

## LCQ6: BUD Fund

Following is a question by Dr the Hon Kennedy Wong and a reply by the Secretary for Commerce and Economic Development, Mr Algernon Yau, in the Legislative Council today (October 30):

Question:

In recent years, the Government has launched many enhancement measures to the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund). In this connection, will the Government inform this Council:

(1) given that the Government launched the "E-commerce Easy" under the BUD Fund on July 15 this year, with a view to assisting enterprises in opening up the Mainland market through developing electronic commerce (e-commerce) business, of the respective numbers of relevant applications received and approved by the Government so far, as well as the average and maximum amounts of funding involved;

(2) given that at present, enterprises applying for the BUD Fund are required to provide proof of substantive operations and commercial transactions in Hong Kong, but it is learnt that many enterprises with trademarks and other intellectual property rights registered in Hong Kong have substantive operations on the Mainland and overseas, thus rendering them unable to successfully apply for the Fund, and there are views that the original intention of the Fund is to assist enterprises in enhancing their competitiveness, whether the Government will, in the light of the relevant situation, review the eligibility criteria for applying for the Fund; if so, of the details; if not, the reasons for that; and

(3) given that there are views pointing out that the application of artificial intelligence (AI) in cross-border e-commerce is particularly innovative, such as the use of AI key opinion leaders for marketing of goods, whether the authorities will consider expanding the funding coverage of "E-commerce Easy" to include the application of AI, thereby enabling enterprises to make better use of the funding to establish marketing systems; if so, of the details; if not, the reasons for that?

Reply:

President,

The Government is dedicated to assisting Hong Kong enterprises, including small and medium enterprises (SMEs) and start-ups, in developing brands, upgrading business operations and enhancing competitiveness. One such measure is the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), which provides funding support for non-listed Hong Kong enterprises to develop business in the Mainland and 38 economies with which Hong Kong has signed free trade agreements and/or investment promotion and protection

agreements.

The reply to the three parts of the question is as follows:

(1) With a view to assisting Hong Kong enterprises in developing the Mainland sales market through electronic commerce (e-commerce) business, the Government launched "E-commerce Easy" under the BUD Fund on July 15 this year to allow enterprises to make use of \$1 million funding flexibly within the cumulative funding ceiling of \$7 million per enterprise to implement e-commerce projects on the Mainland. Since the launching of "E-commerce Easy", the number of applications received has been gradually increasing for each month. As at end September this year, 102 applications have been received. So far, eight applications have been approved or approved with conditions. Other applications are being processed earnestly by the BUD Fund Secretariat, the Hong Kong Productivity Council, which will complete the vetting as soon as possible upon receipt of clarification on the questions raised by the Secretariat and supplementary documents from applicant enterprises. So far, the average funding amount of the approved applications is about \$470,000, whereas the largest funding amount approved is about \$990,000.

(2) The BUD Fund aims to assist Hong Kong enterprises in exploring more diversified markets through developing brands, upgrading business operations and developing sales. As such, the application eligibility is enterprise-based, requiring that an applicant enterprise must be registered in Hong Kong under the Business Registration Ordinance (Cap. 310) and has substantive business operations in Hong Kong, but is not premised on the registration location of the relevant intellectual property rights.

Since the setting up of the BUD Fund in 2012, the requirement of having substantive business operations in Hong Kong has been in place, and was specified in the relevant Legislative Council Finance Committee paper for setting up the BUD Fund. As such, enterprises which solely operate outside Hong Kong do not meet the application eligibility. Considering that the BUD Fund involves public funds, we should focus the resources on enterprises with substantive business operations in Hong Kong in order to maximise the benefits brought about by the BUD Fund to Hong Kong's economy and to such enterprises, thereby meeting the public expectation. We have no plan to relax this requirement.

In fact, many Hong Kong enterprises have developed the Mainland and overseas markets with the BUD Fund's support, including establishing new offices and retail points at target markets, purchasing machinery/equipment, placing advertisements, thereby benefiting their business operations in both Hong Kong and outside markets. Past success stories of different types of applications are set out on the website of the BUD Fund for the reference of applicant enterprises.

Since the launching of the BUD Fund in 2012, the Government has kept on reviewing and enhancing its operational arrangements from time to time, having regard to market changes and the needs of the trade. Over the years, the Government has launched a number of enhancement measures, including

expanding the geographical scope of the BUD Fund in phases from only the Mainland originally to 39 economies at present, gradually increasing the cumulative funding ceiling per enterprise from \$500,000 to \$7 million, launching "Easy BUD" in June 2023 to expedite the processing of applications involving designated measures with a smaller funding amount, as well as launching "E-commerce Easy" in July this year to assist enterprises in developing the Mainland sales market through e-commerce business.

In the 2024 Policy Address released earlier, the Chief Executive announced the injection of \$1 billion into the BUD Fund to assist SMEs in upgrading their business operations and developing new markets. In view of the rapid development of the e-commerce market of the Association of Southeast Asian Nations (ASEAN), and that the ASEAN is Hong Kong's second-largest trading partner, the geographical coverage of "E-commerce Easy" will be expanded to the 10 ASEAN countries to support enterprises to develop the ASEAN market through digital transformation. We will also provide more targeted funding support for SMEs to implement green transformation projects. We expect that the above measures will be rolled out in the first half of 2025.

(3) The funding scope of the BUD Fund – "E-commerce Easy" is broad and covers many measures related to e-commerce, including the establishment of online stores on third-party online sales platforms and placing advertisements (including the engagement of ambassadors/key opinion leaders to promote products), development and enhancement of mobile applications and websites (such as adding online payment function and chatbot on enterprises' websites). On the condition that the existing guidelines and other funding criteria can be satisfied, the use of technological services or plans (including artificial intelligence technology) by enterprises to implement the above measures for developing e-commerce business is within the funding scope of "E-commerce Easy".