

ITEM FOR FINANCE COMMITTEE

**HEAD 55 – GOVERNMENT SECRETARIAT :
COMMERCE AND ECONOMIC DEVELOPMENT BUREAU
(COMMUNICATIONS AND TECHNOLOGY BRANCH)**

Subhead 700 General non-recurrent

Item 897 Hong Kong Design Centre

New item “Business of Design Week and Hong Kong Design Centre Awards”

New item “Design Incubation Programme”

Members are invited to approve the following changes to Head 55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch) Subhead 700 General non-recurrent –

Item 897 Hong Kong Design Centre

- (a) increase the current commitment by \$70 million from \$100 million to \$170 million;

New item Business of Design Week and Hong Kong Design Centre Awards

- (b) create a new commitment of \$37.5 million to provide funding support for organising two design signature events, namely “Business of Design Week” and “Hong Kong Design Centre Awards”; and

New item Design Incubation Programme

- (c) create a new commitment of \$26.25 million to provide funding support for the “Design Incubation Programme”.

/PROBLEM

PROBLEM

We need to strengthen support for the development of the local design sector.

PROPOSAL

2. The Secretary for Commerce and Economic Development proposes to –
 - (a) increase the current commitment for the Hong Kong Design Centre (HKDC) by \$70 million from \$100 million to \$170 million to continue supporting the operation of HKDC for three years from 1 July 2012 to 30 June 2015;
 - (b) create a new commitment of \$37.5 million to provide dedicated funding to enable HKDC to organise two design signature events, namely Business of Design Week (BODW) and Hong Kong Design Centre Awards (HKDC Awards), for three years from 2012 to 2014; and
 - (c) create a new commitment of \$26.25 million to provide funding support for HKDC to operate the Design Incubation Programme (DIP) as from 1 May 2012.

JUSTIFICATION

3. The design sector is one of the fastest-growing creative sectors. According to the latest statistics from the Census and Statistics Department, the value added of the design sector to Hong Kong's economy has nearly trebled from around \$1 billion in 2005 to about \$2.9 billion in 2010, while the number of persons engaged in the sector has increased by about 26% to about 12 000 persons during the same period.

4. Hong Kong needs to make sustained efforts to promote the local design sector so as to maintain its competitiveness and enhance Hong Kong design's profile at the international arena. While the Government has been promoting the development of the creative industries (including the design sector) through, among others, the establishment of the various funding schemes such as the CreateSmart Initiative (CSI), we see the need to further strengthen our support in three aspects as elaborated in the ensuing paragraphs.

Supporting the operation of HKDC

5. HKDC has been the Government's major partner in promoting design. Since its establishment in 2001, HKDC has been initiating and organising design-related seminars, exhibitions, conferences, workshops, awards and others. Given its established network, extensive programme of activities as well as proven track record, we consider that HKDC will continue to play a significant role in promoting design in Hong Kong and remain Government's key partner in this respect. HKDC is a non-profit making organisation and seeks to serve a public mission of helping to promote the development of the design sector for Hong Kong. In recognition of the community contribution of HKDC, the Government proposes to provide a non-recurrent allocation of \$70 million to support HKDC's basic operation over a period of three years from 1 July 2012 to 30 June 2015.

6. HKDC has over the years made significant achievements in raising Hong Kong's profile as Asia's design hub, providing support for designers, promoting the use of design in business and public sectors, enhancing community-wide appreciation of design, celebrating design excellence, and promoting networking with places outside Hong Kong. For instance, in 2010-11, HKDC organised 52 design-related events of various focus, a 58% increase from 2007-08. A summary of the major initiatives undertaken by HKDC in recent years is at Enclosure 1.

Encl. 1

7. HKDC conducted a major review in 2010-11 to evaluate its overall performance, strategy and financial position. The review concluded that while HKDC was gaining headways in its mission of promoting design, its potential in generating income was constrained by its nature as a non-profit making body carrying out a public mission rather than pursuing commercial interests. Key findings of HKDC's major review in 2010-11 are summarised at Enclosure 2.

Encl. 2

8. The current operation of HKDC is principally supported by a five-year funding of \$100 million approved by the Finance Committee (FC) vide FCR(2007-08)14. The current funding period will expire in end June 2012 and the \$100 million funding will have been fully disbursed by then. With the proposed non-recurrent allocation of \$70 million, HKDC will be able to continue with its work in promoting the development of the design sector in Hong Kong for three years after end June 2012. Specifically, the proposed amount covers expenditures on manpower, overhead and administration, and some basic programmes¹. These costs will enable HKDC to undertake further programme development of its

/flagship

¹ Basic programmes cover research; website and database development; publications; programme planning and development; networking activities on the Mainland and overseas; educational seminars; workshops and classes; designer-business networking events, etc.

Encl. 3
Encl. 4

flagship international events; conferences and workshops; youth and student programmes; and community outreach programmes, as well as undertaking international networking and general public relations activities. An indicative list of initiatives to be undertaken by HKDC in the coming three years is at Enclosure 3. The indicative expenditure in respect of HKDC's basic operation from 2012-13 to 2015-16 is set out at Enclosure 4.

9. HKDC will not be allowed to keep and retain any unspent Government funding balance as reserve. Any unspent portion of the funding which has been disbursed to HKDC by the end of the three-year funding period will have to be returned to the Government.

10. We will require HKDC to strive to achieve self-financing and progressively increase its income level. We have requested HKDC to consider options to enhance its financial sustainability in the longer term and will review its financial position in the near future. Meanwhile, we consider it appropriate to apply a three-year horizon in determining the more immediate funding requirements for HKDC.

Supporting the organisation of BODW and HKDC Awards

11. We propose a non-recurrent allocation of \$37.5 million over a period of three years from 2012-13 to support the organisation of BODW and HKDC Awards. This amount is derived on the basis of the average funding required for organising BODW and HKDC Awards in 2010-11 and 2011-12 which was around \$11.7 million per year. Allowing for future cost increase, we have assumed that about \$12.5 million would be set aside every year for the two events (about \$9 million for BODW and \$3.5 million for HKDC Awards), to cover staff cost, administrative overhead, marketing and public relations expenses, event management and operating expenses, etc.

12. BODW is a week-long programme with conferences, forums, awards presentation, exhibitions, outreach programme, gala dinner and other networking and business matching activities. Since its inauguration in 2002, the BODW has established itself as a key international event in Asia dedicated to design, innovation and brands, bringing to Hong Kong outstanding design masters and business leaders to share with the audience their insights into the latest global design trends. BODW also collaborates with partner countries, such as Japan in 2010 and Germany in 2011, to highlight design achievements of the selected partner country. Design practitioners, design users, business professionals, educators, students and members of the general public have benefitted from

/participation

participation in BODW. BODW and its concurrent events attracted over 98 000 visitors in 2011, of which some 15 000 are delegates from the Mainland and overseas. This has brought to Hong Kong not only tangible economic benefits in terms of generating revenue for Hong Kong's economy from the spending of the non-local delegates in Hong Kong² and facilitating business matching, but also intangible economic benefits in terms of drawing substantial international and regional media interest on Hong Kong³.

13. The HKDC Awards programme consists of certain key elements, such as award judging and presentation; promotional programmes; exhibitions; publication of award books, etc. HKDC has since 2003 conferred awards⁴ annually to outstanding design, practicing designers, business leaders, promising young designers and students in and outside Hong Kong, with a view to celebrating design excellence and applications as well as nurturing design talent. In 2011, 135 awards out of 850 entries were conferred under the HKDC Awards. Through these awards, they helped raise Hong Kong's profile as Asia's design hub, promoting the development of local design talents as well as facilitating international exchanges.

14. BODW and HKDC Awards have been supported mainly by Government funding under the DesignSmart Initiative (DSI)⁵ since inception. Given their contribution to the promotion and development of design industry, we see a strong case to continue to organise and invest in both events in the future. To facilitate project planning, liaison with other participating economies, and retention of existing expertise and project staff, we consider HKDC's proposal of earmarking dedicated funding for these two events from 2012 to 2014 justified and agreeable. With the proposed dedicated funding, HKDC will be given funding certainty to work out the programme plan for the two events on a longer-term basis. The proposed funding also ties in with our strategy of supporting the organisation of signature events to promote Hong Kong as Asia's creative capital.

/Supporting

² HKDC estimated that some 15 000 overseas delegates attending BODW 2011 had spent more than \$54 million on hotel accommodation, food, local transportation and shopping during their stay in Hong Kong.

³ For example, 263 local and overseas media attended BODW 2011 and conducted at least 280 media interviews.

⁴ HKDC Awards consist of Design Leadership Award, The World's Outstanding Chinese Designer Award, Design for Asia Award, Design for Asia Student Award, Hong Kong Young Design Talent Award, and Lifetime Achievement Award Asia.

⁵ FC approved in 2004 vide FCR(2004-05)16 a commitment of \$250 million for setting up of DSI to promote design in Hong Kong. To rationalise funding arrangements for the creative sectors, the DSI has been consolidated with the CSI with effect from June 2011.

Supporting the DIP

15. The current DIP offers funding support and incubation services to design start-ups over a two-year incubation period. The incubatees have to be engaged in design-oriented activities, including but not limited to product design, fashion design, jewelry design, interior design, branding/packaging, and visual and media arts. The incubatees also have opportunities for networking with other industrial organisations, academic institutes, professional bodies and potential business partners.

16. As at end February 2012, the current DIP has admitted 104 incubatees, exceeding the original target of assisting 50 design start-ups. The survival rate of the graduated incubatees is 89%⁶. Over the years, the incubatees of the DIP have created 342 job opportunities (i.e. 279 full-time staff and 63 part-time staff), and filed 62 intellectual property rights (including three patents, 42 trademarks and 17 registered designs). The DIP has enhanced the competitiveness of the design ventures and expanded their business networks at the early stage of business development through management training, consulting services, mentorship and networking opportunities. The DIP has also created design-related jobs and student internship opportunities, dovetailing Government's efforts to nurture design talent.

17. Based on the actual drawdown, we expect that the \$33.5 million⁷ funding earmarked for the current DIP will be fully committed by end April 2012. Having regard to the positive response to the DIP and Government's commitment to support the further development of the design sector, we propose to launch another phase of DIP (2nd phase DIP) to recruit around 60 additional design start-ups within three years commencing 1 May 2012. We will task HKDC, which will be able to better support the incubatees through synergy between DIP and HKDC's existing programmes, to administer the 2nd phase DIP. We estimate that around \$42.1 million will be required for the 2nd phase DIP, broken down as follows –

- (a) around \$30 million to cover the financial assistance package for the incubatees, capped at \$500,000 for each incubatee over the two-year incubation period. The financial subsidies will cover rental, operating expenses, promotion and development expenses, technical and management training expenses incurred by the incubatees; and

/(b)

⁶ Survival rate is calculated based on the number of graduated incubatees which are still in business two years after graduation from DIP.

⁷ Under the DSI, \$25 million had been set aside for supporting the current DIP. The funding had subsequently been adjusted to \$33.5 million having regard to the requirements of the industry.

- (b) around \$12.1 million to cover the operating expenditure of HKDC in connection with the 2nd phase DIP, including rental of the DIP management office and common areas used by incubatees (e.g. meeting rooms), staff and other administrative costs to run the DIP, expenses incurred for providing incubation services to the incubatees, etc.

Of the \$42.1 million required for the operation of the 2nd phase DIP, \$15.85 million will come from the residual funding under the DSI. We propose a non-recurrent allocation of \$26.25 million to meet the remaining requirement. HKDC will fine-tune the support services to best suit the needs of the incubatees. Enclosure 5 shows details of the support package for the new incubatees. Enclosure 6 shows an indicative number of design start-ups incubated under the DIP from 2012-13 to 2016-17.

Encl. 5
Encl. 6

Control and review mechanism

18. The Government will enter into a new funding agreement with HKDC setting out checks and controls for HKDC in relation to the use of Government funding (“New Funding Agreement”). HKDC will also be subject to value-for-money audits by the Audit Commission throughout the period during which Government funding is disbursed to HKDC.

19. Under the New Funding Agreement, disbursement of funding to HKDC will be subject to necessary safeguards and requirements, which are largely modelled on those set out in the current funding agreement in respect of the existing \$100 million Government funding. The New Funding Agreement will include, among other things, the following key elements –

- (a) **Three-year business plan** – HKDC will be required to submit to Government annually, before the submission of the annual plan, a three-year business plan, and roll it over every year. The plan should set out the strategic targets, performance indicators and staffing structures of HKDC, and its system to interface with stakeholders;
- (b) **Budgetary controls** – HKDC will be subject to various budgetary controls such as submission of annual plans, budgets and audited accounts for government approval; acceptance of operational reports and financial statements by Government; requirement to raise sponsorship level, etc. To strike a balance between proper control and the operational needs of HKDC, funds will be disbursed on a half-yearly basis. HKDC will also need to comply with its own corporate governance manual;

/(c)

- (c) **Review of performance** – HKDC will measure and evaluate the effectiveness of its programme, such as conducting regular tracking surveys on design awareness and standard in Hong Kong. HKDC will also need to draw up quantitative performance indicators and assessment. Such key performance indicators will include the revenue stream of HKDC, number of participants in the activities of HKDC, number of visitors to HKDC’s website, etc. HKDC will report to the Government its operation, cashflow position and performance as measured against a set of performance indicators; and
- (d) **Financial sustainability and overall review** – HKDC will be required to build up and enhance its revenue stream with a view to achieving self-financing as soon as possible. We will review HKDC’s overall performance and financial position and decide on the Government’s funding arrangement in support of HKDC’s operation, including any exit mechanism, in good time.

20. Regarding the operation of the 2nd phase DIP, HKDC will be required under the New Funding Agreement to draw up annually a programme to provide details on the admission of and support services for the incubatees, as well as a budget to set out the estimated amount of financial support required, for approval by the Government. HKDC will need to submit a mid-year progress report each year on the operation of the incubation programme, and annual audited accounts in respect of the funding received. Disbursement of funding will be made on a half-yearly basis.

21. As regards the \$37.5 million funding for BODW and HKDC Awards, the actual drawdown of the funding will be subject to HKDC’s drawing up of a budget for the events every year for prior approval by Government, and the usual funding discipline expected of government-funded projects, etc.

FINANCIAL IMPLICATIONS

22. We estimate that the implementation of the proposals set out under paragraph 2 above will require additional non-recurrent funding, with the indicative cashflow requirements broken down as follows –

/(a)

	2012-13	2013-14	2014-15	2015-16	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Supporting the operation of HKDC	17,200	23,000	23,800	6,000	70,000
(b) Supporting the organisation of BODW and HKDC Awards	12,500	12,500	12,500	-	37,500
(c) Supporting the 2 nd phase DIP ^(Note)	4,100	13,800	8,350	-	26,250

Note: HKDC requires \$42.1 million for running the DIP. Of the total cost of \$42.1 million, \$26.25 million will be met by the proposed allocation of new non-recurrent funding and the remaining balance by the residual funding under the DSI (see paragraph 17 above). Taking into account the residual funding under the DSI, the cashflow requirement of the 2nd phase DIP is projected to continue up to 2016-17.

PUBLIC CONSULTATION

23. We consulted the Legislative Council Panel on Information Technology and Broadcasting (ITB Panel) on 14 November 2011 on the proposals to allocate additional funding of \$70 million to support HKDC's operation and \$37.5 million for HKDC to organise BODW and HKDC Awards in the coming three years. We also consulted the ITB Panel on 13 February 2012 on the proposal to allocate additional funding of \$26.25 million to enable HKDC to operate the 2nd phase DIP. Members supported the proposals.

24. At the 14 November 2011 meeting of the ITB Panel, Members were interested in the examples of successful commercialisation of design deliverables in Hong Kong. We have provided vide LC Paper No. CB(1)1453/11-12(01) some examples of successful commercialisation cases under the DSI, including those of the Design-Business Collaboration Scheme, which provides matching grant to encourage small and medium enterprises in using design services.

25. At the 13 February 2012 meeting of the ITB Panel, Members requested the Administration to provide a breakdown of the respective amounts of funding to be used for rentals paid to the Hong Kong Science and Technology Parks Corporation (HKSTPC) and the operating expenses to be incurred by HKDC in the 2nd phase DIP. We have provided vide LC Paper No. CB(1)1448/11-12(01) the required information.

BACKGROUND

26. HKDC is a non-profit making organisation established in 2001 to promote the development of design in Hong Kong. It is a company limited by guarantee and founded by Hong Kong Federation of Design Associations, Hong Kong Designers Association, Hong Kong Interior Design Association, Hong Kong Fashion Designers Association, and the Chartered Society of Designers. HKDC has relied on Government's funding support since establishment to support its operation⁸. In recognition of the strategic role played by HKDC in the design landscape of Hong Kong, the Chief Executive announced in the 2011-12 Policy Address that the Government would allocate more resources to enhance support for HKDC.

27. BODW and HKDC Awards are flagship programmes of HKDC. Over the years, BODW and HKDC Awards have grown in scale and gained worldwide recognition, becoming signature events on the calendar of the international design and business communities. BODW comprises conferences, exhibitions, forums, outreaching programmes, etc. Since inception in 2002, BODW has become the largest design event in Asia and one of the largest of its kind in the world. HKDC Awards honour design excellence and outstanding achievements in the design field for practicing designers, business leaders, design enterprises and students in and outside Hong Kong. Since inception in 2003, the award programmes have grown in depth and breadth, and are highly esteemed locally and overseas.

28. The DIP was launched in 2006 to offer funding support and support services to design start-ups, with a view to helping them meet the challenges during the early and critical stages of development. HKSTPC currently runs the 1st phase DIP at InnoCentre. Each incubatee can receive funding support of a maximum of \$500,000 on a reimbursement basis over the two-year incubation period, and enjoy free use of business centre services and facilities at InnoCentre.

Communications and Technology Branch
Commerce and Economic Development Bureau
March 2012

⁸ In 2001, the Government provided a one-off funding of \$10 million as seed money to HKDC to support its initial operation. In 2004, FC approved vide FCR(2004-05)16 a commitment of \$250 million for setting up of DSI under which \$45 million was set aside for supporting the operation of HKDC. \$29 million had been disbursed to HKDC by end June 2007. The remaining balance of \$16 million, i.e. the undisbursed portion of the \$45 million set aside for supporting the operation of the HKDC had been ploughed back to the DSI. In 2007, FC approved a commitment of \$100 million vide FCR(2007-08)14 to support the operation of HKDC over five years.

**Major Initiatives of the Hong Kong Design Centre (HKDC)
in Recent Years**

HKDC has over the years been promoting design in Hong Kong. Major initiatives undertaken by HKDC in recent years are highlighted as follows –

- (a) *raising Hong Kong's profile as Asia's design hub* – HKDC has continued to develop various flagship events, which draw design masters and elites to Hong Kong for exchange and collaboration. Major programmes include mega design events such as Business of Design Week (BODW) (which is a week-long programme comprising conferences, forums, exhibitions, outreach programmes, business matching activities, etc.) and Knowledge of Design Week (KODW) (comprising workshops and seminars featuring world renowned designers of various disciplines) as well as the HKDC Awards programme;
- (b) *providing support for designers* – HKDC organises master classes, conferences, workshops to hone designers' design and business skills, facilitate exchange and enable designers to explore new business opportunities. For instance, overseas master classes on accessories design (2007), hospitality and experience design (2008), and shoes and accessories design (2009) were offered to practicing designers. HKDC has also been collaborating with the Chinese University of Hong Kong since 2008 to organise a multi-module certificate programme entitled "Entrepreneurship for Design and Creative Business". The programme has benefited 120 participants so far. HKDC also launched the Hong Kong Design Directory in 2008 to provide a comprehensive online database of professional designers and design firms in Hong Kong to facilitate easy access by potential users of design around the world;
- (c) *injecting design in business and public sectors* – HKDC assists the business sector in appreciating the value of design in business and making use of design to improve quality and user experience of their products and services. Through major programmes such as BODW, KODW and smaller-scale meetings and seminars, HKDC provides information, research findings, case studies, best practice guidelines and business contacts to foster greater bonds between business and design practitioners. To introduce design-oriented approach in delivery of public services, HKDC also conducted in 2009 a user-centred design research on Mong Kok Post Office for Hongkong Post and has participated since 2010 in the Cornwall Street Park renovation project of the Leisure and Cultural Services Department;

/(d)

- (d) *enhancing community-wide appreciation of design* – HKDC strives to nurture community-wide appreciation and understanding of design as an integral part of our everyday lives through public engagement initiatives such as community-focused seminars, forums, exhibitions, competitions, publications and media programmes. For example, HKDC has organised workshops and lectures for students and teachers of secondary schools as well as young people. HKDC also staged between May 2010 and May 2011 an exhibition entitled “Hong Kong: Creative Ecologies – Business, Living, Creativity” in Shanghai and Hong Kong to showcase Hong Kong’s creative industries as well as established and emerging designers, attracting some 360 000 visitors;
- (e) *celebrating design excellence* – HKDC continues to run the “HKDC Awards” which features diverse international and domestic award programmes to celebrate design excellence and commend achievements of design practitioners, business leaders, commercial entities and design students; and
- (f) *promoting networking with places outside Hong Kong* – to build strategic networks with organisations in the Mainland, Taiwan and overseas economies in the area of design, HKDC has maintained proactive contact with government organisations, consulates, and design and education institutions as well as business organisations. For instance, HKDC has signed memoranda of understanding with Shenzhen Industrial Design Profession Association in 2008, Shanghai Industrial Design Association in 2010, Dongguan Foreign Trade and Economic Cooperation Bureau in 2011 and Taiwan Design Center in 2011. The BODW each year also features various overseas partner countries such as Japan in 2010 and Germany in 2011. Besides, HKDC also organises or supports various forums, exhibitions and business matching activities held outside Hong Kong. HKDC has also initiated the Global Design Network to provide an international network featuring leaders from more than 30 influential design organisations around the world to explore and discuss issues of shared interest.

**Key Findings of the Major Review conducted by the
Hong Kong Design Centre (HKDC) in 2010-11**

The major review conducted by HKDC in 2010-11 to evaluate its overall performance, strategy and financial position concluded that –

- (a) HKDC, with the five-year funding of \$100 million, had been able to better plan ahead and deliver programmes on a longer-term basis. As a reference, HKDC organised 52 programmes in 2010-11, as compared to 33 programmes in 2007-08;
- (b) HKDC had established itself as an active organiser of design-related exhibitions, training, and promotional and educational programmes;
- (c) HKDC had established itself as a focal point for information on design know-how and design companies, and for networking among local, Mainland and overseas stakeholders. More recently, HKDC had taken up an emerging role in bringing Hong Kong design into the growing Mainland market;
- (d) while HKDC was gaining headways in its mission, its potential in generating income was constrained by its nature as a non-profit making body with a public mission instead of running commercial businesses; and the fact that Hong Kong is still at the critical stage of developing the design sector where significant investments on education and promotion are required. Despite HKDC's efforts to generate income and seek sponsorship (HKDC's income and sponsorship obtained in 2010-11 was 23% of total expenditure, as compared with 11% in 2007-08), it was not possible for HKDC to achieve self-financing when the five-year funding of \$100 million was exhausted; and
- (e) HKDC had attempted a more structured approach to generate income and secure sponsorship. HKDC would organise dedicated programmes to reach out to potential sponsors with a view to obtaining sponsorship from new sources. HKDC would also commit to maintain the target income to expenditure ratio at not less than 20%.

**Indicative Initiatives to be undertaken by the
Hong Kong Design Centre (HKDC)
in the coming three years**

Design for Designers

- support the operation of the Former Hollywood Road Police Married Quarters as a creative industries landmark;
- update and promote the use of the “Hong Kong Design Directory”, which is an on-line database of local designers and design companies;
- hold outreaching programmes for different design disciplines to promote community-wide design awareness and appreciation;
- run network programmes to sustain communication and facilitate partnership among leading design organisations;
- organise workshops and master classes to augment the standard of the design profession and advance design knowledge of designers and practitioners; and
- run the HKDC Awards* to acknowledge achievements and contributions of excellent design practitioners, business leaders and commercial entities.

Design for Business and Public Sectors

- run Knowledge of Design Week* conferences, forums and workshops;
- hold business forums, experience sharing sessions and executive programmes to nurture design-preneurs and provide networking opportunities for designers, incubatees, innovators, industrialists and investors;
- publish case studies to promote the use of design to generate ideas for new approach to business and service transformation;
- organise business matching and networking sessions for young design-preneurs; and
- promote to the public services sector the application of user centric design and methodology to improve public service delivery.

/Design

Design for General Public

- set up an Institute of Design Knowledge* as an advanced design knowledge enhancement platform for design practitioners and managers;
- organise design seminars and workshops for youth and teachers on design thinking and problem solving methodology;
- hold design marts for young creative talents and entrepreneurs to showcase and market their design and products; and
- organise public forums, talks, exhibitions, etc. to promote awareness of design among the general public.

Marketing and Public Relations

- organise a year-long programme, viz. Hong Kong Design Year 2012*, comprising a wide array of signature events, promotional and celebration activities catering for people from all walks of life;
- organise international roadshows and participate in local, mainland and overseas prominent design-related events and activities;
- expand reach to the public through the loyalty programme, i.e. HKDC Friends membership programme;
- promote and position Business of Design Week* as the premier international pan-Asia knowledge exchange and networking platform for business; and
- publish publications to promote Hong Kong design excellence worldwide.

* The organisation of the programmes marked with an asterisk will be funded by sources of funding other than the proposed \$70 million funding (such as the proposed non-recurrent allocation of \$37.5 million in paragraphs 11 to 14 of the paper, as well as the CreateSmart Initiative).

Enclosure 4 to FCR(2012-13)3

**Indicative Expenditure in respect of the Basic Operation of the
Hong Kong Design Centre (HKDC) from 2012-13 to 2015-16¹**

Expenditure	2012-13²	2013-14	2014-15	2015-16³	Total
	\$ million	\$ million	\$ million	\$ million	\$ million
(a) staff	10.5	14.3	14.7	3.7	43.2
(b) overhead and administration	3.1	4.2	4.3	1.1	12.7
(c) basic programmes ⁴	6.7	9.1	9.4	2.4	27.6
Total	20.3	27.6	28.4	7.2	83.5

Note: Of the estimated total expenditure of \$83.5 million, \$70 million will be met by the proposed allocation of non-recurrent funding in paragraphs 5 to 10 of the paper and the remaining balance by HKDC's sponsorship or other income. Apart from basic programmes, HKDC will also seek other funding support (including sponsorship) to organise additional design-related projects.

¹ The estimates are indicative projections as at 15 March 2012 subject to further business and financial planning by the Hong Kong Design Centre and funding approval by the Government.

² The estimates cover the period from July 2012 to March 2013.

³ The estimates cover the period from April 2015 to June 2015.

⁴ Basic programmes cover research; website and database development; publications; programme planning and development; networking activities on the Mainland and overseas; educational seminars; workshops and classes; designer-business networking events, etc.

**Support Package for the New Incubatees of
the Design Incubation Programme**

Type of Financial Assistance	Indicative Maximum Amount
Office Rental and Business Centre Assistance	
<p>Each incubatee is provided with ready-to-use office of a maximum of 650 square feet. Incubatees enjoy rent-free office premises during the first year of the incubation period and a special rate in the second year. The equivalent amount of office rental subsidies is capped at the indicative maximum amount during the two-year incubation period.</p> <p>The incubatee will enjoy use of services and common facilities such as meeting rooms, and office and telecommunication equipment free of charge or at a special rate.</p>	\$240,000
Operating Expenses Assistance	
<p>Each incubatee is allowed to seek partial reimbursement of the general operating expense (other than rent, management fee, salaries, entertainment, work-in-progress for re-sale) up to the indicative maximum amount during the two-year incubation period.</p>	\$40,000
Promotion and Development Assistance	
<p>Each incubatee is allowed to seek partial reimbursement of the expenses which cover product launches, exhibitions, media interviews, marketing, branding, business matching, networking, and professional consultancy and services (e.g. legal, business upgrading, etc.), up to the indicative maximum amount during the two-year incubation period.</p>	\$100,000
Technical and Management Training/Assistance	
<p>Each incubatee is allowed to seek partial reimbursement of the expenses incurred in obtaining technical and management training/assistance from approved institutions and the Hong Kong Design Centre, up to the indicative maximum amount during the two-year incubation period. Technical and management assistance covers consultancy, business advisory and services, etc.</p>	\$120,000
Total	HK\$500,000

**Indicative number of design start-ups incubated under
the Design Incubation Programme (DIP)**

	2012-13 (Note 1)	2013-14	2014-15	2015-16	2016-17	Total
(a) Number of incubatees at the beginning of the year	40 (Note 2)	43	46	36	14	N/A
(b) Number of incubatees admitted	24	22	14	-	-	60 (Note 3)
(c) Number of graduate incubatees						
(i) 1 st phase DIP	(21)	(19)	-	-	-	(40)
(ii) 2 nd phase DIP	-	-	(24)	(22)	(14)	(60)
(d) Number of incubatees at the end of the year	43	46	36	14	-	N/A

Note 1: The projection covers the period from 1 May 2012 to 31 March 2013.

Note 2: The Hong Kong Design Centre (HKDC) will take over and provide incubation services to 40 incubatees carried over from the 1st phase DIP, i.e. incubatees which have been admitted under the 1st phase DIP but have yet to graduate by end April 2012. We will allocate the residual balance of the \$33.5 million funding earmarked under the DesignSmart Initiative (DSI) for the 1st phase DIP to cover the expenses of providing incubation services to these 40 incubatees.

Note 3: HKDC targets to recruit a total of 60 incubatees under the 2nd phase DIP within three years commencing 1 May 2012. It is estimated that a total of \$42.1 million is required to support the incubation of these 60 design start-ups, \$26.25 million of which will be met by the proposed allocation of non-recurrent funding. The remaining balance of \$15.85 million will come from the residual funding under the DSI^{Note}.

^{Note} FC approved in 2004 vide FCR(2004-05)16 a commitment of \$250 million for setting up of DSI to promote design in Hong Kong. To rationalise funding arrangements for the creative sectors, the DSI has been consolidated with the CreateSmart Initiative with effect from June 2011.