LCQ13: BUD Fund

Following is a question by the Hon Chung Kwok-pan and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (March 24):

Question:

The Government launched the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) in 2012 to assist small and medium enterprises (SMEs) (including start-ups) in Hong Kong in grasping economic opportunities and boosting their competitiveness. Also, it injected funds into the Fund in 2018 and 2019 respectively to implement enhancement measures (including raising the cumulative funding ceiling per enterprise, and extending the geographical coverage from initially covering the Mainland only to also covering the Association of Southeast Asian Nations markets and all economies with which Hong Kong had signed Free Trade Agreements). As indicated in the Budget just published, the Government plans to further inject funds into the Fund to implement enhancement measures. In this connection, will the Government inform this Council:

(1) of the number of applications received since the launch of the BUD Fund and, among such applications, the number of those approved and the total amount of funding involved; the total number of enterprises involved in the approved applications, with a tabulated breakdown by enterprise scale and industry type;

(2) of the plans in the coming three years to further assist, through the BUD Fund, Hong Kong's SMEs in grasping economic opportunities; and

(3) given that in recent years, quite a number of Hong Kong enterprises which have set up factories on the Mainland or overseas are planning to relocate their factories back to Hong Kong, whether the Government will relax the application restrictions on the BUD Fund to allow Hong Kong enterprises which have proceeded with their plans for relocating back to Hong Kong to apply for the Fund, so as to promote Hong Kong's re-industrialisation and enhance the "Made in Hong Kong" brand?

Reply:

President,

Having consulted the Innovation and Technology Bureau, our reply is as follows:

(1) The implementation progress of the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) since its launch in 2012 and up to end February 2021 is as follows:

Number of applications received (Note 1)	9 535
Number of applications approved	3 358
Total funding amount approved	$1.72 billion
Number of beneficiaries	2 661 (2 587 are small and medium enterprises (SMEs) (Note 2))
Major beneficiary sectors (according to the number of enterprises)	1. Wholesale and Retail (710) 2. Import and Export Trade (323) 3. Textiles and Clothing (179)

(2) The current-term Government has injected a total of $3.5 billion into the BUD Fund, and launched rounds of enhancement measures, including extending the geographical coverage from the Mainland to the member states of the Association of Southeast Asian Nations (ASEAN), and then further to all 20 economies with which Hong Kong has signed Free Trade Agreements (FTAs) (Note 3); increasing the cumulative funding ceiling per enterprise successively, from $0.5 million to $2 million, and then further to $4 million; and increasing the ratio of initial payment from 25 per cent to up to 75 per cent of the approved government funding. From July 2017 to end February 2021, over 2 300 applications were approved under the BUD Fund, involving a total funding amount of over $1.37 billion approved, benefiting over 2 000 enterprises.

To support enterprises in exploring more diversified markets, the Financial Secretary announced in the 2021-22 Budget a proposal to further inject $1.5 billion into the BUD Fund so as to increase the cumulative funding ceiling per enterprise from $4 million to $6 million; and further extend its geographical coverage to 37 economies with which Hong Kong has signed FTAs and/or Investment Promotion and Protection Agreements (IPPAs) (Note 4). Subject to approval from the Finance Committee of the Legislative Council, the Government plans to extend the geographical coverage of the BUD Fund as follows:

Phase 1 (July 2021)	To include Japan and the Republic of Korea
Phase 2 (Q1 2022)	To include Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden and the United Kingdom
Phase 3 (Q2 2022)	To include Kuwait and the United Arab Emirates

The geographical coverage of the BUD Fund will also be extended to new FTA/IPPA economies as Hong Kong's FTA/IPPA network gradually expands.

(3) All non-listed enterprises registered in Hong Kong under the Business Registration Ordinance (Cap. 310) with substantive business operations in Hong Kong are eligible to apply for funding support under the BUD Fund. In other words, enterprises which are interested in relocating back to Hong Kong from the Mainland or overseas can apply for the BUD Fund to undertake projects to develop brands, upgrade and restructure their business operations and promote sales for developing markets within the geographical coverage of the BUD Fund.

On re-industrialisation, to promote the development of advanced manufacturing industries in Hong Kong that are based on new technologies and smart production, the Government launched the Re-industrialisation Funding Scheme (RFS) in end July 2020 to provide financial support for manufacturers on a 1 (the Government): 2 (enterprises) matching basis for setting up new smart production lines in Hong Kong. The maximum funding per project is one-third of the total approved project expenditure or $15 million, whichever is lower. The applications received under the RFS involve a number of industries, including biotechnology, food processing, construction, environmental protection, printing, medical appliances and nanofiber materials.

Note 1: The figure includes applications that could not be processed due to lack of necessary information and those withdrawn by enterprises.
Note 2: Manufacturing enterprises which employ fewer than 100 persons and non-manufacturing enterprises which employ fewer than 50 persons in Hong Kong are regarded as SMEs.
Note 3: The 20 FTA economies include the Mainland, New Zealand, the four member states of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland), Chile, Macao, the ten member states of the ASEAN (comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Georgia and Australia.
Note 4: The 17 newly added economies include Japan, the Republic of Korea, Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden, the United Kingdom, Kuwait and the United Arab Emirates.