

**立法會**  
***Legislative Council***

LC Paper No. CB(1)632/14-15(04)

Ref. : CB1/PL/CI

**Panel on Commerce and Industry**

**Meeting on 17 March 2015**

**Updated background brief on the Dedicated Fund  
on Branding, Upgrading and Domestic Sales**

**Purpose**

This paper provides background information on the Dedicated Fund on Branding, Upgrading and Domestic Sales ("the BUD Fund"). It also provides a summary of the views and concerns expressed by members of the Panel on Commerce and Industry ("the Panel") on the subject in previous discussions.

**Background**

2. The National 12th Five-Year Plan emphasizes expanding domestic demand as well as the upgrading and restructuring of industries. In August 2011, the then Vice-Premier of the State Council, Mr LI Keqiang, reiterated during his visit to Hong Kong that the Central People's Government supported the stable development and upgrading and restructuring of Hong Kong enterprises engaged in processing trade<sup>1</sup> in the Mainland. To help Hong Kong enterprises capture the opportunities arising from the National 12th Five-Year Plan, the Chief Executive announced in the 2011-12 Policy Address the proposal to set up a \$1 billion BUD Fund to assist enterprises in exploring and developing the Mainland market through developing brands, upgrading and restructuring their operations and promoting domestic sales in the Mainland.

---

<sup>1</sup> Processing trade generally refers to those manufacturing operations in the Mainland which are involved in the processes of importing raw materials, parts and components, accessories, etc from outside the Mainland and re-exporting the finished products after processing or assembly in the Mainland.

3. Following the funding approval by the Finance Committee on 11 May 2012, the BUD Fund was launched on 25 June 2012. Subject to the funding balance, the BUD Fund was initially planned to be open for applications for five years, and the tenure may be reviewed and extended, if necessary. The BUD Fund comprises two programmes, namely the Enterprise Support Programme and the Organization Support Programme.

### Enterprise Support Programme

4. The Enterprise Support Programme ("ESP") of the BUD Fund provides funding support to individual Hong Kong enterprises in undertaking projects to develop brands, upgrade and restructure their business operations and promote sales in the Mainland market, so as to enhance their competitiveness and facilitate their business development in the Mainland market. All non-listed enterprises registered in Hong Kong under the Business Registration Ordinance (Cap. 310) with substantive business operations<sup>2</sup> in Hong Kong are eligible to apply, irrespective of whether they belong to the manufacturing or service sector and whether they already have any business operations in the Mainland. Applicant enterprises have to show, in a holistic business plan, how the proposed project can enhance their competitiveness and facilitate their business development in the Mainland. If necessary, an enterprise may also apply for funding under the BUD Fund to engage a qualified service provider<sup>3</sup> to help develop a business plan.

5. Funding will be provided on a matching basis, i.e. the Government will cover a maximum of 50% of the total approved project cost and the enterprise has to contribute no less than 50% of the total approved project cost in cash. During the tenure of the BUD Fund, each enterprise may obtain funding for a maximum of three approved projects. Each project should be completed within 24 months. The cumulative funding ceiling per enterprise under the ESP is \$500,000.

6. To assist enterprises in meeting the financing needs at the start-up of the project, an initial payment may be payable. Subsequent payment(s) will be

---

<sup>2</sup> For example, a shell company will not be regarded as having substantive business operations in Hong Kong.

<sup>3</sup> A qualified service provider should comply with the following requirements at the time of application:

- (i) having registered in Hong Kong under the Business Registration Ordinance for at least one year;
- (ii) having at least one principal possessing five years or more practical experience of providing consultancy services related to branding, upgrading and restructuring and/or domestic sales for enterprises in Hong Kong or the Mainland. The principal must be actively engaged in the consultancy study throughout the whole study period; and
- (iii) having completed at least five projects in branding, upgrading and restructuring and/or domestic sales.

effected on a reimbursement basis upon the acceptance of the required progress/final report(s) and audited accounts by the Government.

7. The Hong Kong Productivity Council ("HKPC") is engaged to provide secretariat support to the ESP. HKPC will provide a preliminary assessment on each ESP application for consideration by the Inter-departmental Committee ("IDC")<sup>4</sup> which will then make a recommendation to the Programme Management Committee ("PMC")<sup>5</sup> for its consideration and approval. HKPC will also review the progress and final reports of the enterprises before submission to the IDC and the PMC, and conduct on-site checking of selected projects.

### Organization Support Programme

8. The Organization Support Programme ("OSP") of the BUD Fund provides funding support to non-profit-distributing organizations<sup>6</sup> to undertake projects<sup>7</sup> which can assist Hong Kong enterprises in general or in specific sectors in developing their brands, upgrading and restructuring their business operations, and promoting domestic sales in the Mainland so as to enhance their overall competitiveness in the Mainland market.

9. In view that brand building and developing the Mainland domestic market will require relatively long-term and sustainable efforts, the objective of the OSP is to meet the needs of conducting larger-scale projects of longer duration. The maximum duration of a project is three years. The maximum amount of funding support for each approved project is \$5 million, or 90% of the approved project expenditure, whichever is the less. The applicant has to contribute the remaining 10% of the project expenditure, which may be in cash, in kind or in the form of sponsorship. An initial payment will be made to facilitate the start-up of the project. Subsequent payment(s) will be effected upon the acceptance of progress report(s) and audited accounts. The applicant will be required to share the results and deliverables of the project widely with the industry.

---

<sup>4</sup> The IDC is chaired by the Deputy Director-General of Trade and Industry, comprising members from the Commerce and Economic Development Bureau, Innovation and Technology Commission, Environmental Protection Department, Create Hong Kong and Information Services Department.

<sup>5</sup> The PMC is chaired by the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism), comprising members from the trade, small and medium enterprise associations, and those with expertise or experience in branding, upgrading and domestic sales.

<sup>6</sup> The applicant organization should either be a statutory organization or an organization registered under the laws of the Hong Kong Special Administrative Region (e.g. trade and industrial organizations, professional bodies or research institutes).

<sup>7</sup> Examples of the projects include seminars, workshops, conferences, exhibitions, surveys, demonstration on the application of technology, setting up of database, supporting facilities and service centres, etc.

10. The Trade and Industry Department provides secretariat services to implement the OSP of the BUD Fund. Applications are considered by a vetting committee chaired by the Director-General of Trade and Industry and comprises members from different disciplines of the trade and industry.

### **Previous discussions by the Panel**

11. The Panel discussed the Administration's proposal to set up the BUD Fund at its meetings on 20 March and 17 April 2012. The Panel was subsequently briefed on the implementation progress of the BUD Fund on 21 May 2013 and 15 April 2014.

### **Vetting mechanism of the ESP**

12. Referring to complaints from small and medium enterprises ("SMEs") that the vetting criteria of the ESP applications were unclear and the vetting process was unfair and non-transparent, some Panel members noted with concern that a number of PMC members of the ESP had close connections with some beneficiary enterprises under the programme. These members raised concern about possible or perceived conflict of interests of PMC members in vetting ESP applications, as well as "transfer of benefits" to a small group of enterprises. They urged the Administration to devise a transparent vetting mechanism and lay down a clear system of declaration of interests by PMC members to ensure objective, fair and impartial vetting of applications.

13. The Administration advised at the meeting on 15 April 2014 that the vetting mechanism and the system of declaration of interests for both the ESP and the OSP had been enhanced to avoid conflict of interests and ensure fairness and transparency in the vetting of applications.

### **Review and monitoring project implementation**

14. Some members called for close monitoring of the funded projects to ensure proper use of public money and alignment with the objectives of the BUD Fund. The Administration advised that prior to the disbursement of grants to enterprises/organizations of approved projects, the secretariats of the ESP and the OSP would monitor progress and verify whether the expected deliverables of an approved project had been completed. On-site checking was also conducted from time to time.

15. To facilitate public monitoring of the usage of the BUD Fund and the dissemination of results of the OSP projects for the benefit of the relevant

industries, some members suggested that the OSP-funded organizations should share the results and deliverables of their projects widely with the industries through various means. According to the Administration, OSP-funded organizations were required to upload the project results onto their website and conduct experience-sharing sessions with SMEs in the relevant industries. Extracted information of approved OSP projects had also been uploaded onto the website of the OSP programme for public viewing.

16. Given the huge expenses required for brand development in the Mainland, some members suggested increasing the ESP cumulative funding ceiling of \$500,000 per enterprise. There was a view that resources should be focused on a few major industries to enhance the cost-effectiveness of the BUD Fund. Members also called for a mid-term review to assess the extent to which the BUD Fund objectives had been met and to identify areas for improvement. The Administration undertook to report to the Panel its assessment on the overall effectiveness of the ESP and the OSP when more projects were completed.

#### Contributions of the BUD Fund to Hong Kong's overall economy

17. Panel members were keen to ensure that the BUD Fund would be able to bring about tangible benefits to Hong Kong's economy as a whole, such as creating job opportunities, and not just benefit individual applicant enterprises. The Administration advised that although job creation was not the primary objective of the BUD Fund, the applicant enterprises/organizations were required to provide in their applications information on the expected contributions of the proposed projects to Hong Kong's economy, such as the number of additional staff to be employed and other business sectors (e.g. advertising, sales and marketing, transportation) to be engaged in Hong Kong for implementing the project, etc. to facilitate assessment and evaluation of the approved projects. The Administration undertook to include an analysis of the economic benefits brought about by the BUD Fund to Hong Kong's overall economy in the next progress report to the Panel.

#### Other measures to promote branding and domestic sales

18. To extend product showcase network in the Mainland to promote Hong Kong products, some members called for more Design Galleries of the Hong Kong Trade Development Council to be set up in different Mainland cities. The Administration was also requested to set up show-and-sales centres in major Mainland cities to provide promotion and sales outlets for Hong Kong products on a long-term basis.

**Latest position**

19. The Administration will brief the Panel on 17 March 2015 on the latest implementation progress of the BUD Fund.

**Relevant papers**

20. A list of relevant papers is in the **Appendix**.

Council Business Division 1  
Legislative Council Secretariat  
11 March 2015

## Appendix

### Dedicated Fund on Branding, Upgrading and Domestic Sales

#### List of relevant papers

Date of meeting	Meeting	Paper
20/3/2012	Panel on Commerce Industry	<p>Administration's paper on "Dedicated Fund on Branding, Upgrading and Domestic Sales"  <a href="#">(LC Paper No. CB(1)1298/11-12(03))</a></p> <p>Background brief on the support for Hong Kong enterprises in branding, upgrading and domestic sales prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)1298/11-12(04))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)1787/11-12)</a></p>
17/4/2012	Panel on Commerce and Industry	<p>Administration's paper on "Dedicated Fund on Branding, Upgrading and Domestic Sales"  <a href="#">(LC Paper No. CB(1)1549/11-12(05))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)1809/11-12)</a></p>
11/5/2012	Finance Committee	<p>Administration's paper on "Dedicated Fund on Branding, Upgrading and Domestic Sales"  <a href="#">(FCR(2012-13)22)</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. FC183/11-12)</a></p>
21/5/2013	Panel on Commerce and Industry	<p>Administration's paper on "Report on the progress of implementation of the Dedicated Fund on Branding, Upgrading and Domestic Sales"  <a href="#">(LC Paper No. CB(1)1026/12-13(04))</a></p>

Date of meeting	Meeting	Paper
		<p>Background brief on the Dedicated Fund on Branding, Upgrading and Domestic Sales prepared by the Legislative Council Secretariat (<a href="#">LC Paper No. CB(1)1026/12-13(05)</a>)</p> <p>Minutes of meeting (<a href="#">LC Paper No. CB(1)1485/12-13</a>)</p>
15/4/2014	Panel on Commerce and Industry	<p>Administration's paper on "Progress report on the implementation of the Dedicated Fund on Branding, Upgrading and Domestic Sales" (<a href="#">LC Paper No. CB(1)1236/13-14(03)</a>)</p> <p>Updated background brief on the Dedicated Fund on Branding, Upgrading and Domestic Sales prepared by the Legislative Council Secretariat (<a href="#">LC Paper No. CB(1)1236/13-14(04)</a>)</p> <p>Minutes of meeting (<a href="#">LC Paper No. CB(1)1593/13-14</a>)</p>