

**SME Development Fund
Final Report of Approved Project**

Project Title : Development of the Intellectual Capital Statement
(Reference No.) (ICS) Guideline
(D10 002 007)

Period covered : From 01/01/11 to 31/03/12
(dd/mm/yy) (dd/mm/yy)

1. Project Details

Please mark with "*" if any of the following project details is different from that in the project proposal appended to the project agreement.

Project Reference and Title

Development of the Intellectual Capital Statement (ICS) Guideline

Project Summary (in not more than 150 words)

Local SMEs find it difficult to obtain bank loans on preferential terms. One of the reasons behind is that an objective measure for financiers to evaluate the non-financial performance of SMEs is still missing. The proposed project aims at assisting SMEs to secure financial supports by preparing their Intellectual Capital Statement (ICS).

An ICS is a special reporting format of intangible assets of companies including people (human capital), the ways of doing business (structural capital) and the business network (relational capital). Under this project, an ICS preparation guideline will be published as an instrument helping SMEs to communicate its non-financial competencies to bankers so that informed lending decisions could be made by the banks. It could then increase the chances for SMEs in securing preferential bank loans.

The Applicant of the proposed project Manufacturing Enterprise Integration and Innovation Association Limited (MEIIA) had organised a public seminar on ICM in December 2009 with the support of the Professional Services Development Assistance Scheme (PSDAS) of Commerce and Economic Development Bureau, HKSAR Government (CEDB), for which is well received by participants.

The proposed project will involve the conduct of 9 pilot cases for the testing and drafting of the guideline. Besides, the guideline will also be review by both industrial representatives and ICM experts for quality and practicability assurance.

In order to gain publicity, 5 promotion seminars and 10 training workshops will be organised. The final ICS guideline and the relevant training materials will be posted on websites for SMEs to access for free.

Project Objective(s) (in not more than 80 words)

- To assist SMEs in preparing their Intellectual Capital Statement (ICS) as a tool in securing preferential bank loans
 - To set a standard practice for the stakeholders to understand the profitability of SMEs
 - To visualise the benefits of implementing Intellectual Capital Management (ICM) in SMEs
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Recipient/Collaborating/Implementation Organisation

Recipient Organisation : Manufacturing Enterprise Integration and Innovation Association Limited
(MEIIA)

Collaborating Organisation(s) : N.A.

Implementation Agent(s) : Asia Intellectual Capital Alliance Limited (AICA)

Key Personnel

	<u>Name</u>	<u>Company/Organisation</u>	<u>Tel No. & Fax No.</u>
Project Co-ordinator	Mr. Benny Lam	Manufacturing Enterprise Integration and Innovation Association Limited (MEIIA)	8102 2050 8102 2051
Deputy Project Co-ordinator	Mr. Vincent Lau	Manufacturing Enterprise Integration and Innovation Association Limited (MEIIA)	8102 2050 8102 2051

Project Period

	<u>Commencement Date</u> (day/month/year)	<u>Completion Date</u> (day/month/year)	<u>Project Duration</u> (No. of months)
As stated in project agreement	01/01/2011	31/12/2011	12 months
Revised (if applicable)	01/01/2011	31/03/2012	15 months

Methodology Employed

MEIIA with AICA as the implementation agent had conducted 9 pilot cases for the testing and drafting of the guideline. Besides, the guideline had been reviewed by both industrial representatives and ICM experts for quality and practicability assurance. 5 promotion seminars and 10 training workshops had been organized in order to gain publicity. The guideline had been published and relevant training materials had been posted on website for SMEs to access for free.

2. Summary of Project Results

Project Deliverables

Please list out the targeted project deliverables as stated in the project proposal appended to the project agreement and provide details of actual result achieved, including beneficiaries, for each of them.

An ICS preparation guideline was the major project deliverables. 1,000 copies of ICS guideline had been printed with the softcopy be ready for download at the websites for free. The SME may used this ICS preparation guideline to write its own ICS. SMEs may use its ICS to communicate its core competencies and hidden potential to stakeholders effectively, so as to obtain more support (including financial support) for business growth. For the banks, the ICS prepared by using preparation guideline would be more structured, informative and readable, leading to better informed lending decisions. On the other hand, the chances for SMEs in securing preferential bank loans would be enhanced.

5 seminars (in which 1 was for local bankers) had been held for promoting the implementation of ICM and writing of ICS, Total number of participants for the seminars was 201. Awareness in the society was raised.

10 training workshops (8 for SMEs and 2 for local bankers) on the use of the ICS preparation guideline had been organised to assist SMEs to take advantage of the guideline and ICM. Total number of participants for 10 training workshop was 176.

Actual Benefits to SMEs

Please indicate *in clear, specific, tangible and quantifiable terms* the benefits of the project and its contribution to enhancing the competitiveness of Hong Kong's SMEs in general or SMEs in specific sectors, in not more than 400 words.

In the process to recruit pilot cases, we got 25 applications and 9 companies had been selected to join the programme. The pilot companies had completed in drafting their own ICS. In the process, they dug out most of their hidden value and presented systematically in their ICS. Some ICS had been shown to the bankers for their review and comment. Most of the banks shown positive view. Some companies also use it as one of their marketing tools to show to their stakeholders.

We seek 2 sponsors and 9 supporting organization which together had over thousands of SME members. They helped to promote and invite members to join the seminars and workshops, and encourage them to use the ICS preparation guideline. In the Seminars, the concept of intangible assets disclosure has been introduced and in the Workshops, the SMEs were trained to write their own ICS steps by steps.

One of our sponsors, the Hong Kong Institute of Bankers, had co-organised one seminar and 2 workshops with over 70 bankers participated from more than 20 major banks. From the viewpoints of the banks, the ICS prepared by using the guideline would be more structured, informative and readable, leading to better informed lending decisions. The workshops helped the bankers to understand what an ICS is and how to use it. It provides basic information to them to save their time in collecting information and drafting the credit proposal. Hong Kong Institute of Certified Public Accountants, one of the supporting organizations, actively promote the activities among their members. The ICS preparation guideline may also help them in complying the audit report and the Corporate Governance Report in the future.

The SME can get the Guideline easily from the website of MEIHA free of charge or get the printed copy from the supporting organizations. The guideline had shown all the steps in preparation of the ICS. In addition, a sample has been included in order to give the SME a reference to follow. By using the guideline, the SME may disclose its intangible assets and communicate its core competencies and hidden potential effectively to their stakeholders in an ICS, especially showing their repayment ability and sustainability in order to get support from financial institutions.

Milestones (in chronological order)

Please indicate if the milestone is completed (C), deferred (D) or not achieved (N). If it is deferred, please indicate the revised completion date. For those milestones which are deferred or not achieved, please also provide the reasons under item 2.4.

	<u>Milestone</u>	<u>Original target completion date</u>	<u>Revised target completion date</u> (if applicable)	<u>Status</u> (C/D/N) #
(as set out in the project proposal appended to the project agreement)				
(a)	- Formation of project panel - Confirm the participation of overseas experts - Recruitment campaign of pilot companies (promotion and application submission)	31/1/2011	14/2/2011	C
(b)	- Selection and confirmation of pilot companies - Study of overseas ICS guideline - Coordination for the pilot cases	10/3/2011	21/4/2011	C
(c)	- Conduct 3 pilot cases - Compile the ICS for the 3 pilot companies and interviews with local banks - Drafting the provisional guideline - Panel review of provision guideline	31/5/2011	16/6/2011	C
(d)	- Conduct another 6 pilot cases - Assist the pilot companies to prepare the ICS using the provisional guideline - Interviews with local banks and pilot companies	31/7/2011	28/9/2011	C
(e)	- Panel review the ICS of the 6 pilot cases - Revise the provisional guideline - Overseas experts review the ICS guideline - Official publication of the ICS guideline - Prepare for seminars and training workshops	31/8/2011	28/10/2011	C
(f)	- Conduct 5 promotion seminars - Conduct 10 training workshops - Further refinement of ICS guideline - Project wrap-up	31/12/2011	20/3/2012	C

Marketing/Dissemination Activities (in chronological order)

Please provide details of all completed and on-going promotional and/or dissemination activities for each of the project deliverables. Such activities may include advertisements, seminars, workshops, etc.

<u>Date/ Period</u>	<u>Description</u>	<u>No. of beneficiaries</u> (Please specify whether they are SMEs or not)
28/10/2011	Seminar	32
11/11/2011	Seminar	48
28/11/2011	Seminar	40
07/12/2011	Workshop	19
13/12/2011	Workshop (AM)	15
13/12/2011	Workshop (PM)	20
20/12/2011	Workshop	19
13/01/2012	Workshop	14
18/01/2012	Workshop	21
27/02/2012	Workshop	22
28/02/2012	Workshop	12
01/03/2012	Seminar	21
10/03/2012	Workshop	15
15/3/2012	Workshop	19
20/03/2012	Seminar	60
	Leaflet	1500
	Emailing	7000
	Guideline	1000
	Website	2000
	Total no. of beneficiaries - no. of SMEs	: 10377
	no. of companies which are <u>not</u> SMEs	: 1500

Future Plan for Promoting the Project Deliverables

The ICS Guideline has been uploaded in MEIIA's website for free download. In addition, 50 copies of the ICS Guideline had been sent to each of the supporting organizations and sponsors to distribute to their members. The remaining copies will be distributed to public in future events held.