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 and IPPA Programme

Effective from 14 March 2025

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

BUD專項基金執行機構
The BUD Fund Implementer
生產力局

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1. GENERAL

1.1 Background

1.1.1 To help Hong Kong enterprises capture the opportunities arising from the National 12th Five-Year Plan, the Hong Kong Special Administrative Region Government (the Government) set up a "Dedicated Fund on Branding, Upgrading and Domestic Sales" (the BUD Fund) of HK$1 billion 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).

1.1.2 Since 2018, the Government has injected a total of HK$6 billion into the BUD Fund, and launched rounds of enhancement measures to better support local enterprises in exploring more diversified markets and capturing the opportunities brought by the Mainland's National 14th Five-Year Plan. Currently, the geographical coverage of the Fund has been extended to include the Mainland (the Mainland Programme) and other economies with which Hong Kong has signed Free Trade Agreements (FTAs) and/or Investment Promotion and Protection Agreements (IPPAs) (the FTA and IPPA Programme).

1.1.3 To strengthen the support to enterprises in enhancing their competitiveness and developing diversified markets, the cumulative funding ceiling per enterprise under the BUD Fund has been increased to HK$7,000,000 and the maximum number of approved projects per enterprise has been increased to 70 since November 2022.

1.1.4 To enable more enterprises to make use of the BUD Fund to develop their business, "Easy BUD" has been launched on 16 June 2023 to expedite the application and processing procedures for projects involving designated measures with a funding amount not exceeding HK$100,000.

1.1.5 To enable enterprises to make use of funding support of the BUD Fund flexibly to implement e-commerce projects for developing their businesses in the Mainland, "E-commerce Easy" has been launched with effect from 15 July 2024. The cumulative funding ceiling per enterprise for "E-commerce Easy" is HK$1,000,000. Funding for "E-commerce Easy" will be counted towards the cumulative funding ceiling of HK$7,000,000.

1.1.6 In this 2024 Policy Address, an injection of HK$1 billion was announced, as well as the expansion of the geographical coverage of E-commerce Easy to the 10 ASEAN countries, and provision of targeted funding support for enterprises to implement green transformation projects.

1.1.7 To help enterprises to better cope with the increasingly complex business environment, the 2025-26 Budget proposed an injection of HK$0.75 billion into the BUD Fund, coupled with enhancements to the "Easy BUD". Applications to "Easy BUD" may be made on a more frequent basis. Besides, the funding scope of "Easy BUD" will be expanded to include establishment of online sales platform. Furthermore, to assist enterprises in restructuring their business operations in the face of rising trade protectionism and geopolitical tensions, the BUD Fund will also expressly provide for funding support for professional fees associated with the establishment of new business entities. In addition, a series of measures has been implemented to ensure the financial sustainability of the fund.

1.1.8 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 and IPPA Programme (the Programme) which covers general applications for undertaking projects to develop the markets of the ten member states of the Association of Southeast Asian Nations (ASEAN) (comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Australia, Chile, the four member states of the European Free Trade Association (comprising Iceland, Liechtenstein, Norway and Switzerland), Georgia, Macao, New Zealand, Japan, Korea, Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden, the United Kingdom, Kuwait, the United Arab Emirates, Türkiye, Bahrain and Peru.

1.1.9 For applications of "Easy BUD", this Guide to Application should be read in conjunction with the Guidance Notes for "Easy BUD" which sets out the funding amount and principles, funding scope and operational arrangements applicable to "Easy BUD" applications. Applicants should refer to this Guide for areas not specifically mentioned in the Guidance Notes for "Easy BUD". For applications of "E-commerce Easy", applicants should refer to the Guide to Application for "E-commerce Easy" which details the funding parameters and operational arrangements applicable to "E-commerce Easy" applications.

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 and/or IPPA 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:

<u>Branding</u>

(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.

<u>Upgrading and Restructuring</u>

(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 professional fees for establishment of new business entity associated with supply chain relocation/realignment;
(F) Logistics Management – warehouse management, fleet management and distribution management; and
(G) Green Transformation – production line upgrading, carbon audit for the purposes of entering into an eligible market, carbon audit for new product development, application of new technology to meet environmental standards at target market, and automation for environmental friendliness.

<u>Promoting Sales</u>

(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 **<u>Annex 1</u>**.

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 and/or IPPA 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 and/or IPPA 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 and/or IPPA markets.

1.4.2 "Type (ii) Project Applications" are for applicants which already have a holistic business plan for developing the FTA and/or IPPA 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 Any expenditure item(s) which have received/would receive funding support from other funding schemes provided by the HKSAR Government or any statutory organisations or non-governmental organisations receiving subventions from the HKSAR Government or any governmental authorities of the related market(s) (i.e. Mainland, FTA and/or IPPA economies) or other sources of sponsorships/donations in Hong Kong or from the Mainland, FTA and/or IPPA economies would 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 1 (Government) : 3 (enterprise) matching ratio, with the Government covering a maximum of 25% of the total approved project cost and the enterprise contributing no less than 75% of the total approved project cost in cash. The audit fee, capped at HK$10,000 per audit of the approved project will also be subject to the same matching ratio of 1:3 and will be counted towards the cumulative funding ceiling per enterprise. The total cumulative funding ceiling per enterprise under the Mainland and the FTA and IPPA Programmes is HK$7,000,000 (including audit fee), while the funding ceiling for each approved project is HK$800,000 (including audit fee).

1.5.2 The total approved funding amount of all approved applications and/or on-going projects (i.e. those for which the final reports have not been accepted by the Programme Management Committee) of an applicant under the BUD Fund (including general applications, "Easy BUD" applications and "E-commerce Easy" applications) should not exceed HK$800,000 at any one time.

1.5.3 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 HK$7,000,000).

1.5.4 During the tenure of the Programme, funding support will be granted to each enterprise for a maximum of 70 approved projects (general BUD, "E-commerce Easy" and "Easy BUD" included).

1.5.5 Each approved project should be completed within 24 months and no further extension of project period would be allowed.

1.5.6 The funding amount and principles for project applications under the "E-commerce Easy" and "Easy BUD" are set out in the Guide to Application for "E-commerce Easy" and the Guidance Notes for "Easy BUD" respectively.

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 enterprises[1] 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 and/or IPPA markets. An enterprise having most of its business operations outside Hong Kong, or a shell company, 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 entity of the applicant in the FTA and/or IPPA market (the local entity), the applicant must provide documentary evidence proving its investment relationship with the local entity. The applicant would be considered as having an eligible investment relationship with the local entity if it meets one of the following criteria (please refer to **Annex 3** for illustration):

(A) the applicant (enterprise) holds more than 50% shareholding of the local entity; or

(A1) the applicant (enterprise) holds 100% shareholding of a Hong Kong/local enterprise, which in turn holds 100% shareholding of the local entity; or

(B) one individual shareholder (natural person) with at least 30% shareholding of the applicant holds more than 50% shareholding of the local entity; or

(B1) one individual shareholder (natural person) with at least 30% shareholding of the applicant holds 100% shareholding of a Hong Kong/local enterprise, which in turn holds 100% shareholding of the local entity; or

(C) the applicant (enterprise) and the local entity are 100% held by the

[1] Subsidiaries of listed enterprises if they themselves are not listed are also eligible.

same group of shareholders (natural person); or

(C1) the same group of shareholders (natural person) hold 100% shareholding of the applicant (enterprise), and also 100% shareholding of a Hong Kong/local enterprise, which in turn holds 100% shareholding of the local entity; or

(C2) a group of shareholders (natural person) and the applicant enterprise, which is 100% held by the same group of shareholders (natural person), collectively hold 100% shareholding of the local entity.

2.1.4 Local entity having other investment relationship with the applicant (enterprise) or the shareholder(s) (natural person) will usually not be considered as eligible.

2.1.5 The applicant must maintain its eligibility as set out in paragraph 2.1 upon the submission of application and 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 and/or IPPA 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 and/or IPPA 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 fulfilment 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 5.6.

2.2.3 Service provider(s)/consultant(s)/contractor(s) to be engaged by the applicant for implementing individual measures under 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 Each applicant can submit one general BUD, one "E-commerce Easy" and one "Easy BUD" application every three months, irrespective of whether the application is eventually approved, withdrawn or rejected. Applications for the Programme are accepted all the year round. Applicants should submit their applications and documents listed below through the website of the Programme (www.bud.hkpc.org). Applicants should register online with their business registration number to create a user account through the e-form system on the Programme website. Applications received will be processed by batches, usually on a quarterly 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", "Type (ii) Project Application" or project applications for "Easy BUD" as appropriate under the "FTA and IPPA 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 in 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 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 through the website of the Programme:

(A) Duly completed online application form 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.

<u>For a "Type (i) Project Application"</u>, 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 and the Company Registry 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 <u>**Annex 2**</u> for examples of the documents that may serve as the relevant proof);

(iv) Copy of the documentary proof of the annual sales turnover of the applicant in Hong Kong (including audited accounts) and the target market(s) (if business has commenced) in the previous year (not applicable to applicants established for less than one year);

(v) Copy of the documentary evidence proving the eligible investment relationship between the applicant and the entity in the FTA and/or IPPA market (local entity) which would be involved in project implementation, e.g. valid business licence of the local entity, processing trade contract signed between the applicant and the local entity (only applicable to the project application which will involve the local 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 the Company Registry Certificate;
(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;
(iii) Company information of the Service Provider; and
(iv) Curriculum Vitae of the Project-in-charge of the Service Provider.

The original copy 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 uploaded 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 and/or IPPA markets for the import/marketing/sales of the product covered in the proposed project in the FTA and/or IPPA 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/sales of the product/service in the FTA and/or IPPA 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 in the proposed project has not yet been registered by other entities in the FTA and/or IPPA markets and that the applicant has already started the trademark registration process in the FTA and/or IPPA markets.

(D) If the application involves the positioning of the brand covered in the proposed project as a "Hong Kong Brand" for marketing/sales in the FTA and/or IPPA 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 been 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 submitted through the e-form system on the website of the Programme. Applications submitted via other means such as by post, e-mail, or in person will not be accepted.

3.1.8 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 by batches and the cut-off date for different batches of applications is usually set at the end of March, June, September and December. Applicants should pay attention to the actual cut-off date of each batch of applications which will be announced at the website of the Programme (www.bud.hkpc.org). Any applications received by the HKPC after a particular cut-off date will be processed together with the next batch of applications to be received by the next cut-off date.

3.2.2 HKPC reserves the right to seek additional information/documentary proof from applicants on their submitted applications where deemed necessary. Under normal circumstances, the application would not be processed further and would be considered as withdrawn if –

(A) the applicant has not provided sufficient information to demonstrate that (i) it has substantive business operations in Hong Kong; (ii) its relationship with the local entity meets the relevant requirements; (iii) it has obtained the required licence or permits for sales/provision of its product(s)/service(s); or

(B) the additional information/documentary proof/clarification requested by HKPC is not provided within 14 calendar days.

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 Applicants are expected to prepare the application on their own and have full knowledge of the applications. It is the responsibility of the applicant itself to complete an application form timely and truthfully, and to provide all supporting documents for the application. Inaccurate and incomplete information will affect the processing of application. Any falsehood, omission or misrepresentation of information may lead to rejection of applications or revocation of applications approved. The owner/shareholder/director of the applicant may be liable for any misrepresentation, false declarations and omissions, with possible legal consequences and sanctions.

3.2.4 The applicant should assign its staff members as the project coordinator and 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 this regard, the applicant should provide valid and direct contact telephone numbers and email addresses of the project coordinator and deputy project coordinator in the application form. 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. The project coordinator or the deputy should not delegate the overall project leadership responsibility to any third party. At any stage of application, project implementation and monitoring, HKPC may request to meet, interview and/or visit the project coordinator and/or the deputy in person. An application may be rejected if the project coordinator and/or the deputy cannot be directly reached by the telephone numbers provided; is/are unavailable for or refuse to attend the aforementioned meeting, interview or visit in person without reasonable explanation; and/or cannot address enquiries related to the applicant and the application satisfactorily during these sessions. Please refer to paragraph 7.2 and **Annex 7** for the relevant requirements regarding their roles and their appointment respectively.

3.2.5 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/departments[2], 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, as well as 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. The PMC may also request HKPC to seek further clarification or supplementary information from the applicants as necessary. The PMC would decide whether the applications would be approved or rejected. 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 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 and notify applicants of the assessment outcome within 60 clear working days from the date after the quarterly batch cut-off date or the date when the full set of requested information/clarification has been received, whichever is the later. 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. Applicants may check the status of their

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[2] Including the Commerce and Economic Development Bureau, Cultural and Creative Industries Development Agency, Environmental Protection Department, Innovation and Technology Commission, and Trade and Industry Department.

submitted applications through the e-form system on the website of the Programme. 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 and/or IPPA markets in the specific areas of branding, upgrading and restructuring and/or promoting sales;
(B) the project should have good prospects of improving the competitive advantage of the applicant enterprise or its product/service in the FTA and/or IPPA[3] 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 FTA and/or IPPA[4] markets;
(E) the project should have a reasonable budget with itemised cost breakdown and detailed justifications of costs and expenses[5]; and
(F) the project should include clear justifications and explanation of the economic benefit that the application could generate for Hong Kong economy.

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 and
(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

[3] 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.

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

[5] 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 5.2.1.

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 If the applicant has another completed BUD Fund project for which the progress/final report and audited accounts have not been submitted to HKPC by the due date (see paragraph 6.1), or the required supporting documents/clarifications in respect of its progress/final reports have not been submitted in full, the new application will not be accepted, or it will not be processed and will be considered as withdrawn if the outstanding documents/clarifications for the completed project are not submitted within 14 calendar days or by the deadline specified by HKPC. In any event, the processing of the new application will be deferred until all the required documents/clarifications for the completed project(s) have been fully submitted. The Government reserves the right to offset the disbursed fund to be returned from the applicant for its completed/terminated project(s) from the funding to be disbursed for other approved projects of the same applicant.

4.3.5 The applicant may be requested to justify any budget item considered unclear/unreasonable. If a satisfactory explanation is not provided within the deadline specified by HKPC, the applicant will be required to remove the budget item and its associated cost before its application will be approved.

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

HKPC and/or the Government will also consider the applicant's previous records of BUD Fund applications and the implementation outcomes/progress for other projects of the BUD Fund when assessing its new applications. If the applicant fails to comply with the terms and conditions as stipulated in the funding agreement of a previous project, its new applications may be rejected and its future applications may be prejudiced.

4.3.7 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 PMC has made the decision having regard to the recommendation of the IDC. 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, if any. The project proposal (as included in the application form) approved by the PMC (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. Failure to fulfil the conditions for approval by the deadline specified by HKPC will result in the lapse of the approval-in-principle or rejection of the applications.

5. FUNDING ARRANGEMENT/FINANCIAL MANAGEMENT

5.1 Disbursement of Grant

5.1.1 Applicants can choose whether to receive initial payment for their approved projects. 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	20%	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.
@ In the event that the total recognisable expenditure for the first 12 months of the project period exceeds the adjusted budget of the same period, the total recognisable expenditure will be capped by the adjusted budget in calculating the amount of mid-term payment.

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. As mentioned in paragraph 5.1.1, applicants 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:

(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 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. The actual total allowable expenditure of the project is subject to the budget caps of the expenditure items as detailed at **Annex 4**. 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 mid-term payment to be disbursed to the applicant. In the event the total recognisable expenditure for the first 12 months of the project period exceeds the adjusted budget of the same period, the total recognisable expenditure will be capped by the adjusted budget in calculating the amount of mid-term payment.

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

(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 5.5.1.

The actual amount of the final payment will be determined by the PMC having regard to the recognisable total project expenditure on project completion. If the recognisable funding amount determined by the PMC 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 5.3 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 5.4 below. The opening of a designated "bank account" for the project is not necessary.

5.2 Budget of the Project

5.2.1 Expenditure

(A) Scope of funding

Each application has to be supported by a detailed budget with itemised breakdown of expenditures. The applicant should ensure that sufficient details have been included in the application to justify the expenditure items and their respective budgets, or else the items may not be funded.

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 4**. Expenditure items that are subject to budget caps are highlighted below (for details, please refer to **Annex 4**) –

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":

(i) the relevant operating costs for setting up a new business entity in the FTA and/or IPPA markets, which are limited to licensing/registration fees, renovation fees, rental costs (fundable for up to three months), and professional fees associated with the setting up of the business entity, should not exceed 20% of the total budgeted expenditure for the project;

(ii) 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. The costs of recruiting additional staff in local entities outside Hong Kong may be funded for a maximum of six months;

(iii) the costs of procuring or leasing of additional machinery/ equipment (including moulds for new products and 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;

(iv) 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;

(v) advertising costs directly related to the project should not exceed 50% of the total budgeted expenditure for the project. The related management fees may be funded for a period not exceeding six months;

(vi) 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;

(vii) maximum cumulative amount of funding support for patent/trademark/design/utility model registration directly related to the project(s) is HK$600,000 per enterprise under the Programme of the BUD Fund;

(viii) maximum cumulative amount of funding support for procuring/licensing of brands or technology directly related to the project is HK$400,000 per enterprise under the Programme of the BUD Fund, and the fees should not exceed 10% of the total budgeted expenditure for the project;

(ix) the costs for development or improvement of mobile applications (apps) for promotional purpose should not exceed 50% of the total budgeted expenditure for the project;

(x) The related management fees for establishment of online sales platforms may be funded for a period not exceeding six months;

(xi) the costs for enhancement of the applicant’s company website directly related to the project is capped at HK$100,000 per application; and

(xii) external audit fees for approved projects are capped at HK$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 mid-term payments, if any, and final payments to be disbursed to the applicant respectively.

(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 and/or IPPA markets. Accordingly, daily, routine and general operating expenditures of the applicant's existing business entities in Hong Kong, and FTA and/or IPPA 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 5**. 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).

5.2.2 Contribution from the Applicant

The applicant shall be responsible for at least 75% of the total approved project expenditure in cash. The audit fee is also subject to the same contribution level as part of the applicant's financial responsibility. Please refer to paragraph 1.5.1.

5.2.3 The funding scopes for project applications under the "E-commerce Easy" and "Easy BUD" are set out in the Guide to Application for "E-commerce Easy" and the Guidance Notes for "Easy BUD" respectively.

5.3 Account

5.3.1 The successful applicant is required to maintain under its name a bank account with a bank licensed under Section 16 of 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 the Government via HKPC by the applicant in accordance with the funding agreement.

5.3.2 The applicant is required to keep proper and separate books and records for expenses incurred under the project as required in paragraph 5.4 below.

5.4 Books and Records

5.4.1 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.

5.4.2 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.

5.4.3 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.

5.5 Financial Reports

5.5.1 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 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.

5.5.2 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 a practice unit registered under the Accounting and Financial Reporting Council Ordinance (Cap. 588) (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.

5.6 Procurement Procedures

The applicant enterprise shall make reference to the guidelines of the Independent Commission Against Corruption (ICAC) [6] and Competition Commission (CC)[7] 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 6**.

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:

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[6] 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 utilising 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.

[7] 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/CC_Getting_Most_from_Tender_Jun2018_EN.pdf). Applicant enterprises are advised to contact the CC (Tel: 3462 2118) for any questions concerning the brochure.

(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$5,000, the applicant is not required to provide written quotation, but the selection of the suppliers, service providers, consultants, contractors or lessors 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 is over HK$5,000 but does not exceed HK$50,000, the applicant shall invite quotations in writing from at least two suppliers, service providers, consultants, contractors or lessors and accept the lowest conforming 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 conforming bid is not selected, prior written consent must be obtained from HKPC and full justifications shall 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 is over HK$50,000 but does not exceed HK$300,000, the applicant shall invite quotations in writing from at least three suppliers, service providers, consultants, contractors or lessors and accept the lowest conforming 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 conforming bid is not selected, prior written consent must be obtained from HKPC and full justifications shall 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 is over HK$300,000 but does not exceed HK$1.4 million, the applicant shall invite quotations in writing from at least five suppliers, service providers, consultants, contractors or lessors and accept the lowest conforming bid. Full justifications must be given if less than five suppliers, service providers, consultants, contractors or lessors could be identified from the market. If the lowest conforming bid is not selected, prior written consent must be obtained from HKPC and full justifications shall be given; and

(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 and accept the lowest conforming bid. The applicant shall make use of the public channels that are easily accessible by the general public to publicise the tender notices. If the lowest conforming bid is not selected, prior written consent must be obtained from HKPC and full justifications shall 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.

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

In engaging service providers/consultants/contractors 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, where the owners, shareholders, management, employees of which are the owners, shareholders, management, employees of the applicant enterprise or their relatives.

5.8 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.

5.9 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 7**.

5.10 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 the Government via HKPC any residual funds[8] 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 the Government via HKPC. In addition, any such record of delay in the return of residual funds may prejudice that enterprise's future applications under the Programme.

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 5.5.1 is as follows:

[8] 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.

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	Progress report and annual 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 Grantees of projects with duration over 18 months are required to submit progress reports (and annual audited accounts as referred to in paragraph 5.5.1) to HKPC through the e-form system on the designated website of the Programme covering the period from project commencement date to the first 12 months of the project period within one month after the relevant 12-month period. The progress report should include the project details and project implementation status against the project implementation plan, expected project deliverables and approved project expenditure as at the first 12 months of project period as set out in the Approved Project Proposal appended to the funding agreement. The grantee should provide supporting documents and annual audited accounts together with the progress report. The progress reports should be submitted by the project coordinator or deputy project coordinator and endorsed by the senior management of the applicant.

6.1.3 Grantees of all approved projects are required to submit final reports (and final audited accounts as referred to in paragraph 5.5.1) to HKPC through the e-form system on the designated website of the Programme covering the period from project commencement date to the project completion date or the termination date of the funding agreement within two months after project completion or termination of the funding agreement. The final report should include the project details and project implementation status against the project implementation plan, expected project deliverables and approved project expenditure as set out in the Approved Project Proposal appended to the funding agreement. The grantee should provide supporting documents and final audited accounts together with the final report. The final report should be submitted by the project coordinator or deputy 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 report upon request of HKPC and/or the Government. HKPC may conduct on-site checks 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 for assessment, and thereafter to the PMC for consideration and acceptance. Late submission of the progress/final reports may lead to suspension or termination of the funding support for the project, and may prejudice the applicant's new applications.

6.2 Report Resubmissions

6.2.1 In case a progress/final report is rejected by the PMC, the applicant should resubmit the progress/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 via HKPC 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 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 application[9], 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.

[9] The submission date of application is subject to HKPC's confirmation of receipt date of application form and required documents.

7.2 Appointment of Project Coordinators

The successful applicant is required to appoint its staff members to act as the project coordinator and the deputy project coordinator 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 agreement, exercising economy and prudence in the use of funds, liaising with HKPC, arranging on-site check conducted by HKPC and attending meetings on the project as necessary.

7.3 Prior Approval Requirements

7.3.1 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 period, 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 PMC before implementation of the proposed change. Otherwise, the budget of the relevant project measures will be removed and the expenses will not be recognised.

7.3.2 Requests for the changes should be submitted through the e-form system on the designated website of the Programme. HKPC reserves the right to seek additional information or supporting documents from grantees on their submitted requests where deemed necessary. Under normal circumstances, the request would not be processed further and would be rejected if the additional information or supporting documents is not provided to HKPC within 14 calendar days.

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, a breach of the terms and conditions of the funding agreement, the applicant has engaged or is engaging in acts or activities that are likely to constitute or cause the occurrence of offences endangering national security or which would otherwise be contrary to the interest of national security, the continued provision of funding support for an approved project is contrary to the interest of national security, 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 may be required to share the experience gained in implementing the projects approved under the Programme with other enterprises. They may be required 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 may 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 and/or the Government 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 funds shall be returned to the Government via HKPC 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 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.

7.12 Compliance with Hong Kong Laws

The applicant shall comply with all applicable laws (including the Law of the People’s Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region), regulations and by-laws of Hong Kong in carrying out the project.

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

March 2025

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 and/or IPPA 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 and/or IPPA markets 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 and/or IPPA markets. Besides, the proposed project should include significant elements targeting at the business development of the applicant in the FTA and/or IPPA 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.	Product/service specification Product/service improvement plan

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

Area	Category	Projects	Deliverables
		performance management system, redesign of business process, organisation restructuring. Develop and deliver ongoing support and after-sale services to ensure widespread brand adoption.	organisation Redesign of business process 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 entity of the applicant in the FTA and/or IPPA market (local entity). Under the circumstances, the applicant must provide documentary evidence proving its eligible investment relationship with the local entity covered in the project in accordance with paragraph 2.1.3.

Upgrading and restructuring is not confined to that carried out in the local 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 and/or IPPA markets. Besides, the proposed project should include elements targeting at the business development of the applicant in the FTA and/or IPPA 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	New product developed New product specification Product evaluation report

Area	Category	Projects	Deliverables
		encourages innovation and new ideas. Apply Green Design concept and technology. Conduct carbon audit with a view to designing new products that meet relevant environmental standards	Product development and design procedures Advanced equipment/ computer system/ management system for product development & design
Technology and Management Upgrading	Manufacturing Technology Upgrading	Apply advanced technology for mould making, production and testing for productivity improvement. Apply advanced technology for production line upgrading to meet environmental standards for entering a new market Conduct carbon audit on new production lines with a view to entering into a new market Apply new production technology to meet carbon emission standards for entering into the target market	Advanced machinery/ facilities for mould making, production and testing Technology evaluation report
	Process & Business Automation	Develop hard and/or soft automation system for improving the process efficiency and quality. Develop automation system for environmental friendliness	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 and/or IPPA markets.

Some examples of initiatives of promoting sales in the FTA and/or IPPA 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 fulfil 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 and/or IPPA 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 and/or IPPA 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[10]
- 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 through the website of the Programme for consideration, examples of documents are as follows:

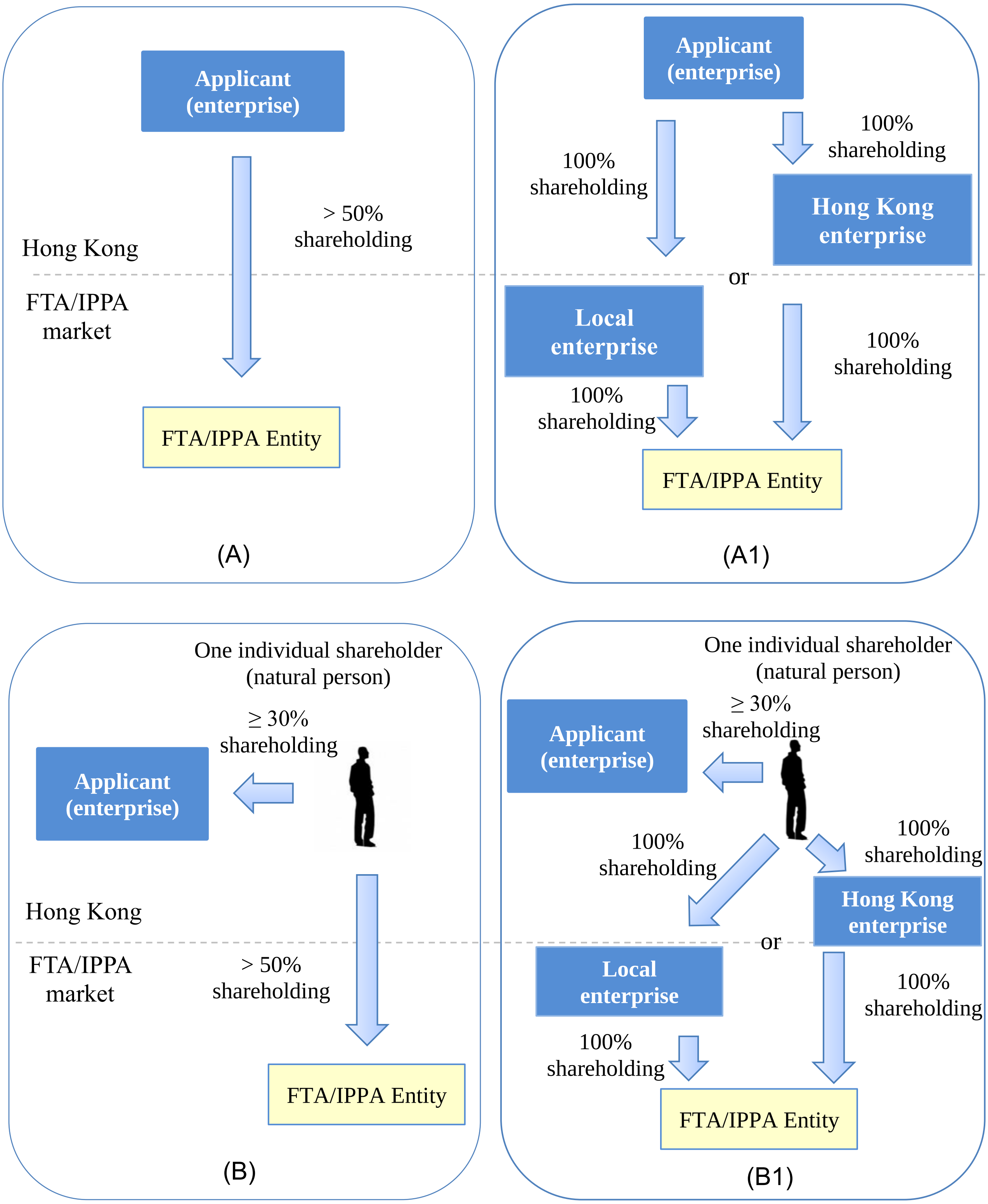
Applicant's Information	Examples of Documents
Business Operations	Commercial contracts, invoices, receipts, quotation documents, freight forwarding documents, bank records, records of purchase/sales of goods, office tenancy, water/electricity bills
Financial Information	Latest audited accounts, financial 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

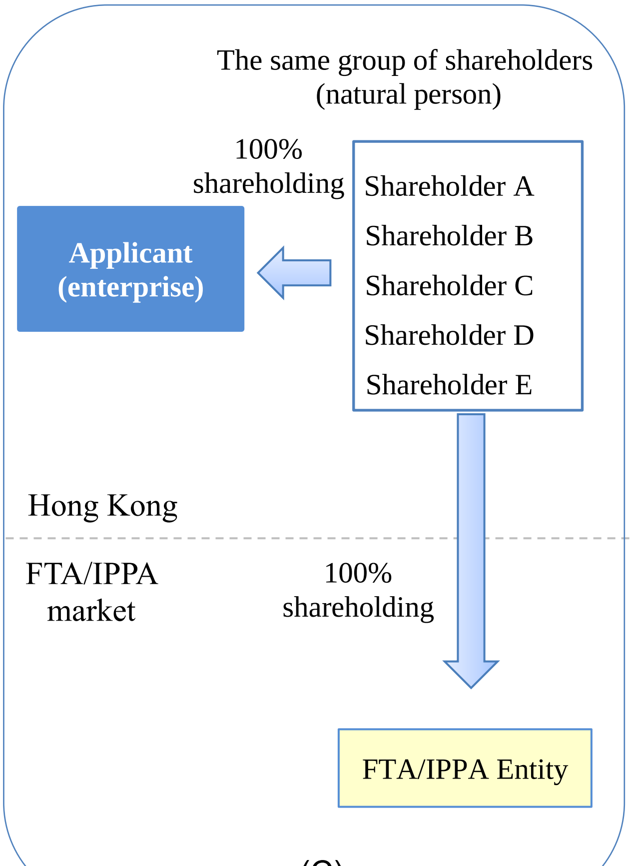
As mentioned in paragraph 2.1.6, HKPC reserves the rights to request additional documentary evidence from the applicant for assessing its eligibility and to determine whether the applicant is eligible to apply for funding under the Programme.

[10] If an applicant enterprise engages in sales transactions only with an entity/entities of the same group (consisting the parent and its subsidiary/subsidiaries), such business operations will **not** be considered as having substantive business operations in Hong Kong.

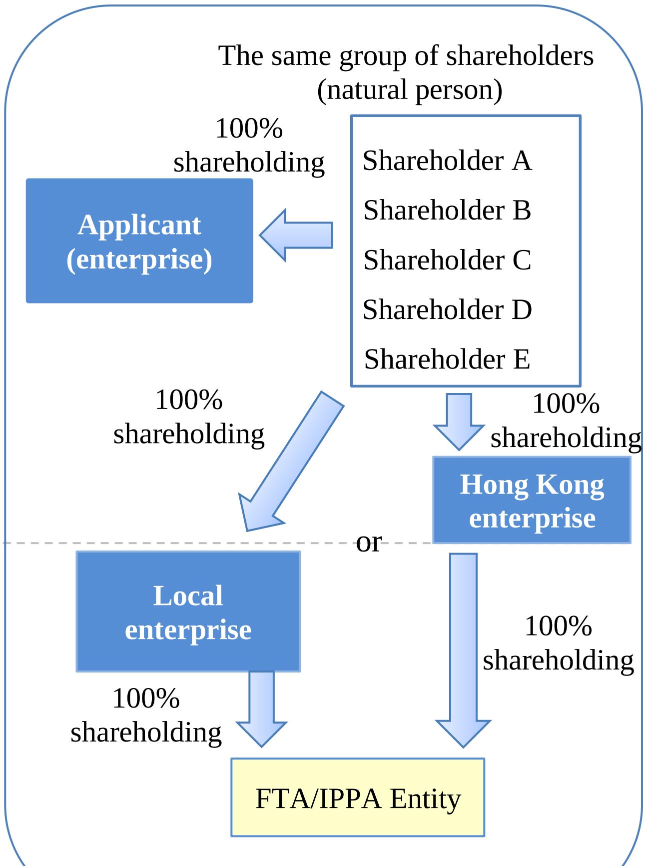
<u>Annex 3</u>

Eligible Investment Relationship of Local Entity of the Applicant

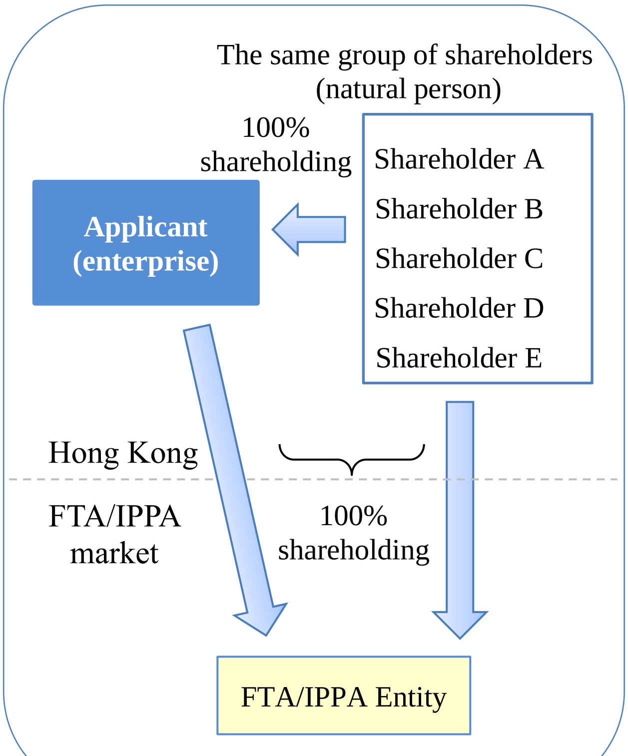



The same group of shareholders
(natural person)
100%
shareholding
Applicant
(enterprise)
Shareholder A
Shareholder B
Shareholder C
Shareholder D
Shareholder E
Hong Kong
FTA/IPPA
market
100%
shareholding
FTA/IPPA Entity

(C)


The same group of shareholders
(natural person)
100%
shareholding
Applicant
(enterprise)
Shareholder A
Shareholder B
Shareholder C
Shareholder D
Shareholder E
100%
shareholding
100%
shareholding
Hong Kong
enterprise
or
Local
enterprise
100%
shareholding
100%
shareholding
FTA/IPPA Entity

(C1)


The same group of shareholders
(natural person)
100%
shareholding
Applicant
(enterprise)
Shareholder A
Shareholder B
Shareholder C
Shareholder D
Shareholder E
Hong Kong
FTA/IPPA
market
100%
shareholding
FTA/IPPA Entity

(C2)

Annex 4

Expenditure Items that may be funded under the Programme

Each application has to be supported by a detailed budget with itemised breakdown of expenditure directly incurred for the purpose of the project. The following expenditure items directly incurred for the project may be funded.

Expenditure Item	Details
Establishment of new business entity in FTA and/or IPPA markets	The relevant costs for setting up a new business entity in FTA and/or IPPA markets, which are limited to licensing/registration fees, renovation fees, rental costs (fundable for up to three months), and professional fees associated with setting up the new business entity related to restructuring of business operations, may be funded but should not exceed 20% of the total budgeted expenditure for the project.
Cost for Recruiting Additional Manpower	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 period[11], may be funded but should not exceed 50% of the total budgeted expenditure for the project. Only the salary of employee(s) <u>newly</u> recruited for <u>new</u> <u>post(s)</u> established for the purpose of the project and the related incidental costs would be funded. The costs of recruiting additional staff in local entities outside Hong Kong may be funded for a maximum of six months. Additional manpower not directly recruited by the applicant but secured through an intermediary agent by way of a contractual service for implementing the measures under the project should be budgeted under the corresponding expenditure item and would be subject to the budget ceiling of the applicable expenditure item. The cost should not be budgeted under "Cost for Recruiting Additional Manpower". 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 7**</u>.

[11] 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 and/or IPPA economies, etc.

Expenditure Item	Details
Cost for Procuring/Leasing Additional Machinery/Equipment	The cost of procuring or leasing of additional machinery/equipment (including moulds 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 period[12] may be funded but should not exceed 70% of the total budgeted expenditure for the project. Procurement/leasing of additional machinery/equipment and other related goods/services has to follow the procurement procedures set out in paragraph 5.6.
Costs for Establishment of Online Sales Platform	Costs for designing and establishing online sales platform Management fee for the online store to be newly established, covering official service fee payable to third-party platform and service charge payable to other operators for online customer service/online shop promotion planning/data analysis, etc. may be funded for a period not exceeding six months
Other Direct Costs (i) Direct Cost for Producing/Procuring Sample/Prototype	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. 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. 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.
(ii) Cost for Advertising	Advertising costs directly related to the project, including: - the related management fee (for a period not exceeding six months); - expenses incurred by placing advertisements in any commercial advertising media (e.g. newspapers, magazines, television,

[12] 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.

Expenditure Item	Details
	radio, internet, billboard/poster/wall advertising, etc.) as well as the related incidental costs to be incurred within the project period[13]; - sponsorship; - engagement of spokesperson/ambassador and the related costs[14]; 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/IPPA economies	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. 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/IPPA economies and vice versa.
(iv) Cost for Patent/Trademark Registration in Hong Kong or the FTA and/or IPPA economies	Maximum cumulative amount of funding support per enterprise under the Programme of the BUD Fund for patent/trademark/design/utility model registration/copyright protection directly related to the project(s) is HK$600,000.
(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 of the BUD Fund in respect of procuring/licensing of brands or technology directly related to the project(s) is HK$400,000 and the fees should not exceed 10% of the total budgeted expenditure for the project.
(vii) Cost for online sales platform	The related management fee (for a period not exceeding 6 months).
(viii) Cost for Enhancing Company Website	Expenses for enhancement of company website of the applicant should not exceed HK$100,000 per application.
(ix) External Audit Fee	The external audit fee for approved project is capped at HK$10,000 per audit.[15]

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

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

15 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. Cost per external audit shall not exceed HK$10,000 and funding shall be subject to 1 (Government) : 3 (enterprise) matching ratio.

Expenditure Item	Details
(x) Others	Other costs directly incurred for the project may be funded, including: - cost for production of website related to the project; - cost for participating in exhibitions/trade fairs/roadshows in FTA and/or IPPA economies or Hong Kong, including virtual exhibitions organised by Government-related organisations or reputable exhibition organisers with good track records, and the related incidental costs[16]; - cost for organising/participating in other promotional events/activities (e.g. product launching ceremony) in FTA and/or IPPA 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 and/or IPPA economies or Hong Kong; and - cost for the procurement of project-related consumables (which should be specified in the application). Procurement of goods and services budgeted under "Other Direct Costs" has to follow the procurement procedures set out in paragraph 5.6.
Fee to Engage Other Consultant/Implementation Agent	Consultancy fee paid to the qualified service provider for the development of a holistic business plan under a "Type (i) Project Application" may be funded. 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. 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. Engagement of service provider(s)/consultant(s)/contractor(s) by the applicant under the project has to follow the procurement procedures set out in paragraph 5.6. The applicant should not engage a service provider/consultant/contractor, where the owners, shareholders, management, employees of which are the owners, shareholders, management, employees of the applicant enterprise or their relatives.

16 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.

Annex 5

Expenditure Items that will not be funded under the Programme

Expenditure Item	Details/Examples
Cost for establishment of new business entities	Cost items such as utility expenses, book keeping expenses, expenses for engaging Secretariat services and other cost items of a normal operating nature, such as procuring computers, coffee machines, etc.
Normal Operating Expenses of the Applicant	Daily, routine and general operation expenses of the applicant's existing business entity in Hong Kong, FTA and/or IPPA markets, including salary of existing employees, direct costs incurred for the production/manufacture of products for sales purpose[17], rental/renovation expenses, utility expenses, business registration or operating licence fees, office stationery, transportation costs of products[18] , 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	- 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 - Moulds for existing products.
Costs for Establishment of Online Sales Platform	- Management fee for the online store already set up, covering official service fee payable to third-party platform and service charge payable to other operators for online customer service/online shop promotion planning/data analysis, etc.
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.

17 Except for the procurement/leasing of additional machinery/equipment for upgrading and restructuring purpose.
18 Except for the transportation costs of exhibits for participating in the exhibitions/trade fairs/roadshows.

Expenditure Item	Details/Examples
(ii) Cost for Advertising	- Advertising outside FTA and IPPA 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 Travelling and Accommodation between Hong Kong and FTA/IPPA economies	- Travelling and accommodation expenses which are not directly linked to any measure covered by the project, or those arising from general business supervision, liaison, consultation, negotiation, etc.; - In-town transportation which does not form part of the cross-border transportation of trips from Hong Kong to FTA/IPPA economies and vice versa.; and - Travelling and accommodation outside FTA/IPPA economies and Hong Kong.
(iv) Others	- Participation in exhibitions/trade fairs/roadshows, including virtual exhibitions organised by Government-related organisations or reputable exhibition organisers with good track records, outside FTA and IPPA economies and Hong Kong; - Organisation of/participation in other promotional events/activities outside FTA and IPPA 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.

Annex 6

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 : ______________________________

Annex 7

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 7

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.