



發展品牌、升級轉型及
拓展內銷市場的專項基金
Dedicated Fund on Branding,
Upgrading and Domestic Sales

Guide to Application for the Dedicated Fund on Branding, Upgrading and Domestic Sales

FTA Programme

Effective from 9 April 2020



香港特別行政區政府
The Government of the
Hong Kong Special Administrative Region



工業貿易署
Trade and Industry Department



CONTENTS

	PAGE
1. GENERAL	3
1.1 Background	
1.2 Objective of the Programme	
1.3 Scope of the Programme	
1.4 Types of Project	
1.5 Funding Amount and Principles	
1.6 Application Period	
2. ELIGIBILITY	6
2.1 Eligibility of Applicants	
2.2 Eligibility of Qualified Service Providers for “Type (i) Project Applications”	
3. APPLICATION	8
3.1 Application Submission	
3.2 Application Processing	
4. ASSESSMENT AND VETTING	12
4.1 Assessment Procedures	
4.2 Assessment Timetable	
4.3 Vetting Criteria	
4.4 Avoidance of Conflict of Interest	
4.5 Notification of Results	
5. FUNDING ARRANGEMENT/FINANCIAL MANAGEMENT	15
5.1 Disbursement of Grant	
5.2 Personal Guarantee	
5.3 Budget of the Project	
5.4 Account	
5.5 Books and Records	
5.6 Financial Reports	
5.7 Procurement Procedures	
5.8 Avoidance of Conflict of Interest in Engaging Service Providers, Consultants and Contractors	
5.9 Risk and Title to Equipment	
5.10 Hiring of Project Staff	
5.11 Return of Residual Funds	
6. REPORTING REQUIREMENT	25
6.1 Progress/Final Reports	
6.2 Report Resubmissions	
7. ADMINISTRATIVE HIGHLIGHTS	27
7.1 Contractual Requirements	
7.2 Appointment of Project Coordinators	
7.3 Prior Approval Requirements	

7.4	Suspension and Termination of Funding Support	
7.5	Intellectual Property Rights	
7.6	Participation in Publicity and Promotional Activities	
7.7	Acknowledgement of Funding Support and Disclaimer	
7.8	Assignment	
7.9	Handling of Information	
7.10	Indemnity	
7.11	Prevention of Bribery	
8.	ENQUIRIES	31
	ANNEXES:	32
1.	Detailed Scope of Branding, Upgrading and Restructuring and Promoting Sales	
2.	The Requirement of Substantive Business Operations in Hong Kong	
3.	Expenditure Items that may be funded under the Programme	
4.	Expenditure Items that will not be funded under the Programme	
5.	Quotation Invitation to Supplier and Confirmation Form by Supplier (regarding Probity, Anti-collusion and Anti Bid-Rigging Requirements)	
6.	General Guidelines on Staff Recruitment	

1. GENERAL

1.1 Background

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 dedicated fund of \$1 billion to assist them. The Hong Kong Special Administrative Region Government (the Government) set up the “Dedicated Fund on Branding, Upgrading and Domestic Sales” (the BUD Fund) in June 2012 to assist Hong Kong enterprises in exploring and developing the Mainland market through developing brands, upgrading and restructuring their operations and promoting domestic sales in the Mainland (the Mainland Programme).

To better help Hong Kong enterprises, including start-ups, grasp economic opportunities and boost their competitiveness, the 2018-19 Budget proposed to extend the geographical scope of the BUD Fund to include the Association of Southeast Asian Nations (ASEAN)¹ markets, to provide a cumulative funding ceiling of \$1,000,000 for each enterprise to undertake projects for developing the ASEAN markets (the ASEAN Programme) and to increase the cumulative funding ceiling per enterprise from \$500,000 to \$1,000,000 for projects involving the Mainland market (the Mainland Programme). The Finance Committee (FC) of the Legislative Council (LegCo) approved the enhancement proposal and funding injection of \$1.5 billion in June 2018. The enhancements were implemented in August 2018.

To further support local enterprises to rise up to the challenges facing Hong Kong’s economy, the 2019-20 Budget proposed to inject \$1 billion into the BUD Fund and to extend the geographical scope of the BUD Fund to include all economies with which Hong Kong has signed Free Trade Agreements (FTAs)², now and in future, i.e. to launch the BUD FTA Programme (subsuming thereunder the ASEAN Programme) in addition to the Mainland Programme. The FC of the LegCo approved the enhancement proposal and funding injection of \$2 billion (including the \$1 billion injection announced by the Financial Secretary in August 2019 for enhancing the Mainland Programme) in December 2019. With the enhancement implemented in January 2020, the cumulative funding ceiling per enterprise was increased to \$4,000,000, including \$2,000,000 under the FTA Programme and \$2,000,000 under the Mainland Programme.

To strengthen support for Hong Kong enterprises facing operational difficulties, the Government rolled out further enhancement measures to the BUD Fund on 9 April 2020. The geographical demarcation for each enterprise in undertaking

¹ ASEAN comprises Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

² These economies, as at April 2020, include the Mainland, ASEAN, Australia, Chile, the four member states of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland), Georgia, Macao and New Zealand.

projects in the Mainland and other economies which have signed FTAs with Hong Kong (\$2,000,000 cumulative funding each) has been removed. Enterprises can flexibly make use of the total funding of up to \$4,000,000 to undertake projects in the Mainland or other economies which have signed FTAs with Hong Kong.

The Government has engaged Hong Kong Productivity Council (HKPC) as the implementation partner of the BUD Fund. This Guide to Application sets out the details of the BUD FTA Programme (The Programme) which covers applications for undertaking projects to develop the markets of ASEAN, Australia, Chile, the four member states of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland), Georgia, Macao and New Zealand.

1.2 Objective of the Programme

The objective of the Programme is to provide funding support for individual non-listed Hong Kong enterprises to undertake projects to develop brands, upgrade and restructure their business operations and promote sales in the FTA markets, so as to enhance their competitiveness and facilitate their business development in these markets.

1.3 Scope of the Programme

The Programme covers three areas, namely (i) branding; (ii) upgrading and restructuring; and (iii) promoting sales. Some examples that fall within the scope of these areas are as follows:

Branding

- (A) Brand Strategy and Positioning – corporate brand visioning, product and service planning;
- (B) Brand Building, Design and Communication – brand identity and personality development, rebranding;
- (C) Brand Management – brand assessment, brand protection; and
- (D) Brand Tracking – brand equity research and brand sustainability study.

Upgrading and Restructuring

- (A) Business Model Upgrading & Restructuring – from Original Equipment Manufacturing (OEM) to Original Design Manufacturing (ODM) and/or Own Branding & Manufacturing (OBM);
- (B) Product Innovation and Repositioning – product strategy, new product development;
- (C) Material Management – supply chain planning and execution;
- (D) Technology Upgrading – manufacturing technology upgrading, process and business automation;
- (E) Management Upgrading – world-class management system, business

- process re-engineering, quality improvement; and
- (F) Logistics Management – warehouse management, fleet management and distribution management.

Promoting Sales

- (A) Sales Strategic Planning – visioning process and strategy formulation;
- (B) Sales Business Operation Management – operation transformation;
- (C) Sales Channel Management – marketing strategy and research, sales and distribution development;
- (D) Sales Team Formation and Management – staff development, and performance management.

More detailed elaborations of the scope of branding, upgrading and restructuring and promoting sales are at **Annex 1**.

1.4 Types of Projects

- 1.4.1 Any projects falling within the scope of the Programme (i.e. any one or more areas of (i) branding; (ii) upgrading and restructuring; and (iii) promoting sales) that assist individual non-listed Hong Kong enterprises in enhancing their competitiveness and facilitating their business development in the FTA markets are eligible for applying for funding support under the Programme. There are two types of eligible projects -

- (A) **“Type (i) Project Applications”**: projects that involve the engagement of qualified service providers by the applicants to **develop holistic business plans** in the areas of branding, upgrading and restructuring and/or promoting sales for the applicants to enhance their competitiveness and facilitate their business development in the FTA markets; and
- (B) **“Type (ii) Project Applications”**: projects that involve the **implementation of specific measures** in the areas of branding, upgrading and restructuring and/or promoting sales by the applicants themselves or implementation agents engaged by the applicants to enhance their competitiveness and facilitate their business development in the FTA markets.

- 1.4.2 “Type (ii) Project Applications” are for applicants which already have a holistic business plan for developing the FTA markets. For enterprises which have not yet developed such holistic business plans, they may apply for funding support under the Programme to engage qualified service providers to help develop the plans by submitting “Type (i) Project Applications” (eligibility of qualified service providers is set out in paragraph 2.2).

- 1.4.3 Project measures which have received/would receive other sources of

funding support provided by the Government or the relevant authorities of the FTA markets, or other sources of sponsorships/donations will not be eligible for funding support under the BUD Fund. Applicants have to declare in their applications that the proposed project measures have not received such other sources of funding support and are not applying for such funding support at the time of application.

1.4.4 Ongoing projects being undertaken by individual enterprises are not eligible for funding support under the Programme unless the following criteria can be met:

- (A) the remaining part of the project can be conducted as a stand-alone project with separate and well defined deliverables;
- (B) the commencement and completion dates of the remaining part of the project can be clearly identified; and
- (C) the budget for the remaining part can be separately provided and justified.

1.5 Funding Amount and Principles

1.5.1 Funding would 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 (except the audit fee of approved project). The Government will provide full funding support for the audit fee of approved project, capped at \$10,000 per audit which will be counted towards the cumulative funding ceiling per enterprise. The total cumulative funding ceiling per enterprise under the Mainland and the FTA Programmes is \$4,000,000 (including audit fee), while the funding ceiling for each approved project is \$1,000,000 (including audit fee).

1.5.2 Related enterprises, i.e. enterprises registered as different businesses under the Business Registration Ordinance (Cap. 310) but having common shareholders (up to the ultimate level of natural persons if the enterprises are held by companies) whose equity interest is 30% or more in each of the enterprises and having the same business nature, would be treated as one single enterprise for the purpose of calculating the cumulative funding amount (i.e. subject to the cumulative funding ceiling of \$4,000,000).

1.5.3 During the tenure of the Programme, funding support will be granted to each enterprise for a maximum of forty approved projects (both Mainland Programme and FTA Programme included).

1.5.4 Each approved project should be completed within 24 months.

1.6 Application Period

The Programme is open for application all year round.

2. ELIGIBILITY

2.1 Eligibility of Applicants

- 2.1.1 All non-listed enterprises³ registered in Hong Kong under the Business Registration Ordinance (Cap. 310) with substantive business operations 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 FTA markets. A shell company or an enterprise having most of its main business operations outside Hong Kong will not be regarded as having substantive business operations in Hong Kong.
- 2.1.2 The applicant must provide documentary evidence proving its substantive business operations in Hong Kong at the time of application. Such evidence can be employee records, tax returns, business transaction documents such as business contracts, invoices, etc. Factors that will be taken into account in assessing the eligibility of the applicants with respect to this eligibility requirement and examples of the documents that may serve as the relevant proof are at **Annex 2**.
- 2.1.3 For an application which involves project implementation by the FTA entity of the applicant, the applicant must provide documentary evidence proving its direct investment relationship with the FTA entity. The applicant would be considered as having a direct investment relationship with the FTA entity and thus eligible if it meets one of the following criteria:
- (A) the applicant (enterprise) holds more than 50% shareholding of the FTA entity; or
 - (B) one individual shareholder (natural person) with at least 30% shareholding of the applicant holds more than 50% of the shareholding of the FTA entity.
 - (C) the applicant (enterprise) and the FTA entity are 100% held by the same group of shareholders (natural person).
- 2.1.4 Subject to the consideration of the Programme Management Committee (PMC), FTA entity having other investment relationship with the applicant (enterprise) or the major shareholder (natural person) may also be considered as eligible. The applicant should provide

³ Subsidiaries of listed enterprises if they themselves are not listed are also eligible.

documentary proof of the investment relationship for the PMC's consideration.

- 2.1.5 The applicant must maintain its eligibility as set out in sub-section 2.1 throughout the period of project implementation.
- 2.1.6 HKPC reserves the rights to request additional documentary evidence from the applicant for assessing its eligibility and to determine whether the applicant is eligible to apply for funding under the Programme.

2.2 Eligibility of Qualified Service Providers for “Type (i) Project Applications”

- 2.2.1 If the applicant requires external expertise to help develop the holistic business plan required for “Type (ii) Project Applications”, it may lodge a “Type (i) Project Application” to apply for funding under the Programme to engage a service provider complying with the following qualification requirements at the time of application for the purpose:
 - (A) having registered in Hong Kong under the Business Registration Ordinance (Cap. 310) for at least one year, or being a statutory organisation in Hong Kong, or being a company with valid business licence in the FTA economies;
 - (B) having at least one principal possessing five years or more practical experience of providing consultancy services related to branding, upgrading and restructuring and/or promoting sales (depending on the area(s) of focus of the project application) for enterprises in Hong Kong or the FTA economies; and
 - (C) having completed at least five projects in branding, upgrading and restructuring and/or promoting sales (depending on the area(s) of focus of the project application) at the time of application.

The principal must be actively engaged in the consultancy study throughout the whole study period. The above requirements may be subject to review and revision from time to time.

- 2.2.2 When submitting an application, the applicant is required to provide supporting documents proving the fulfillment of the qualification requirements set out in paragraph 2.2.1 by the service provider to be engaged for drawing up the holistic business plan, including the registration document of the service provider, work experience of the principal engaged, the relevant reference projects, etc. Engagement of the qualified service provider by the applicant has to follow the procurement procedures set out in paragraph 5.7.
- 2.2.3 Service provider(s)/consultant(s)/contractor(s) to be engaged by the applicant for implementing a “Type (ii) Project” are not required to

meet the qualification requirements set out in paragraph 2.2.1.

3. APPLICATION

3.1 Application Submission

- 3.1.1 Applications for the Programme are accepted all the year round. Applications received will be processed on a continual basis as set out in paragraph 3.2.
- 3.1.2 To apply for the Programme, the applicant should complete the Application Form for “Type (i) Project Application” or “Type (ii) Project Application” as appropriate under the “FTA Programme”.
- 3.1.3 For a “Type (i) Project Application”, the applicant should identify and engage a qualified service provider meeting the qualification requirements set out in paragraph 2.2.1 to help develop the holistic business plan covered by the proposed project. In engaging the qualified service provider, the applicant should enter into a service contract with the service provider. There is no standard format or terms and conditions for such service contract under the Programme. It is up to the parties concerned to enter into a service contract setting out mutually agreed and binding terms covering the delivery of the project.
- 3.1.4 The latest version of the Application Forms can be downloaded from the website of the Programme (www.bud.hkpc.org). The Application Forms are available in English and Chinese and may be completed in either language. No application fee will be charged.
- 3.1.5 The following documents are required to be submitted for an application under the Programme:
 - (A) Duly completed and signed application form, with a soft copy in MS Word format, stating the company information of the applicant, information on the proposed project, including objective, methodology, schedule, budget, deliverables, expected benefits to be brought about to the applicant and Hong Kong economy, etc.

For a “Type (i) Project Application”, the company information of the qualified service provider which the applicant intends to engage for the development of the holistic business plan also has to be provided in the application form.

- (B) Registration and supporting documents of the applicant –

- (i) Copy of the Business Registration Certificate;
 - (ii) Copy of the documentary evidence showing the personal details of owners/shareholders holding 30% or more ownership (up to the ultimate level of natural persons if the applicant is held by company(ies)), e.g. Form 1(a) of the Business Registration Office, Annual Return of the Companies Registry (Form AR1), etc.;
 - (iii) Copy of the documentary evidence proving that the applicant has substantive business operations in Hong Kong (see **Annex 2** for examples of the documents that may serve as the relevant proof);
 - (iv) Copy of the documentary proof of the annual turnover of the applicant in the previous year (not applicable to applicants established for less than one year);
 - (v) Copy of the documentary evidence proving the direct investment relationship between the applicant and the FTA entity which would be involved in project implementation, e.g. valid business license of the FTA entity, processing trade contract signed between the applicant and the FTA entity (only applicable to the project application which will involve the FTA entity of the applicant in project implementation); and
 - (vi) Promotional pamphlets/publications introducing the applicant's business/products/services.
- (C) Only applicable to “Type (i) Project Applications”: Registration and supporting documents of the qualified service provider –
- (i) Copy of the Business Registration Certificate; and
 - (ii) Copy of the documentary evidence showing that the service provider to be engaged for drawing up the holistic business plan meets the qualification requirements set out in paragraph 2.2.1.

The original of the above documents may be required for verification upon request.

3.1.6 For a “Type (ii) Project Application”, additional supporting documents would be required to be submitted together with the application under the following scenarios:

- (A) If the applicant has to obtain specific licence/qualification/certification as a pre-requisite for successful implementation of the proposed project (e.g. specific health or safety certificate issued by the relevant authorities of the FTA markets for the import/marketing/sale of the product covered by the proposed project in the FTA markets), the applicant should provide documentary evidence of having obtained the required licence/qualification/certification so as to demonstrate the viability

of the project.

- (B) If the application involves licensing of a branded product/service by the brand owner to the applicant for marketing/sale of the product/service in the FTA markets, the applicant should provide a copy of the relevant licensing/agency agreement and the agreement should at least cover the whole project implementation period of the proposed project.
- (C) If the application covers an element of brand building/promotion/development, the applicant should provide documentary evidence showing that the trademark covered by the proposed project has not yet been registered by other entities in the FTA markets and that the applicant has already started the trademark registration process in the FTA markets.
- (D) If the application involves the positioning of the brand covered by the proposed project as a “Hong Kong Brand” for marketing/sales in the FTA markets, the applicant should provide documentary evidence showing that the trademark has already been registered in Hong Kong or the trademark registration process has already started in Hong Kong.
- (E) If the application involves the measure of procurement/licensing of brands or technology, the applicant should provide documentary evidence showing that the procurement/licensing of the brands or technology is for the exclusive use of the applicant and the procurement/licensing has not taken place prior to the project implementation period of the proposed project. For other measures relating to the promotion of the brands to be procured/licensed or product development relating to the technology to be procured/licensed under the proposed project, the relevant promotional and product development measures should not take place prior to the completion of the procurement/licensing measures.

3.1.7 The completed application form together with copies of the required supporting documents set out in paragraph 3.1.5 and if applicable, paragraph 3.1.6 should be sent to HKPC in person or by post (Address: Reception Counter, G/F, HKPC Building, 78 Tat Chee Avenue, Kowloon, Hong Kong). If the application is submitted in person, the applicant shall put the application form and supporting documents in the “BUD Fund Applications Collection Box” located at the G/F Reception Counter of HKPC Building.

3.1.8 The applicant may submit the softcopy of the application form and copies of the supporting documents mentioned above to HKPC via e-mail at bud_sec@hkpc.org.

- 3.1.9 Acknowledgements of receipt will be sent to the applicants upon receipt of the applications by HKPC.

3.2 Application Processing

- 3.2.1 Applications will be processed all year round subject to the submission of the required supporting documents as mentioned in paragraph 3.1.5 and if applicable, paragraph 3.1.6.
- 3.2.2 HKPC reserves the right to seek additional information/documentary proof from applicants on their submitted applications where deemed necessary. The application would be considered withdrawn if the information/documentary proof/clarification requested by HKPC is not provided within 14 calendar days under normal circumstances. Unless requested by HKPC, supplementary information provided after submission of application will not be accepted and will not form part of the application. Incomplete application will not be processed and will be regarded as withdrawn cases. The applicant however may submit a new application once all the necessary documents and/or requested information are available. The new application will be subject to the same assessment procedures as set out in paragraph 4.1.
- 3.2.3 The applicant should assign a project coordinator and a deputy project coordinator who will act as the main contact points between the applicant and HKPC after the application is lodged and throughout the project implementation period if it is approved. In order to ensure the smooth implementation and completion of the project, the project coordinator or the deputy should be able to fully represent the applicant and be conversant with the operation and business processes of the applicant. As such, the project coordinator and the deputy must be the responsible personnel of the applicant. Please refer to paragraph 7.2 and Annex 6 for the relevant requirements regarding their roles and their appointment respectively.
- 3.2.4 The applicant may write to HKPC to withdraw an application at any time before the funding agreement is signed between the applicant and HKPC.

4. ASSESSMENT AND VETTING

4.1 Assessment Procedures

Applications received will be assessed according to the following procedures:

- (A) HKPC will conduct an initial assessment of all applications. It may seek clarification or supplementary information from the applicants in the vetting process as necessary.

- (B) an Inter-departmental Committee (IDC), comprising members from relevant government bureau/departments⁴, will assess all applications (except those withdrawn cases) having regard to the results of the initial assessment conducted by HKPC. The IDC will formulate its recommendations on the approval or otherwise of the applications, the amount to be granted, the terms and conditions for approving the grant, etc., for consideration by the PMC. The IDC may also request HKPC to seek further clarification or supplementary information from the applicants as necessary.
- (C) the PMC, chaired by a senior government official and comprising ex-officio members and non-official members drawn widely from the trade, industrial and professional sectors, will further assess all applications (except those withdrawn cases) having regard to the recommendations of the IDC. Based on the advice of the PMC, the Government would approve or reject the applications. An application that has been rejected may be resubmitted as a new application only if it has been revised substantially or supported by new evidence to which the comments made by the PMC and/or the Government in previous vetting have been addressed. The new application will be subject to the same assessment procedures as set out in paragraph 4.1.

4.2 Assessment Timetable

The actual processing time will depend on the number of applications received at the time, complexity of individual applications, completeness and clarity of the information provided, etc. Under normal circumstances, HKPC, upon consulting IDC and PMC on the assessments, will complete the processing of a valid application within 60 clear working days from the date of receipt of a complete application accompanied by all necessary documentation proof and clarifications as requested by HKPC. Applicants are reminded to submit the required documents as detailed in this Guide in a complete manner to HKPC. Failure to do so may cause delay in the processing of their applications. HKPC will inform the applicants of the outcome in writing.

4.3 Vetting Criteria

- 4.3.1 All applications (except those withdrawn cases) would be vetted by HKPC, IDC and PMC based on individual merits of the applications. Main guiding principles are:
 - (A) the project should lead to immediate or long-term business development of the applicant enterprise in the FTA markets in the specific areas of branding, upgrading and restructuring and/or promoting sales;
 - (B) the project should have good prospects of improving the

⁴ Including the Commerce and Economic Development Bureau, Create Hong Kong, Environmental Protection Department, Innovation and Technology Commission, and Trade and Industry Department.

competitive advantage of the applicant enterprise or its product/service in the FTA⁵ markets ;

- (C) the project should have concrete deliverables to facilitate progress monitoring and evaluation of project outcome;
- (D) the project should include solid actions for developing business in the FTA⁶ markets;
- (E) the project should have a reasonable budget with itemised cost breakdown and detailed justifications of costs and expenses⁷.

4.3.2 Favourable consideration may be given to those projects which –

- (A) are likely to achieve early success and can act as the role model for other Hong Kong enterprises;
- (B) can achieve synergy effects amongst specific area(s) of branding, upgrading and restructuring and/or promoting sales;
- (C) have multiplying effect in bringing business opportunities for other Hong Kong enterprises by making use of products/services provided by other Hong Kong enterprises in implementing the project, or creating demand for products/services provided by other Hong Kong enterprises, etc., thus benefitting the Hong Kong economy as a whole.

4.3.3 The Government aims to ensure a balanced mix of projects covering the three areas of branding, upgrading and restructuring and promoting sales as appropriate as well as a wide range of business sectors. In the event that there is a limit on the funding available for competing applications, priority would be given to those submitted by eligible small and medium enterprises, i.e. manufacturing businesses employing fewer than 100 employees and non-manufacturing businesses employing fewer than 50 employees in Hong Kong.

4.3.4 The Government reserves the right to reject an application on grounds including but not limited to –

- (a) a petition is presented or a proceeding is commenced or an order is made or a resolution is passed for the winding up of the applicant; or
- (b) a false, inaccurate or incomplete statement or representation is contained in the application; or
- (c) the applicant is in default of its obligation(s) under another grant

⁵ One of the considerations is whether the proposed project is, from a commercial angle, feasible and viable. For example, whether the implementation plan of the project is concrete and clear, and whether the enterprise has adequate resources and ability to implement the project. PMC members drawn widely from the trade, industrial and professional sectors will provide valuable inputs in this regard.

⁶ The proposed project should include elements targeting at the business development of the enterprise in the FTA markets. If the project involves measures to be implemented in Hong Kong or other areas outside the FTA markets, consideration will be given as to whether such measures could effectively assist the applicant enterprise in enhancing its competitiveness and furthering its business development in the FTA markets.

⁷ The budget of the proposed project should comply with the funding rules on budget caps and should not include unallowable costs as set out in paragraph 5.3.1.

agreement entered into with any local public funding sources whether or not in relation to the Programme.

- 4.3.5 The Government may review and revise the above vetting criteria from time to time as appropriate. The most updated vetting criteria would be available at the website of the Programme (www.bud.hkpc.org).

4.4 Avoidance of Conflict of Interest

To avoid conflict of interest, non-official members of the PMC who are directly or indirectly related to an application will be required to declare his/her interests. Where considered appropriate, the Chairman may request members concerned to refrain from participating in the consideration of or discussion on the relevant application. After the submission of applications, applicants should avoid approaching the non-official members of the PMC to discuss their applications with a view to affecting their impartiality of advice. The composition of the PMC can be found at the website of the Programme (www.bud.hkpc.org).

4.5 Notification of Results

- 4.5.1 HKPC will notify the applicant of the assessment result once the Government has made the decision having regard to the recommendation of the PMC. The reasons of rejection will be stated in the notification if the application is declined.
- 4.5.2 An initial approval-in-principle will be given to the successful applicant. The successful applicant may be required to revise the project proposal in the application form to fulfil the conditions for approval set by the PMC and/or the Government, if any. The project proposal (as included in the application form) approved by the Government (hereafter referred to as “Approved Project Proposal”) and this Guide will be appended to and form part of the funding agreement to be signed between the applicant and HKPC as referred to in paragraph 7.1.

5. FUNDING ARRANGEMENT/FINANCIAL MANAGEMENT

5.1 Disbursement of Grant

- 5.1.1 Applicants can choose whether to receive initial payment for their approved project. Depending on the project duration, the arrangement for disbursement of fund is as follows:

Payment Option	Project Duration	Number of Installments	Initial payment (% of total approved Government funding)	Mid-term payment (% of total approved Government funding)	Final payment (% of total approved Government funding)

Initial payment required	Up to 24 months	2	75%	Not applicable	Balance of approved Government funding *#
Initial payment not required	18 months or below	1	Not applicable	Not applicable	Balance of approved Government funding *
	More than 18 months and up to 24 months	2	Not applicable	50% at maximum, subject to project progress and actual total allowable project expenditure	Balance of approved Government funding *

* Subject to the recognisable total project expenditure on project completion.

The applicant would have to return any excess payment if the initial payment disbursed exceeds the recognisable funding amount determined by the PMC and the Government.

5.1.2 For an applicant who opts to receive initial payment, the initial payment for an approved project will only be made to the applicant after the signing of the funding agreement mentioned in paragraph 7.1 and where necessary the signing of a separate personal guarantee agreement mentioned in paragraph 5.2. As mentioned in paragraph 5.1.1, applicant may opt not to receive initial payment.

5.1.3 Mid-term payment will be made to the applicant on a reimbursement basis only if the duration of the project is over 18 months and the applicant opts not to receive initial payment, and when the following report and audited accounts are accepted by the PMC and the Government:

- (a) the progress report of the project as mentioned in paragraph 6.1; and
- (b) the annual audited accounts on the income and expenditure of the project covering the first 12 months of project implementation as mentioned in paragraph 5.5.1.

The actual amount of the mid-term payment will be determined by the PMC and the Government having regard to the progress and actual total allowable expenditure of the project against the approved project schedule and budget, and in any event no more than 50% of the total approved funding borne by the Government.

5.1.4 Final payment will be made to the applicant on a reimbursement basis when the following report and accounts are accepted by the PMC and the Government:

- (a) the final report of the project as mentioned in paragraph 6.1; and
- (b) the final audited accounts on the income and expenditure of the project from project commencement date to project completion date as mentioned in paragraph 5.6.1.

The actual amount of the final payment will be determined by the PMC and the Government having regard to the recognisable total project expenditure on project completion. If the recognisable funding amount determined by the PMC and the Government is less than the initial payment disbursed to an applicant, the Government will request the return of the excess payment by the applicant.

- 5.1.5 If the applicant fails to comply with the terms and conditions stipulated in the funding agreement, the Government may withhold disbursement of any part of funding support to the applicant and/or request return of the disbursed funding in full or in part from the applicant. Under such circumstance, HKPC will inform the applicant of the decision and its reason.
- 5.1.6 The applicant is not entitled to charge any interest or claim any compensation or relief of whatsoever nature against HKPC or the Government for any payment made on a reimbursement basis or in the event of any withholding of payment for any reason whatsoever.
- 5.1.7 The applicant is required to maintain a bank account as required in paragraph 5.4 below for the purpose of processing all receipts and payments of the project. The applicant is also required to keep proper and separate books and records for expenses incurred under the project as required in paragraph 5.5 below. The opening of a designated “bank account” for the project is not necessary.

5.2 Personal Guarantee

- 5.2.1 An applicant opting for receiving initial payment for their approved project may be required to provide personal guarantee by appointing a guarantor to sign a separate personal guarantee agreement.
- 5.2.2 An applicant will be required to provide personal guarantee if the aggregate amount of initial payment already and to be disbursed/committed exceeds \$1 million. The applicant will be required to sign a separate personal guarantee agreement when signing the funding agreement and before receiving the initial payment.
- 5.2.3 The guarantor signing the personal guarantee agreement should normally be a natural person and a major shareholder (i.e. with shareholding of 30% or more) or the owner of the applicant.

5.2.4 For the purpose of determining whether personal guarantee is required under the initial payment arrangement, the initial payment involved for an applicant's previous projects would not be counted towards the cumulative limit of \$1,000,000 under the following circumstances:

- (a) previous projects of the applicant under applications submitted before 20 January 2020;
- (b) the initial payment disbursed for those projects which have been completed with final payment made or residual fund returned to the Government; and
- (c) the initial payment disbursed for those projects which are subsequently terminated and the grantee has returned the funding disbursed together with other necessary costs and payments as required by the Government.

For (b) and (c) above, whether a final payment is considered made or residual fund is considered returned or funding of terminated project is considered returned should rest with HKPC where the relevant acknowledgement has been issued to the grantee.

5.3 Budget of the Project

5.3.1 Expenditure

(A) Scope of funding

Each application has to be supported by a detailed budget with itemised breakdown of expenditures.

Only costs directly incurred for the proposed project should be included in the budget, such as the fee of the consulting service provided by the qualified service provider for drawing up a holistic business plan under a "Type (i) Project Application"; the salary of additional manpower and the cost of procuring or leasing of additional machinery/equipment specifically and essentially for implementing the project under a "Type (ii) Project Application", etc.

Details about the expenditure items that may be funded under the Programme are at **Annex 3**. Expenditure items that are subject to budget caps are highlighted below (for details, please refer to **Annex 3**) –

In respect of "Type (i) Project Application":

- (i) where a qualified service provider is to be engaged by the

applicant to draw up a holistic business plan, any sub-contracted consultancy fee should not exceed 50% of the fee payable to the qualified service provider;

In respect of “Type (ii) Project Application”:

- (ii) the relevant operating costs for setting up a new business entity in the FTA markets, including business registration or operating licence fees, rental/renovation expenses, utility expenses and the expenses for engaging professional services for setting up the new business entity, should not exceed 20% of the total budgeted expenditure for the project;
- (iii) the costs for recruiting additional manpower directly incurred for implementing the project (including salary and related incidental costs) should not exceed 50% of the total budgeted expenditure for the project. Only the salary of employee(s) newly recruited for new post(s) established for the purpose of the project would be funded;
- (iv) the costs of procuring or leasing of additional machinery/equipment (including computer software) specially and essentially for implementing the project as well as the related incidental costs should not exceed 70% of the total budgeted expenditure for the project;
- (v) the direct costs for producing/procuring samples/prototypes for development/demonstration purpose under the project should not exceed 30% of the total budgeted expenditure of the project;
- (vi) advertising costs directly related to the project should not exceed 50% of the total budgeted expenditure for the project;
- (vii) travelling and accommodation expenses which are directly linked to the specific event/activity covered by the project should not exceed 20% of the total budgeted expenditure for the project;
- (viii) maximum cumulative amount of funding support for patent/trademark/design/utility model registration directly related to the project(s) is \$300,000 per enterprise under the Programme;
- (ix) maximum cumulative amount of funding support for procuring/licensing of brands or technology directly related to the project is \$200,000 per enterprise under the

Programme, and the fees should not exceed 10% of the total budgeted expenditure for the project;

- (x) the costs for development or improvement of mobile applications (apps) should not exceed 50% of the total budgeted expenditure for the project;
- (xi) the costs for enhancement of the applicant's company website directly related to the project is capped at \$100,000 per application; and
- (xii) external audit fees for approved projects is capped at \$10,000 per audit.

Both the project expenditures budgeted for a proposed project at the application stage and the actual project expenditures of an approved project are subject to the budget caps set out above. For an approved project, those actual expenditures expended beyond the budget caps of the relevant expenditure items will not be counted as recognisable project expenditures and hence will not be taken into account in calculating the amount of final payments to be disbursed to the applicant.

(B) Expenditure that will not be funded

As a matter of principle, funding provided by the Government should not be used to fund the normal operating expenses of the applicant, except for the setting up of a new business entity in FTA markets. Accordingly, daily, routine and general operating expenditures of the applicant's existing business entities in Hong Kong and FTA markets will not be funded.

A list of expenditure items which will not be funded under the Programme (hereafter referred to as "unallowable costs") is at **Annex 4**. Unless otherwise expressly approved by the Government, the funding provided by the Government should not be used to cover those unallowable costs.

The Government may review and revise the funding rules on budget caps and unallowable costs as set out in (A) & (B) above from time to time as appropriate. The most updated funding rules would be available at the website of the Programme (www.bud.hkpc.org).

5.3.2 Contribution from the Applicant

The applicant shall be responsible for at least 50% of the total approved project expenditure in cash, except for the audit fee of the approved project. Please refer to paragraph 1.5.1.

5.4 Account

- 5.4.1 The successful applicant is required to maintain under its name a bank account with a licensed bank registered under the Banking Ordinance (Cap. 155) for the purpose of processing all receipts and payments of the project. All project funds (the Government funding under the Programme disbursed by HKPC and cash contribution by the applicant) should be deposited into the bank account. All payments exclusively applied to the project for which they are paid shall be paid out from the bank account. All project funds shall be kept in the bank account by the applicant until such funds are spent (paid) in compliance with the funding agreement or returned to HKPC by the applicant in accordance with the funding agreement.
- 5.4.2 The applicant is required to keep proper and separate books and records for expenses incurred under the project as required in paragraph 5.5 below.

5.5 Books and Records

- 5.5.1 The applicant shall keep a proper and separate set of books and records for the project. The books and records shall be maintained in such a manner so as to enable the production of statement of income and expenditure (items in the same format as shown in the “Project Expenditure” section of the Approved Project Proposal) and balance sheet in respect of each project. All transactions relating to the project shall be properly and timely recorded in its books of accounts.
- 5.5.2 Accrual basis of accounting shall be adopted for the project. Expenditure can only be charged to the project account after the equipment and goods have been received or services delivered. Accordingly, prepayments or deposits will not be recognised as expenditures for charging to the project account unless and until the equipment and goods have been received or services delivered. Moreover, the expenditure so charged shall be incurred within the project duration only. All receipts and expenditure of the project, including the grant by the Government and contribution by the applicant shall be fully and properly recorded in the books and records in accordance with the funding agreement, and all requirements, instructions and correspondences issued by HKPC or the Government in respect of the project.
- 5.5.3 The applicant is required to maintain, during the continuance of the funding agreement and for a minimum of seven years after the completion of the project or the expiry or termination of the funding agreement, full and proper books of accounts and records of the project (including receipts, counterfoils, vouchers, quotations and tendering documents and other supporting documents). In this connection,

HKPC, the Government and their authorised representatives shall be allowed access to all or any of the books and records for conducting audit, inspection, verification and copying from time to time upon reasonable notice of such books and records at any time when such books and records are kept. When so requested in this connection, the applicant will be obliged to make available all project books of accounts and records and explain to HKPC, the Government and their authorised representatives any matters relating to the receipt, expenditure or custody of any money derived from the project. The Government reserves the right to require the applicant to return any mis-spent amount together with the interest income accrued to the Government.

5.6 Financial Reports

5.6.1 The successful applicant will be required to submit the following financial reports to HKPC:

- (A) For projects with implementation period not exceeding 18 months, final audited accounts from the project commencement date to the project completion date or the expiry or termination date of funding agreement (together with the final report as set out under paragraph 6.1) not later than two months after project completion or the expiry or termination of the funding agreement, whichever is earlier.
- (B) For projects with implementation period exceeding 18 months,
 - (i) annual audited accounts (together with the progress report as set out under paragraph 6.1) covering the first 12 months starting from the project commencement date within one month after the relevant 12-month period; and
 - (ii) final audited accounts from the project commencement date to the project completion date or the expiry or termination date of funding agreement (together with the final report as set out under paragraph 6.1) not later than two months after project completion or the expiry or termination of the funding agreement, whichever is earlier.

The audited accounts shall contain all receipts and receivables including the funds granted by the Government under the Programme, contribution by the applicant and payments for the project. The audited accounts shall also comprise Statement of Income and Expenditure, a Balance Sheet, Notes to the Accounts and the Auditors' Report. The accounts of a project shall be properly prepared from and in agreement with the books and records of the project.

Late submission of the audited accounts may lead to suspension or

termination of the funding support for the project.

Any record of mishandling of public funds or lack of discipline in financial management or any breach of the funding agreement by an enterprise will be taken into account by the PMC and the Government in considering future applications from the same enterprise or the project team. Any such record may prejudice that enterprise's future applications under the Programme.

5.6.2 Auditing requirements

To ensure that the project funds have been solely and properly applied to the projects and expended/received in accordance with the "Project Expenditure" section of the Approved Project Proposal, the required accounts shall be audited by an independent auditor who must be either Certified Public Accountants or Public Accountants registered under the Professional Accountants Ordinance (Cap. 50) (the Auditors).

The applicant shall specify in the engagement letter for the employment of the Auditors that they shall strictly follow the requirements stipulated in the latest version of the "Notes for Auditors of Funded Enterprises" issued by HKPC (which can be downloaded from the website of the Programme (www.bud.hkpc.org)) in conducting audits and preparing auditors' report for each project. The engagement letter shall also specify that HKPC, the Government and their authorised representatives shall have the right to communicate with the Auditors on matters concerning the project accounts and the supporting statements. In conducting the audits, the Auditors should comply with the relevant Standards and Statements of Professional Ethics issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants. In the audited accounts, the Auditors are required to express an audit opinion as to whether the applicant and the accountants of the project have complied, in all material respects, with all the requirements set out in the Notes and to make full disclosure of any material non-compliance.

5.7 Procurement Procedures

The applicant enterprise shall make reference to the guidelines of the Independent Commission Against Corruption (ICAC) ⁸ and Competition

⁸ The ICAC has published a booklet "Strengthening Integrity and Accountability – Government Funding Schemes Grantee's Guidebook" providing applicant enterprises with a practical set of guidelines in utilising the funds, including sample of probity clause and anti-collusion clause. Softcopy of the Guidebook is available on ICAC's website (http://www.icac.org.hk/filemanager/en/Content_1031/GranteeBPC.pdf). Applicant enterprises are advised to make reference to the best practices in the Guidebook in utilizing government funds and contact the Corruption Prevention Advisory Service of ICAC (Tel: 2526 6363) for any questions concerning the Guidebook or if they need any corruption prevention advice.

Commission (CC)⁹ in preparing the quotation/tender invitation document. In particular, the applicant enterprise should (i) ensure that: a probity clause, an anti-collusion and anti-bid-rigging clauses are included in the quotation/tender invitation document; and (ii) where appropriate request bidder/tenderer to sign a confirmation on compliance when submitting quotation/tender. Templates for (i) and (ii) are at Annex 5.

The applicant shall exercise the utmost prudence in procuring equipment, goods or services for the project and must adhere to the following procedures unless the Government agrees otherwise:

- (A) For every procurement or lease of equipment, goods or services in relation to or for the purposes of the project, the aggregate value of which does not exceed HK\$2,000, the applicant is not required to provide written quotation, but the selection of the suppliers/service providers/consultants/contractors must be endorsed by the Project Coordinators in writing.
- (B) For every procurement or lease of equipment, goods or services in relation to or for the purposes of the project, the aggregate value of which exceeds HK\$2,000 but does not exceed HK\$50,000, the applicant shall invite at least two suppliers/service providers/consultants/contractors or lessors for written quotations and accept the lowest bid. Full justifications must be given if less than two suppliers/service providers/consultants/contractors or lessors could be identified from the market. If the lowest bid is not selected, prior written consent must be obtained from HKPC and full justifications must be given.
- (C) For every procurement or lease of equipment, goods or services in relation to or for the purposes of the project, the aggregate value of which exceeds HK\$50,000 but does not exceed HK\$300,000, the applicant shall invite at least three suppliers/service providers/consultants/contractors or lessors for written quotations and accept the lowest bid. Full justifications must be given if less than three suppliers/service providers/consultants/contractors or lessors could be identified from the market. If the lowest bid is not selected, prior written consent must be obtained from HKPC and full justifications must be given.
- (D) For every procurement or lease of equipment, goods or services in relation to or for the purposes of the project, the aggregate value of which exceeds HK\$300,000 but does not exceed HK\$1.4 million, the applicant shall invite at least five suppliers/service providers/consultants/contractors or lessors for written quotations and accept the lowest bid. Full justifications must be given if less than five suppliers/service providers/consultants/contractors or lessors

⁹ The CC has published the "Getting the most from your tender" brochure providing enterprises with a practical set of guidelines in ensuring an open and effective tendering process by preventing and detecting possible bid-rigging cartels. Softcopy of the brochure is available on CC's website (https://www.compcomm.hk/en/media/reports_publications/files/Competition%20Com_E_PamphletPart%202.pdf). Applicant enterprises are advised to contact the CC (Tel: 3462 2118) for any questions concerning the brochure.

could be identified from the market. If the lowest bid is not selected, prior written consent must be obtained from HKPC and full justifications must be given.

- (E) For every procurement or lease of equipment, goods or services in relation to or for the purposes of the project, the aggregate value of which exceeds HK\$1.4 million, the applicant shall use open and competitive tender procedures. Channels which are easily accessible by the general public shall be used to publicise the tender notices. If the lowest bid is not selected, prior written consent must be obtained from HKPC and full justifications must be given.

Unless prior written approval from the Government is obtained, the applicant or any person authorised by the applicant to call for or in any way involved in the quotation or tender exercise shall not participate in the bid itself.

5.8 Avoidance of Conflict of Interest in Engaging Service Providers, Consultants and Contractors

In engaging service provider(s)/consultant(s)/contractor(s) for implementing the projects approved under the Programme (including, inter alia, the engagement of qualified service providers to draw up holistic business plans under “Type (i) Project Applications”), the applicant should not engage a service provider/consultant/contractor the owners, shareholders, management of which are the owners, shareholders, management of the applicant enterprise or their relatives.

5.9 Risk and Title to Equipment

The full legal and equitable title and interest in any piece of the equipment funded under the Programme shall vest with the applicant. The risk in the equipment (e.g. loss, damages, liabilities, etc.) shall be also borne by and remain with the applicant.

5.10 Hiring of Project Staff

In recruiting staff for the project, the applicant shall abide by the principles of openness, fairness and competitiveness, and shall follow the General Guidelines on Staff Recruitment at **Annex 6**.

5.11 Return of Residual Funds

Upon the expiry or termination of the funding agreement or the completion of the project, whichever is earlier, the applicant shall return to HKPC any residual

funds¹⁰ within one month after approval of the final audited accounts of the project by the PMC, and provide any accounting thereof.

HKPC or the Government may initiate legal action for suitable remedies in case of delay in the return of residual funds to HKPC.

6. REPORTING REQUIREMENT

6.1 Progress/Final Reports

6.1.1 To facilitate the monitoring and evaluation of approved projects, the applicant will be required to submit reports to HKPC for review. Depending on the project duration, the arrangement for the submission of reports as well as the audited accounts mentioned in paragraph 5.6.1 is as follows:

Project Duration	Submission of Progress Report and Annual Audited Accounts	Submission of Final Report and Final Audited Accounts
18 months or below	Not required	Within two months upon project completion
More than 18 months and up to 24 months	One 12 th month progress report and Audited accounts for the first 12 months, to be submitted within one month after the relevant 12-month period	Within two months upon project completion

6.1.2 Only projects with duration over 18 months require the submission of progress reports (and annual audited accounts as referred to in paragraph 5.6.1) until project completion or the expiry or termination of the relevant funding agreements to HKPC. Each progress report should cover the first twelve months and should be submitted within one month after the relevant 12-month period. It should include a summary of the project progress against the project implementation plan set out in the Approved Project Proposal appended to the funding agreement as well as a statement of income and expenditure for the reporting period. It should also include any work and deliverables that have been completed and achieved during the reporting period. The progress reports submitted should be signed by the project coordinator and endorsed by the senior management of the applicant.

¹⁰ Residual funds means the unspent balance of the Government's funding disbursed for the project as defined in the funding agreement signed between the applicant and HKPC.

- 6.1.3 Applicants of all approved projects are required to submit final reports (and final audited accounts as referred to in paragraph 5.6.1) covering the period from project commencement date to the project completion date or the expiry or termination date of the funding agreement to HKPC within two months after project completion or expiry or termination of the funding agreement. Each final report should include a summary of the work and deliverables completed and achieved under the project as well as a statement of income and expenditures against the objectives, deliverables and budget of the project as set out in the Approved Project Proposal appended to the project agreement. It should also contain an evaluation of the project results, including an account of any unresolved issues, and set out the number of additional staff employed in Hong Kong and other places for implementing the project, the number of additional staff to be employed in Hong Kong as a result of better business development in the FTA markets arising from the project, and the products/services of other Hong Kong enterprises that have been used or engaged in implementing the project. The final report submitted should be signed by the project coordinator and endorsed by the senior management of the applicant.
- 6.1.4 HKPC will review the project progress and evaluate the project results by comparing the project progress/deliverables reported in the progress/final reports against its implementation plan and deliverables as set out in the Approved Project Proposal appended to the funding agreement. The applicant should immediately provide clarification and additional information on the contents of the progress/final reports upon request of HKPC and/or the Government. HKPC may conduct on-site checking to verify the project progress and results for individual projects. HKPC and the Government have the right to request access to any information related to the project.
- 6.1.5 All progress and final reports will be submitted to the IDC and the PMC for consideration and to the Government for endorsement. Late submission of the progress/final reports may lead to suspension or termination of the funding support for the project.

6.2 Report Resubmissions

- 6.2.1 In case a progress/final report is rejected by the PMC and/or the Government, the applicant should resubmit the progress/or final report within one month after the relevant notification by HKPC.
- 6.2.2 If a progress/final report is rejected twice, the applicant may not resubmit the report(s) and funding may be curtailed. The applicant may also be required to return to the Government the funding that has already been disbursed by HKPC in respect of the project.

7. ADMINISTRATIVE HIGHLIGHTS

7.1 Contractual Requirements

- 7.1.1 The successful applicant is required to sign a funding agreement with HKPC and to comply with all the terms and conditions of the agreement, this Guide and the instructions and correspondences issued by HKPC or the Government from time to time in respect of the project or the Programme. The successful applicant may also be required to sign personal guarantee agreement as required in paragraph 5.2 above if it opts to receive initial payment. The PMC reserves the right to consider lapsing the approval decision in case where the applicant fails to sign the funding agreement with HKPC for a prolonged period of time without justifications deemed acceptable by HKPC.
- 7.1.2 The project duration for all projects can start from a date before the project is approved by the PMC and before the funding agreement is signed but after the date of submission of application¹¹, subject to the PMC's approval of the application. All relevant expenditure incurred as early as after the date of submission of application to HKPC can be recognised and funded, provided that the measure was within the project duration and included in the project proposal approved by the PMC. The costs incurred outside the project duration would not be funded.

7.2 Appointment of Project Coordinators

The successful applicant will be required to appoint a project coordinator and a deputy project coordinator who will be responsible for overseeing the implementation of the project, monitoring the proper use of funds in accordance with the "Project Expenditure" section of the Approved Project Proposal, terms and conditions of funding and funding agreement, exercising economy and prudence in the use of funds, liaising with HKPC, arranging of the on-site checking conducted by HKPC and attending meetings on the project as necessary.

7.3 Prior Approval Requirements

An approved project has to be carried out strictly in accordance with the funding agreement. Any modification, amendment or addition to the project or the funding agreement, including but not limited to change of project duration, project scope, budget, implementation plan, deliverables or replacement of the project coordinator or deputy project coordinator, shall require prior written approval by HKPC or the Government. Reasons with supporting documents

¹¹ The submission date of application is according to HKPC's confirmation of receipt date of application form and required documents.

for the changes must be provided.

7.4 Suspension or Termination of Funding Support

The Government reserves the right to suspend or terminate, after consultation with the IDC and the PMC, funding support for an approved project. Circumstances which warrant suspension or termination of funding support may include but not limited to a lack of satisfactory progress or a slim chance of completion of a project, failure to submit progress/final reports or audited accounts within the stipulated deadlines or produce documentary evidence to the satisfaction of HKPC showing such payment, non-acceptance of those reports/accounts by the PMC and the Government, a breach of the terms and conditions of the funding agreement, or if the PMC and the Government sees fit to terminate the project in public interest. The applicant may have to return all/part of the Government funding disbursed in respect of these projects together with all administrative, legal and other related costs and payments (regardless of whether the applicant has already spent the funds or not).

Once a project is suspended or terminated, the applicant will not be entitled to the receipt of Government funding under the Programme and any cost incurred in the project after suspension and termination of Government funding will be solely borne by the applicant himself.

7.5 Intellectual Property Rights

Applicants will hold all the intellectual property rights arising from the results of the projects approved under the Programme.

7.6 Participation in Publicity and Promotional Activities

Successful applicants will be required to share the experience gained in implementing the projects approved under the Programme with other enterprises. They will need to participate in the publicity and promotional activities of the Programme when being invited by HKPC or the Government to share their experience gained in the projects. These activities may include seminars, workshops, conferences, exhibitions, etc., as well as site visits to the successful applicants as arranged by HKPC or the Government. The successful applicants will also need to contribute inputs/materials for publication via printed/electronic channels to share their experience when being requested by HKPC or the Government. The successful applicants cannot charge fees on HKPC or the Government for participating in these activities or contributing such inputs/materials for publication. HKPC may also publicise the details of approved project for public information.

7.7 Acknowledgement of Funding Support and Disclaimer

Successful applicants are allowed to publicise their implementation of the projects funded under the Programme and the project results on their own initiatives through publications, seminars, workshops, conferences, exhibitions,

site visits, etc. with prior notice to HKPC. Acknowledgement of funding support under the Programme or the logo of the BUD Fund (in the format as specified by HKPC) must appear on all equipment, facilities, publicity/media events or in publications related to a project funded under the Programme.

The following disclaimer should also be included in any publications and publicity/media events related to a project funded under the Programme:

“Any opinions, findings, conclusions or recommendations expressed in this material/event (or by members of the Project team) do not reflect the views of the Government of the Hong Kong Special Administrative Region or the Programme Management Committee of the Dedicated Fund on Branding, Upgrading and Domestic Sales.”

7.8 Assignment

Unless prior written approval from the Government is obtained, the applicant shall not assign, transfer, sub-contract or otherwise dispose of any or all of its interests, rights, benefits or obligations under the funding agreement. Residual funds¹⁰ shall be returned to the Government upon assignment, transfer, disposal or termination of the project.

7.9 Handling of Information

HKPC and the Government are committed to ensuring that all personal data submitted under various applications are handled in accordance with the relevant provisions of the Personal Data (Privacy) Ordinance (Cap. 486) (“PDPO”). In this regard, the personal data provided in relation to applications made under the Programme will be used by HKPC, the Government or their authorised agents for activities relating to:

- (A) the processing and authentication of applications for funding support, payment of Government funding under the Programme and any refund thereof; and
- (B) statistics and research.

The personal data that the applicants provided in their applications will be kept in confidence provided that such obligations and restrictions shall not apply to any disclosure which is necessary for the purposes mentioned in the paragraph above, or any disclosure which is authorised or required by law, or any disclosure which is given by the applicant/data subject.

If necessary, HKPC will contact other Government departments and relevant parties to verify the personal data provided in the applications with those held by them for the purposes mentioned in the paragraph above.

Applicants/data subjects whose personal data are collected by HKPC may request access to them under the PDPO. A charge will be made to cover the cost of photocopying the data supplied. In addition, if the data subject

considers that the data supplied to HKPC is inaccurate, a request for correction of the personal data may be made in writing after a data access request has been made. Requests for access to personal data submitted under various applications under the Programme can be made in writing on the Data Access Request Form (No. OPS003 issued by the Privacy Commissioner), which is available at HKPC.

7.10 Indemnity

The applicant shall indemnify and keep each of HKPC, the Government, their employees and authorised persons fully and effectively indemnified against (i) all actions, claims (whether or not successful, compromised, settled, withdrawn or discontinued) and demands threatened, brought or established against HKPC and/or the Government and (ii) all costs (including all legal fees and other awards, costs, payments, charges and expenses), losses, damages and liabilities suffered or incurred by the Government, which in any case arise directly or indirectly in connection with, out of or in relation to a breach of the duty of confidence under general law, the use of any personal data in contravention of the PDPO, any breach of the funding agreement by the applicant, the willful, misconduct, default, unauthorised act or willful, omission of the applicant, or any allegation or claim that the use, operation or possession of the project results or the exercise of any rights granted under the funding agreement infringes any intellectual property rights of any persons.

7.11 Prevention of Bribery

The applicant shall observe the Prevention of Bribery Ordinance (Cap. 201) (“PBO”) and shall procure that its project team, directors, employees, agents, consultants, contractors and other personnel who are in any way involved in the project shall not offer to or solicit or accept from any person any money, gifts or advantages (as defined in the PBO) in relation to the project.

The offer of an advantage to HKPC or any member of the IDC or the PMC with a view to influencing the approval of an application is an offence under the PBO. Any such offer by the project team, directors, employees, agents, consultants, contractors and other personnel who are in any way involved in the project will render the application null and void. The Government may also cancel the application approved and hold the applicant liable for any loss or damage which the Government may sustain.

8. ENQUIRIES

Enquiries regarding the Programme can be addressed to HKPC, the implementation partner of the BUD Fund:

Address: HKPC Building, 78 Tat Chee Avenue
Kowloon, Hong Kong

Telephone: (852) 2788 6088
Fax: (852) 3187 4525
E-mail: bud_sec@hkpc.org
Website: www.bud.hkpc.org

April 2020

Annex 1

Detailed Scope of Branding, Upgrading and Restructuring and Promoting Sales

Branding

The scope of branding covers the development or enhancement of the brand owned by the applicant enterprise in respect of the product(s)/service(s) delivered in the FTA markets at present or in future.

The applicant may formulate the brand strategy and implement the development/enhancement initiatives first in Hong Kong prior to entering into the FTA market under its proposed project. However, the applicant must show in the application how those initiatives will lead to the development and promotion of the brand of its product(s)/service(s) in the FTA markets. Besides, the proposed project should include significant elements targeting at the business development of the applicant in the FTA markets.

Some examples of initiatives falling within the scope of branding are set out below:

Area	Category	Projects	Deliverables
Brand Strategy and Positioning	Corporate Visioning	Identify the brand's most unique and compelling attributes by considering the critical purchasing factors of the target customer groups. Formulate brand vision, develop the brand strategy for enhancing the customers' perception of the brand as unique and memorable.	Customer/market survey Brand specification Brand vision & strategy Brand logo Brand book Survey on customers' perception of the brand
	Product and Service Planning	Identify the features and characteristics of desirable products/services for the target market segment. Formulate and implement the plan for improving the	Product/service specification Product/service improvement plan Improved

Area	Category	Projects	Deliverables
		relevant products/services or developing new products/services.	products/services
Brand Building, Design and Communication	Brand Identity and Personality	<p>Define/redefine the brand personality to guide its expression.</p> <p>Implement the actions for enhancing the brand with rich visual & verbal imagery.</p> <p>Protect brand identity through intellectual property (e.g. trademark, copyright, domain) protection.</p> <p>Design and produce attractive marketing materials.</p> <p>Promote the brand through multi-media and evaluate the effectiveness of the promotion performed.</p>	<p>Brand designed/re-designed</p> <p>Brand identity</p> <p>Marketing materials</p> <p>Multi-media promotion activities</p> <p>Intellectual property search, preliminary advice and registration</p> <p>Promotion effectiveness evaluation report</p>
Brand Management	Behavioral Shaping and Customer Service	<p>Determine the behavioral model and attributes for enhancing customer experience.</p> <p>Identify the competences and skill-set of employees for servicing the target customer groups.</p> <p>Cultivate the brand culture and foster the staff and sales teams to “live the brand” .</p> <p>Establish a brand-oriented enterprise through recruitment of new staff, improvement of human capital system and performance management system, redesign of business process, organisation restructuring.</p>	<p>Behavioral model and skill-sets for customer service</p> <p>Internal and external brand building strategy and execution plan</p> <p>Brand induction and staff development programme and the programme evaluation report</p> <p>Brand-oriented human capital system and organisation</p> <p>Redesign of business process</p>

Area	Category	Projects	Deliverables
		Develop and deliver ongoing support and after-sale services to ensure widespread brand adoption.	After-sale service/support delivered

Upgrading and Restructuring

The scope of upgrading & restructuring covers the improvement initiatives for business transformation from performing low value-added operations to producing/providing high-value added products or services.

For a project application which solely focuses on the area of restructuring and upgrading (i.e. not covering any area of branding or promoting sales), the proposed project has to be carried out for improving operations/processes in the FTA entity of the applicant. Under the circumstances, the applicant must provide documentary evidence proving its direct investment relationship with the FTA entity covered by the project in accordance with paragraph 2.1.3.

Upgrading and restructuring is not confined to that carried out in the FTA entity of the applicant if the project application focuses not only on the area of restructuring and upgrading but also those of branding and/or promoting sales. However, if the restructuring and upgrading measures are carried out solely for improving operations/processes in Hong Kong, the applicant must show in the application how those measures will lead to its business development/enhancement in the FTA markets. Besides, the proposed project should include elements targeting at the business development of the applicant in the FTA markets.

Some examples of upgrading & restructuring initiatives are set out below:

Area	Category	Projects	Deliverables
Product Innovation and Repositioning	New Product Development	Develop novel and/or innovative products. Upgrade product development and design process, e.g. adoption of advanced technology or management system that encourages innovation and new ideas. Apply Green Design concept and technology.	New product developed New product specification Product evaluation report Product development and design procedures Advanced

Guide to Application for the Dedicated Fund on Branding, Upgrading and Domestic Sales (FTA Programme)

Area	Category	Projects	Deliverables
			equipment/ computer system/ management system for product development & design
Technology and Management Upgrading	Manufacturing Technology Upgrading	Apply advanced technology for mold making, production and testing for productivity improvement.	Advanced machinery/ facilities for mold making, production and testing Technology evaluation report
	Process & Business Automation	Develop hard and/or soft automation system for improving the process efficiency and quality.	Hard and/or soft automation system installed System evaluation report
	Management System Upgrading	Adopt world-class management system and/or methodology (e.g. Performance Excellence Model, Shingo Prize Management Model, Lean Six Sigma, Innovation Management Model, Stage-gate Model, M.A.K.E. Knowledge Management Model, Intellectual Property Management Model, Intellectual Capital Management Model) for performance excellence.	Management system (policy, processes, practices) adopted Performance measurement results

Promoting Sales

The scope of promoting sales covers the development and/or enhancement of effective sales activities and channels in the FTA markets.

Some examples of initiatives of promoting sales in the FTA markets are set out below:

Area	Category	Projects	Deliverables
Sales Start-up Planning	Visioning Process and Strategy Formulation	Identify the target market segments for sales Formulate strategic plan for starting-up the sales business.	Market survey Strategic plan for promoting sales
	Licenses/ System/ Product Compliance	Conduct compliance review on current licenses, system & product. Implement compliance solution to ensure the organisation and its products fulfill the regulatory requirements of the local Government.	Compliance review report Product specification in compliance with the regulatory requirements Operating procedure in compliance with the regulatory requirements
Sales Business Operation Management	Operating System Transformation	Restructure the organisation and re-design the business process for the new sales function set-up. Develop software platform to monitor the performance of the FTA operations.	Re-engineered organisation structure and business process for sales operation Software platform for performance monitoring
Sales Team Formation and Management	Workforce Management	Develop relevant human resource management system for FTA business team (including performance management system). Formulate the competence model for sales teams and conduct the staff development programme for enhancing the relevant skill-set.	Human resource management system developed Competence model and staff development programme Staff development programme evaluation report

Annex 2

The Requirement of Substantive Business Operations in Hong Kong

When considering whether the applicant enterprise has substantive business operations in Hong Kong, various factors will be considered, such as:

- Nature of the business operations in Hong Kong
- size/extent/percentage of the business operation in Hong Kong
- investment amount in Hong Kong
- number of employees in Hong Kong
- information of customers/clients
- year of establishment
- whether profits are tax assessable in Hong Kong
- information/assessment issued by relevant financial and professional organisations

To facilitate the assessment on whether the enterprise has substantive business operations in Hong Kong, the applicant has to submit documentary proof to HKPC for consideration, examples of documents are as follows:

Applicant's Information	Examples of Documents
Business Operations	Commercial contracts, invoices, receipts, quotation documents, freight forwarding documents, bank records, records of purchase/sales of goods, office tenancy, water/electricity bills
Financial Information	Audited accounts, financial report, monthly bank statements, Profit Tax Returns and taxation assessment issued by the Inland Revenue Department
Information of Employees	Mandatory Provident Fund records or approved retirement plan records, employees' employment contract, salary payment record, staff identity documents

Annex 3

Expenditure Items that may be funded under the Programme

(Note: The information contained in this annex would be subject to review and revision from time to time. The most updated information would be available at the website of the Programme (www.bud.hkpc.org).)

Each application has to be supported by a detailed budget with itemised breakdown of expenditure directly incurred for the purpose of the project at least on a half-yearly basis. The following expenditure items directly incurred for the project may be funded.

Expenditure Item	Details
Relevant operating costs for setting up a new business entity in FTA markets	The relevant operating costs for setting up a new business entity in FTA markets, including business registration, rental/renovation expenses, utility expenses and the expenses for engaging professional services for setting up the new business entity, may be funded but should not exceed 20% of the total budgeted expenditure for the project.
Cost for Recruiting Additional Manpower	<p>The salary of the additional manpower directly recruited by the applicant for implementing the project and the related incidental costs to be incurred within the project period¹², may be funded but should not exceed 50% of the total budgeted expenditure for the project.</p> <p>Only the salary of employee(s) <u>newly</u> recruited for <u>new post(s)</u> established for the purpose of the project and the related incidental costs would be funded.</p> <p>Additional manpower not directly recruited by the applicant but secured through an intermediary agent by way of a contractual service should not be budgeted under “Cost for Recruiting Additional Manpower”. It should be budgeted under “Fee to Engage Other Consultant/Implementation Agent” instead. The nature of the consultancy services would however be considered when determining whether part or all of the consultancy fee should be regarded as “additional manpower cost” and be subject to the same budget ceiling.</p> <p>Recruitment of additional manpower under the project has to abide by the principles of openness, fairness and competitiveness, and follow the General Guidelines on Staff Recruitment at <u>Annex 6</u>.</p>

¹² For example, cost for recruitment advertising, employers’ contribution to the Mandatory Provident Fund, and other mandatory costs incidental to the recruitment of additional manpower in Hong Kong or the FTA economies, etc.

Expenditure Item	Details
Cost for Procuring/Leasing Additional Machinery/Equipment	<p>The cost of procuring or leasing of additional machinery/equipment (including molds for developing/manufacturing new/enhanced products, dedicated and special computer hardware and software for design and operation enhancement) specifically and essentially for implementing the project as well as the related incidental costs to be incurred within the project period¹³ may be funded but should not exceed 70% of the total budgeted expenditure for the project.</p> <p>Procurement/leasing of additional machinery/equipment and other related goods/services has to follow the procurement procedures set out in paragraph 5.7.</p>
Other Direct Costs	
(i) Direct Cost for Producing/Procuring Sample/Prototype	<p>The direct cost for producing/procuring sample/prototype for development/demonstration purpose under the project may be funded but should not exceed 30% of the total budgeted expenditure for the project.</p> <p>In terms of the production costs of sample/prototype, only the costs of materials and consumables for the production of the sample/prototype (i.e. not including the manpower/machinery/equipment costs involved in the production) would be subject to the budget cap.</p> <p>Materials for the production of sample/prototype, where relevant and justified, will normally be funded except for those which are valuable and may be re-used for sales purpose, e.g. diamond and gold for the production of jewelry samples/prototypes.</p>
(ii) Cost for Advertising	<p>Advertising costs directly related to the project, including:</p> <ul style="list-style-type: none"> - expenses incurred by placing advertisements in any commercial advertising media (e.g. newspapers, magazines, television, radio, internet, billboard/poster/wall advertising, etc.) as well as the related incidental costs to be incurred within the project period¹⁴;

¹³ For example, maintenance fee of the additional machinery/equipment, cost arising from system debugging/upgrading/rectification/customisation, service fee covering installation/commissioning of the additional machinery/equipment, machinery set up/modification/checking and acceptance, mandatory tax payable for the procurement of the additional machinery/procurement, etc. However, consultancy and training fees relating to the procurement of the additional machinery/equipment (including system/software development) would not be regarded as incidental costs relating to the procurement of the additional machinery/equipment.

¹⁴ For example, service fees for the planning/design/photographing/filming of the advertisements, production costs of the advertisements, etc.

Expenditure Item	Details
	<ul style="list-style-type: none"> - sponsorship; - engagement of spokesperson/ambassador and the related costs¹⁵; and - other expenses which are advertising in nature, may be funded but should not exceed 50% of the total budgeted expenditure for the project.
(iii) Cost for Travelling and Accommodation between Hong Kong and the FTA economies	<p>Travelling and accommodation expenses which are directly linked to the measure covered by the project may be funded but should not exceed 20% of the total budgeted expenditure for the project.</p> <p>Travelling expenses should cover only cross-city travelling expenses and in-town transportation which forms part of the cross border transportation of trips from Hong Kong to FTA economies and vice versa.</p>
(iv) Cost for Patent/Trademark Registration in Hong Kong or the FTA economies	Maximum cumulative amount of funding support per enterprise under the Programme for patent/ trademark/ design/ utility model registration directly related to the project(s) is \$300,000.
(v) Cost for Developing or Improving Mobile Applications	Development or improvement of mobile applications (apps) for deployment on mobile devices, should not exceed 50% of the total budgeted expenditure for the project.
(vi) Cost for Procurement/Licensing of Brands/Technology	Maximum cumulative amount of funding support per enterprise under the Programme in respect of procuring/licensing of brands or technology directly related to the project(s) is \$200,000 <u>and</u> the fees should not exceed 10% of the total budgeted expenditure for the project.
(vii) Cost for Enhancing Company Website	Expenses for enhancement of company website of the applicant should not exceed \$100,000 per application.
(viii) External Audit Fee	The funding support of the external audit fee for approved project is capped at \$10,000 per audit ¹⁶ .

¹⁵ For example, service fees for the image design/photographing/filming of the spokesperson/ambassador, design/construction of the scene for photographing/filming the spokesman, etc.

¹⁶ For projects with implementation period not exceeding 18 months, only one final audited accounts are required to be submitted. For projects with implementation period exceeding 18 months, one annual audited accounts to cover the first 12 months' of the project period and one final audited accounts to cover the whole project period (i.e. two audited accounts in total) are required to be submitted.

Expenditure Item	Details
(ix) Others	<p>Other costs directly incurred for the project may be funded, including:</p> <ul style="list-style-type: none"> - cost for production of website related to the project; - cost for designing and establishing online sales platform; - cost for participating in exhibitions/trade fairs/roadshows in FTA economies or Hong Kong, including virtual exhibitions organised by Government-related organisations or reputable exhibition organisers with good track records, and the related incidental costs¹⁷; - cost for organising/participating in other promotional events/activities (e.g. product launching ceremony) in FTA economies or Hong Kong; - cost for producing promotional materials (e.g. flyers, pamphlets, posters, etc.) or other relevant expenses; - cost for testing/certification/registration in FTA economies or Hong Kong; and - cost for the procurement of project-related consumables (which should be specified in the application). <p>Procurement of goods and services budgeted under “Other Direct Costs” has to follow the procurement procedures set out in paragraph 5.7.</p>
Fee to Engage Other Consultant/ Implementation Agent	<p>Consultancy fee paid to the qualified service provider for the development of a holistic business plan under a “Type (i) Project Application” as well as other service fees for engaging consultant(s)/implementation agent(s)/contractor(s) to help implement the project under a “Type (ii) Project Application”¹⁸ may be funded.</p> <p>Details about the scope/deliverables of the services to be provided by the consultant/implementation agent/contractor as well as breakdown of the service fees in terms of the scope of the services/deliverables and if applicable, man-days/man-hours should be provided.</p> <p>Where a qualified service provider is to be engaged by the applicant to draw up a holistic business plan under a “Type (i) Project Application”, any sub-contracted consultancy fee should not exceed 50% of the fee payable to the qualified service provider.</p>

¹⁷ For example, transportation costs of exhibits for participating (not for sale) in the exhibitions/trade fairs/roadshows, insurance premium of products for display at the exhibitions/trade fairs/roadshows, etc.

¹⁸ For example, engagement of consultant/implementation agent/contractor to define strategy/plan, research, product design/packaging, website design/construction, promotional material design, etc.

Expenditure Item	Details
	<p>Engagement of service provider(s)/consultant(s)/contractor(s) by the applicant under “Type (i) Project Application” or “Type (ii) Project Application” has to follow the procurement procedures set out in paragraph 5.7. The applicant should not engage a service provider/consultant/contractor, the owners, shareholders, management, employees of which are the owners, shareholders, management, employees of the applicant enterprise or their relatives.</p>

Annex 4

Expenditure Items that will not be funded under the Programme

A list of expenditure items which will not be funded under the Programme (i.e. unallowable costs) is set out below. The list is by no means exhaustive. It is subject to review and revision from time to time. Its latest update would be available at the website of the Programme (www.bud.hkpc.org).

Expenditure Item	Details/Examples
Normal Operating Expenses of the Applicant	Daily, routine and general operation expenses of the applicant's existing business entity in Hong Kong and FTA markets, including salary of existing employees, direct costs incurred for the production/manufacturing of products for sales purpose ¹⁹ , rental/renovation expenses, utility expenses, business registration or operating licence fees, office stationery, transportation costs of products ²⁰ , payment of tax, premiums for product liability insurance, bank charges, capital financing costs of mortgages, interest loans or overdrafts, credit assurance fee for transactions, legal fees associated with legal actions such as those against trademark infringement, incurred/committed fees for procuring/licensing of brands or technology, etc.
Cost for Procuring/Leasing Additional Machinery/Equipment	<ul style="list-style-type: none"> - Machinery/equipment for general use or of normal operating nature (e.g. computer hardware/software for general operational use, cameras, projectors, microphones, point-of-sales systems, cash registers, etc.); - Insurance premium of machinery/equipment; - Maintenance fees for existing machinery/equipment; and - Molds for existing products.
Other Direct Costs	
(i) Direct Cost for Producing/Procuring Sample/Prototype	Valuable materials for the production of sample/prototype which may be re-used for sales purpose, e.g. diamond and gold for the production of jewelry samples/prototypes.
(ii) Cost for Advertising	<ul style="list-style-type: none"> - Advertising outside the FTA markets and Hong Kong; and - In the case of internet advertising, expenses such as deposit, bonus, slotting fee will not be funded.
(iii) Cost for	<ul style="list-style-type: none"> - Travelling and accommodation expenses which are not

¹⁹ Except for the procurement/leasing of additional machinery/equipment for upgrading and restructuring purpose.

²⁰ Except for the transportation costs of exhibits for participating in the exhibitions/trade fairs/roadshows.

Expenditure Item	Details/Examples
<p>Travelling and Accommodation between Hong Kong and the FTA economies</p>	<p>directly linked to any measure covered by the project, or those arising from general business supervision, liaison, consultation, negotiation, etc.;</p> <ul style="list-style-type: none"> - In-town transportation which does not form part of the cross-border transportation of trips from Hong Kong to FTA economies and vice versa.; and - Travelling and accommodation outside the FTA economies and Hong Kong.
<p>(iv) Others</p>	<ul style="list-style-type: none"> - Participation in exhibitions/trade fairs/roadshows, including virtual exhibitions organised by Government-related organisations or reputable exhibition organisers with good track records, outside the FTA economies and Hong Kong; - Organisation of/participation in other promotional events/activities outside the FTA economies and Hong Kong; - Shop/product display fees for sales purpose at any virtual/physical location and the related sales commission fees; - Shelves and furniture for general product display at display/sales outlet; - Gifts, souvenirs, prizes, etc.; - Entertainment or meal expenses; - Membership fees of industrial and trade associations, professional bodies or similar organisations (either one-off or recurrent); and - Unspecified costs, e.g. miscellaneous costs, sundry, contingency expenses, etc.

**Quotation Invitation to Supplier and Confirmation Form by Supplier
(Regarding Probity, Anti-collusion and Anti Bid-Rigging Requirements)**

(Name of Procurer, i.e., BUD Fund Grantee)

at:

(Address of Procurer)

(Date)

To: _____
(Name of Supplier)
(Fax no: _____)

Dear Sirs / Madams,

Invitation for the
quotation/tender of : _____
(Description of Goods/Services Required)

In relation to the captioned quotation/tender, you are reminded that Supplier must abide by the following requirements:

PROBITY

- (1) By submitting a quotation/tender, the Supplier represents and warrants that it shall not, and shall procure that his directors, employees, agents and sub-contractors shall not, offer, solicit or accept an advantage as defined in the Prevention of Bribery Ordinance (Cap. 201), in connection with the quotation/tender and execution of the contract.
- (2) Failure to so procure or any act of offering, soliciting or accepting advantage referred to in (1) above committed by the Supplier or by a director, employee, agent or sub-contractor of the Supplier shall, without affecting the Supplier's liability for such failure and act, result in his quotation/tender being invalidated.
- (3) The Procurer shall report all suspected instances of corruption to the Independent Commission Against Corruption.

ANTI-COLLUSION AND ANTI BID-RIGGING

- (1) By submitting a quotation/tender, the Supplier represents and warrants that in relation to the invitation of quotation/tender:
 - (i) it will make reference to the Guidelines of Independent Commission Against Corruption and Competition Commission;
 - (ii) it has not communicated and will not communicate to any person other than the Procurer the amount of any quotation/tender price;
 - (iii) it has not fixed and will not fix the amount of any quotation/tender price by arrangement with any person;
 - (iv) it has not made and will not make any arrangement with any person as to whether it or that other person will or will not submit a quotation/tender;
 - (v) it has not otherwise colluded and will not otherwise collude with any person in any manner whatsoever in the quotation/tender process; and
 - (vi) it will notify and seek prior approval from the Procurer of all subcontracting arrangements after awarding the contract.
- (2) In the event that the Supplier is in breach of any of the representations and/or warranties in Clause (1) above, the Procurer shall be entitled to, without compensation to any person or liability on the part of the Procurer:
 - (i) reject the quotation/tender;
 - (ii) if the Procurer has accepted the quotation/tender, withdraw its acceptance of the quotation/tender; and
 - (iii) if the Procurer has entered into the contract with the Supplier, terminate the contract.
- (3) The Supplier shall indemnify and keep indemnified the Procurer against all losses, damages, costs or expenses arising out of or in relation to any breach of any of the representations and/or warranties in Clause (1) above.
- (4) A breach by a Supplier of any of the representations and/or warranties in Clause (1) may prejudice its future standing as a supplier or service provider of the Procurer.
- (5) Clause (1) shall not apply to agreements, arrangements, communications, understandings, promises or undertakings with:
 - (i) the Procurer;
 - (ii) a joint venture partner, where joint venture arrangements relevant to the bid exist and which are notified to the Procurer;
 - (iii) consultants or sub-contractors, provided that the communications are held in strict confidence and limited to the information required to facilitate that particular consultancy arrangement or sub-contract;
 - (iv) professional advisers, provided that the communications are held in strict confidence and limited to the information required for the adviser to render their professional advice in relation to the Tender;
 - (v) insurers or brokers for the purpose of obtaining an insurance quote, provided that the communications are held in strict confidence and limited to the information required to facilitate that particular insurance arrangement; and
 - (vi) banks for the purpose of obtaining financing for the Contract, provided that the communications are held in strict confidence and limited to the information required to facilitate that financing.

For the avoidance of doubt, the making of a bid by a bidder to the Procurer in public during an auction will not by itself be regarded as a breach of the representation and warranty in Clause (1) above.

- (6) The rights of the Procurer under Clauses (2) to (4) above are in addition to and without prejudice to any other rights or remedies available to it against the Supplier.
- (7) Bid-rigging is inherently anti-competitive and is considered serious anti-competitive conduct under the Competition Ordinance (Cap.619). Supplier who engages in bid-rigging conduct may be liable for the imposition of pecuniary penalties and other sanctions under the Competition Ordinance. The Procurer may, at its discretion, report all suspected instances of bid-rigging to the Competition Commission and provide the Competition Commission with any relevant information, including but not limited to information on the Supplier's quotation/tender and personal information.

Please complete and return the attached confirmation for your quotation/tender. However, you are reminded that by submitting a quotation/tender, irrespectively of whether the attached confirmation is completed/returned, the Supplier represents and warrants that it has agreed to abide by the probity, anti-collusion and anti bid-rigging requirements as set out above.

Yours faithfully,

(Company Chop and Name of Procurer)

Confirmation Form

(Date)

To: _____
(Name of Procurer)
(Fax no: _____)

Dear Sirs / Madams,

Quotation/Tender : _____
of (Description of Goods/Services Required by the Procurer)

Re. the captioned quotation/tender.

I / We agree to abide by the probity, anti-collusion and anti bid-rigging requirements as set out in your invitation.

Yours faithfully,

(Signature)

Name :

Position :

Company Name :

Company Chop :

General Guidelines on Staff Recruitment

These guidelines should be read and adhered to by the applicant, project coordinators, deputy project coordinators and any other parties handling projects funded by the Programme.

Introduction

These guidelines deal with the adoption of a system of staff recruitment where staff is employed to carry out the approved projects under the Programme. They serve as a ready reference for the applicant who is allocated with any grant from the BUD Fund. The main issues are openness, fairness and competitiveness in staff recruitment.

Staff Recruitment

The applicant shall appoint staff members as the project coordinator and the deputy project coordinators to oversee and lead a Project. As a general rule, no award in the form of cash allowance to these staff is permitted. Project managers, engineers or other professionals and personnel outside the enterprise may be recruited to help with the implementation of the BUD Fund projects as stipulated in the Approved Project Proposal by adopting a credible recruitment procedure. To ensure fairness, staff shall be recruited through an open and competitive system. A gist of the recruitment procedures is at the **Appendix** for reference.

Conflict of Interest

Any staff member taking part in a recruitment exercise (e.g. as a recruitment panel member) shall be required to declare any conflict of interest and refrain from participating in the selection process if a candidate under consideration is his family member, relative or close personal friend. Please note that failure to avoid or properly handle conflict of interest situations may give rise to criticism of favouritism, abuse of authority and even allegations of corruption. The Government reserves the right to recall the grant in full should any irregularities or criminal elements are discovered after the disbursement of grant to an applicant.

Reference Material

The Independent Commission Against Corruption (ICAC) has published a booklet “Staff Administration” providing organisations with information on good practices on staff recruitment procedures. Copies of the booklet are available free from the Advisory Services Group of ICAC (Tel.: 2526 6363). It can also be accessed at www.cpas.icac.hk. The applicants are advised to obtain this booklet for reference.

Appendix to Annex 6

Staff Recruitment Procedures

- Job vacancies shall be widely advertised in local newspapers and/or other channels.
- The advertisement shall set out clearly the job descriptions and requirements, and other essential information such as the application deadline and the contact point for enquiries.
- All applications received shall be systematically recorded.
- Shortlisting for interview shall be based on predetermined criteria approved by the management and by more than one person, if possible.
- If practicable, a recruitment panel shall be formed to conduct selection interviews and skill tests as necessary.
- A standard assessment form shall be devised to record assessment by individual panel members.
- Assessment of candidates and recommendations of panel members shall be properly documented.
- Approving authority for the staff appointment shall be defined clearly.