications submitted by SMEs with more than 10 people.

As applications for the STF have to be submitted by SMEs rather than individual employees, the Government does not have information on the number of employees who have not been able to benefit from the STF because their employers did not subscribe to their training needs. So far, the Trade and Industry Department has not received complaints from SME employees in this regard. Given that funds under the STF were granted to companies rather than individuals, and that SMEs have to contribute at least 50% of the training expenses, we consider it appropriate to require applications to be submitted with the consent of both the employers and the employees.

I should be grateful if you would circulate the reply to Panel Members for reference.

Yours sincerely,

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for Director-General of Trade and Industry

c.c. Administrative Assistant,
Secretary for Commerce, Industry and Technology
Secretary for Commerce, Industry and Technology
(Attn: Ms Anita Chan)

SME Training Fund
Reasons for rejection

Reasons for rejection	No. of applications	% of rejected applications
The training courses had commenced before the SMEs submitted the applications ^(Note)	246	40%
The training courses were irrelevant to the SMEs' business operations	129	21%
The SMEs failed to provide sufficient information and/or supporting documents to substantiate their applications	77	12%
The SMEs did not possess valid Business Registration or did not meet the definition of "SMEs" (i.e. size of establishment has exceeded the ceilings for "SMEs")	60	10%
The SMEs had already obtained the maximum amount of grant from the STF	52	8%
Others (e.g. the trainees were not Hong Kong Identity Card holders)	54	9%
Total	618	100%

(Note) : In the Report on the Review of the SME Funding Schemes, the SME Committee recommended that SMEs be allowed to submit applications for the STF either before or after the commencement of the training courses. In the case of the latter, applications have to be submitted not later than 30 days after the completion of the courses. Subject to the endorsement of the Finance Committee of the Legislative Council, the improvement measures for the SME funding schemes would be implemented in the first quarter of this year.

**Breakdown of applications for the SME Training Fund
by sizes of establishment and sectors**

Business Sectors	Size of Establishments					Total
	1 - 10 persons	11 - 20 persons	21 - 49 persons	50 - 99 persons	over 100 persons	
All sectors (a) + (b)						
Total no. of applications received	7,324	1,866	1,644	347	20	11,201
No. of rejected applications	370	76	111	41	20	618
Percentage of rejected applications when compared with applications received	5%	4%	7%	12%	100%	6%
Manufacturing (a)						
Total no. of applications received	1,376	489	497	319	5	2,686
No. of rejected applications	56	25	41	13	5	140
Percentage of rejected applications when compared with applications received	4%	5%	8%	4%	100%	5%
Non-manufacturing (b)						
Total no. of applications received	5,948	1,377	1,147	28	15	8,515
No. of rejected applications	314	51	70	28	15	478
Percentage of rejected applications when compared with applications received	5%	4%	6%	100%	100%	6%