Guide to Application for SME Development Fund

CONTENTS

1. GENERAL ............................................................................................................................................................. 1
   1.1 OBJECTIVE .................................................................................................................................................... 1
   1.2 ELIGIBILITY .................................................................................................................................................... 1
   1.3 AMOUNT OF GRANT ...................................................................................................................................... 1
   1.4 TERMS AND CONDITIONS FOR FUNDING SUPPORT .............................................................................. 2

2. APPLICATION ........................................................................................................................................... 2
   2.1 APPLICATION PROCEDURE ....................................................................................................................... 2
   2.2 WITHDRAWAL ............................................................................................................................................. 3
   2.3 RESUBMISSION .......................................................................................................................................... 3

3. ASSESSMENT AND VETTING PROCEDURES ............................................................................................ 3
   3.1 ASSESSMENT PROCEDURE ......................................................................................................................... 3
   3.2 ASSESSMENT TIMETABLE .......................................................................................................................... 4
   3.3 VETTING CRITERIA .................................................................................................................................... 4
   3.4 AVOIDANCE OF CONFLICT OF INTEREST .............................................................................................. 5
   3.5 NOTIFICATION OF RESULTS ................................................................................................................... 5

4. FUNDING ARRANGEMENT/FINANCIAL MANAGEMENT .............................................................................. 5
   4.1 DISBURSEMENT OF GRANT ....................................................................................................................... 5
   4.2 BUDGET OF THE PROJECT ....................................................................................................................... 7
   4.3 ACCOUNT AND INTEREST ........................................................................................................................ 9
   4.4 BOOKS AND RECORDS ............................................................................................................................ 10
   4.5 FINANCIAL REPORTS ................................................................................................................................ 11
   4.6 PROCUREMENT PROCEDURES ................................................................................................................ 12
   4.7 HANDLING OF EQUIPMENT ...................................................................................................................... 13
   4.8 HIRING OF PROJECT STAFF ..................................................................................................................... 15
   4.9 RETURN OF RESIDUAL FUNDS ................................................................................................................ 15

5. REPORTING REQUIREMENT .......................................................................................................................... 15
   5.1 PROGRESS/FINAL REPORT ......................................................................................................................... 15
   5.2 POST-PROJECT EVALUATION REPORT ...................................................................................................... 16

6. ADMINISTRATIVE HIGHLIGHTS .................................................................................................................. 16
   6.1 CONTRACTUAL REQUIREMENTS ................................................................................................................ 16
   6.2 PRIOR APPROVAL REQUIREMENTS .......................................................................................................... 17
   6.3 SUSPENSION OR TERMINATION OF FUNDING SUPPORT ....................................................................... 17
   6.4 INTELLECTUAL PROPERTY RIGHTS (IPRS) AND THE USE OF PROJECT MATERIALS ............................... 17
   6.5 ACKNOWLEDGEMENT OF SUPPORT AND DISCLAIMER ...................................................................... 18
   6.6 ASSIGNMENT ........................................................................................................................................... 18
   6.7 HANDLING OF INFORMATION .................................................................................................................. 18
   6.8 INDEMNITY .............................................................................................................................................. 19
   6.9 PREVENTION OF Bribery ........................................................................................................................ 20

7. ENQUIRIES ................................................................................................................................................... 20

ANNEX .............................................................................................................................................................. 21
1. **General**

1.1 **Objective**

The SME Development Fund (SDF) was established by the Hong Kong Special Administrative Region Government in 2001 to provide financial support to projects which aim at enhancing the competitiveness of Hong Kong small and medium enterprises (SMEs) in general or SMEs in specific sectors.

The Trade and Industry Department (TID) administers the SDF upon the advice of a Vetting Committee mentioned in paragraph 3.1 below.

Activities under the projects which may be supported by the SDF include seminars, workshops, conferences, exhibitions, research studies, award schemes, codes of best practices, databases, service centres, support facilities and technology demonstration, etc.

1.2 **Eligibility**

Non-profit-distributing organisations operating as trade and industrial organisations, professional bodies or research institutes, etc. which shall either be statutory organisations or organisations registered under the laws of the Hong Kong Special Administrative Region, are eligible to apply. Projects which are or will be in receipt of other Government funding support will not be considered.

1.3 **Amount of grant**

The maximum amount of grant for each approved project is HK$5 million, or 90% of the total project expenditure, whichever is the less. The successful applicant will be required to contribute the remaining 10% of the total project expenditure, which may be in cash, in kind or in the form of sponsorship from any third parties other than the Government.

---

1 SMEs are defined as any manufacturing businesses which employ fewer than 100 individuals in Hong Kong, or any non-manufacturing businesses which employ fewer than 50 individuals in Hong Kong.

2 Non-profit-distributing organisations refer to organisations which do not distribute profits to their directors, shareholders, employees or any other persons. An applicant has to declare in the Application Form that it has not distributed any profit generated by the applicant in the past to any of its directors, shareholders, employees or any other persons. The applicant shall provide supplementary information, such as the Articles of Association, to prove that the organisation is non-profit-distributing in nature. In the case of organisations registered under the Societies Ordinance (Cap. 151), the applicant shall provide supplementary information, such as Constitution or Articles of Association, to prove that the organisation is non-profit-distributing in nature.
1.4 **Terms and conditions for funding support**

The successful applicant will be required to sign a project agreement with the Government and comply with all the terms and conditions laid down in the project agreement, this Guide and all directives and correspondences issued by the Director-General of Trade and Industry (DGTI) from time to time in respect of the project.

The successful applicant will be required to appoint a project coordinator and a deputy project coordinator who will be responsible for overseeing the implementation of the project, monitoring the proper use of funds in accordance with the approved budget, exercising economy in the use of funds, liaisoning with the Secretariat and attending meetings on the project.

To facilitate monitoring and evaluation of funded projects, the successful applicant will be required to submit Progress/Final Reports, Post-Project Evaluation Report and financial reports. TID has the right to request access to any information related to the projects.

The successful applicant shall, on a non-exclusive basis, make available the project deliverables to Hong Kong SMEs. It may charge the relevant SMEs a fee for the receipt or use of the project deliverables to recover the additional cost incurred, net of the funds.

2. **Application**

2.1 **Application procedure**

Applications for the SDF are accepted all year round. To apply for the SDF, the applicant shall complete the Application Form for SME Development Fund. Copies of the application form can be obtained from the Secretariat or downloaded from the website (www.smefund.tid.gov.hk). The application form is available in Chinese and English, and the applicant is only required to complete it in either language. No application fee will be charged.

The following documents shall be required for an application:

(A) Duly completed and signed Application Form, with a soft copy *(preferably in MS Word format)*; and

(B) Registration documents of the applicant (if applicable) - Business Registration Certificate, Certificate of Incorporation, Certificate of Registration of a Society, Certificate of Registration of Trade Union and Articles of Association.

---

3 This combined form is also applicable to the Dedicated Fund on Branding, Upgrading and Domestic Sales (Organisation Support Programme).
The original of the above supporting documents may be required for verification upon request.

The completed application form and supporting documents shall be sent to the Secretariat in person, by post or electronically (Address: 15/F, Trade and Industry Tower, 3 Concorde Road, Kowloon City, Hong Kong). If the application is submitted electronically, the applicant shall submit the softcopy of the application form and the supporting documents mentioned above, in the format specified under Section 11(2) of the Electronic Transactions Ordinance (Cap. 553) (ETO) with a valid digital signature supported by a recognised certificate as referred to in the ETO, via internet e-mail to the Department’s email address at sdf_apply@tid.gov.hk. Please note that only recognised e-cert (Organisational) for the authorised person signing the application will be accepted for making the application.

Acknowledgement will be sent to the applicant upon receipt of an application by the Secretariat.

2.2 Withdrawal

The applicant may write to the Secretariat to withdraw an application at any time before a project agreement is signed between the Government and the applicant.

2.3 Resubmission

A rejected application may be resubmitted only if its content has been revised substantially or if the applicant is able to produce supplementary evidence to address the comments made by the Vetting Committee. A resubmitted application will be treated as a new application and will be subject to the same assessment procedures.

3. Assessment and Vetting Procedures

3.1 Assessment procedure

The Secretariat will conduct a preliminary assessment of all applications and seek clarification or supplementary information from the applicant. Representatives of the applicant may be required to attend assessment meetings to present their project proposals and answer questions from the members of the Vetting Committee.

A Vetting Committee chaired by DGTI comprising members from various sectors will assess applications, formulate funding decisions for each project, and monitor funded projects. Where necessary, comments and advice will be sought from other relevant Government bureaux, departments and experts.
The Vetting Committee usually meets in March, June, September and December each year. Applicants will be informed of the outcome after the Vetting Committee has made the decisions.

3.2 **Assessment timetable**

Under normal circumstances, it takes about 60 working days to process an application after the end of each quarter. The processing time refers to the time taken by the Secretariat to conduct preliminary assessment on an application and submit recommendations to the Vetting Committee for decision.

3.3 **Vetting criteria**

The following aspects will be considered during the vetting process:

* **Usefulness of project**
  - (A) The project shall be able to enhance the competitiveness of Hong Kong SMEs in general or in specific sectors.
  - (B) The project deliverables shall be of practical use to Hong Kong SMEs.

* **Cost-effectiveness**
  - (C) The number of SMEs which may benefit from the funded projects.
  - (D) The project, including the approach to achieve the project objective, shall be cost-effective.

* **Project implementation**
  - (E) The implementation plan of the project, including the implementation schedule, business and publicity plan, shall be effective.
  - (F) The applicant and the project team shall have good technical and management capability.
  - (G) The proposed budget shall be reasonable and realistic.
  - (H) The project shall be completed in 3 years. If applicable, the applicant shall demonstrate the project’s sustainability after project completion.

* **Other factors**
  - (I) Availability of other funding sources.
  - (J) There is a demonstrated need for the project deliverables.
  - (K) The project will not duplicate the work carried out by other organisations.
3.4 **Avoidance of conflict of interest**

To avoid conflict of interest, Vetting Committee members and Secretariat staff who are directly or indirectly related to an application will be required to declare their interests. Where considered appropriate, the Chairman may request the members and the staff concerned to refrain from participating in the discussion on the relevant application.

3.5 **Notification of results**

The Secretariat will notify the applicant of the assessment result in writing. If an application is rejected, the Secretariat will inform the applicant the reasons for the decision.

An initial approval-in-principle will be given to the successful applicant. The successful applicant will be required to revise the project proposal, where necessary, and submit it together with a cash flow projection for the project to the Secretariat. The revised project proposal and cash flow projection will be further examined by the Secretariat. Funding approval will be granted to the applicant upon the signing of a project agreement prepared by the Government. The approved project proposal, the cash flow projection and this Guide will be appended to and form part of the project agreement.

4. **Funding arrangement/financial management**

4.1 **Disbursement of grant**

Subject to the applicant’s compliance with the terms and conditions of the project agreement, the Government shall provide the grant to the applicant in the following manner:

(A) For projects with the approved grant not exceeding HK$1 million and the implementation period not exceeding 1 year, the grant will be disbursed in one lump-sum, within 30 days after the production of documentary evidence to the satisfaction of DGTI showing:

(i) the availability to and receipt by the applicant of 100% of the total cash contribution and all other in kind contribution or sponsorship (if any) in accordance with the approved project proposal; and

(ii) the project account has been opened and the appointment of authorised signatories has been notified to the Secretariat (see paragraph 4.3.1).

(B) With the exception of projects mentioned in (A) above, for projects with implementation period not exceeding 2 years, the grant will be disbursed in 2 instalments according to the cash flow projection of the project as stipulated in the approved project proposal.
proposal. The first instalment will be effected within 30 days after the production of documentary evidence to the satisfaction of DGTI showing:

(i) the availability to and receipt by the applicant of at least 50% of the total cash contribution and all other in kind contribution or sponsorship (if any) in accordance with the approved project proposal; and

(ii) the project account has been opened and the appointment of authorised signatories has been notified to the Secretariat (see paragraph 4.3.1).

The second instalment will be effected within 30 days after the acceptance in writing by the Vetting Committee of the Progress Report (see paragraph 5.1(A)) and the audited account (see paragraph 4.5.1(A)), subject to the production of documentary evidence to the satisfaction of DGTI showing the availability of the remaining balance of the total cash contribution (if any) in accordance with the approved project proposal.

(C) For projects with implementation period exceeding 2 years, the grant will be disbursed in 3 instalments according to the cash flow projection of the project as stipulated in the approved project proposal. The first instalment will be effected within 30 days after the production of documentary evidence to the satisfaction of DGTI showing:

(i) the availability to and receipt by the applicant of at least 50% of the total cash contribution and all other in kind contribution or sponsorship (if any) in accordance with the approved project proposal; and

(ii) the project account has been opened and the appointment of authorised signatories has been notified to the Secretariat (see paragraph 4.3.1).

The second instalment will be effected within 30 days after the acceptance in writing by the Vetting Committee of the first Progress Report (see paragraph 5.1(A)) and the first audited account (see paragraph 4.5.1(B)(i)), subject to the production of documentary evidence to the satisfaction of DGTI showing the payment of at least 75% of the total cash contribution (if any) in accordance with the approved project proposal.

The third instalment will be effected within 30 days after the acceptance in writing by the Vetting Committee of the second Progress Report (see paragraph 5.1(A)) and the second audited account (see paragraph 4.5.1(B)(ii)), subject to the production of documentary evidence to the satisfaction of DGTI showing the
availability to and receipt by the applicant of the remaining balance of the total cash contribution (if any) in accordance with the approved project proposal.

DGTI reserves the right to withhold the second or third instalment or any further payment to the applicant if 50% or more of the grant plus the cash contribution by the applicant and sponsors (if any) remains unspent in the project account, if the applicant has failed or is likely to fail to execute the project, or if any reports, financial statements or other deliverables submitted by the applicant does not meet the standards specified in the project agreement.

The applicant is not entitled to charge any interest or claim any compensation or relief of whatsoever nature against the Government in the event of any late or withholding of payment of grant for any reason whatsoever.

4.2 Budget of the project

4.2.1 Expenditure

(A) Scope of funding

Projects funded under the SDF shall be completed in 3 years. An applicant who intends to operate the project for more than 3 years shall demonstrate its financial viability subsequent to the cessation of funding support.

Only expenditure directly incurred for the project within the project duration and specified in the approved project proposal can be charged to the grant. The following items directly incurred for the project may be funded.

(i) Additional manpower

Only the salary (including employer’s contributions to the Mandatory Provident Fund) of the additional manpower directly incurred for the project will be funded.

Monthly time sharing record should be maintained for manpower charged on a pro-rata/hourly basis.

(ii) Additional equipment

Only the cost of procuring or leasing of additional equipment for implementing the project can be charged to the grant. Equipment proposed to be purchased must be essential to or specifically required by the project. The applicant is encouraged to use its existing equipment or to lease the additional equipment required as far as possible.

- 7 -
(iii) Other direct costs

All other costs directly incurred for the project with the exception of overheads and other unallowable cost items set out under paragraph 4.2.1(B) below will be funded. Fundable direct costs may include:

- Expenses for consumables
- External consultancy fees
- Production and promotion costs of project deliverables (such as the costs on printing of leaflets, production of CD-ROMs, advertising and the organisation of seminars).
- Travelling expenses
  This shall not exceed 5% of the total budgeted expenditure or the total actual expenditure (whichever is the less). Expense shall be incurred by project team members. For flight charges, only cost of economy class fare is covered.
- External audit fees
  The maximum funding allowed for each audit of the project shall not be more than HK$10,000.
- Patent registration fees
  Patent registration fees directly relating to the project of not more than HK$250,000 may also be included in the budget.

The applicant shall inform the Secretariat and seek prior written approval from DGTI if the applicant foresees:

- the actual expenditure in any individual item exceeds the original budgeted expenditure for that item by 20%;
- the need to create a new expenditure item; or
- the need to transfer expenditure to a new expenditure item (e.g. for new/revised rank of project staff, new equipment, new consumables, etc.).

(B) Unallowable costs

Unless prior express approval is given by the Vetting Committee, the grant will not cover overhead expenses (such as salary, rental, renovation expenses, utility expenses), entertainment expenses, expenses for meals and other administration costs.
4.2.2 Contribution from the applicant

The applicant shall be responsible for at least 10% of the total project expenditure, which may be in cash, in kind or in the form of sponsorship from any third parties other than the Government. For in-kind contribution, the applicant shall provide documentary evidence to:

(A) demonstrate that the quoted value of the in-kind contribution is in line with the market price; and
(B) after project completion, to prove that the in-kind contribution has been used during the project period.

4.2.3 Income generated from the project

The project income, including all interest generated from the project account (as set out under paragraph 4.3.2), may be retained by the applicant upon prior written approval from DGTI with, but not limited to, the following conditions:

(A) The project income shall be used solely and exclusively for a project-related purpose as DGTI may approve;
(B) The project income shall be utilised only within the project duration;
(C) The project income cannot be used to offset the contribution required to be made by the applicant under paragraph 1.3; and
(D) Any other conditions as DGTI may impose at his/her sole discretion.

Unless otherwise approved by DGTI as mentioned above, the applicant shall return to the Government all income within 1 month after submission of the final audited account of the project (as set out under paragraph 4.9).

4.3 Account and interest

4.3.1 The successful applicant is required to open under its name and maintain a separate interest-bearing bank account (“project account”) with a licensed bank registered under the Banking Ordinance (Cap. 155) solely and exclusively for the purpose of processing all receipts and payments of the project. All withdrawals from the project account shall be made by at least two authorised signatories of the applicant, whose appointments should be notified to the Secretariat before disbursement of the first instalment of the grant.
All project funds (the grant and cash contribution by the applicant and sponsors) and project income, if any, should be deposited into the project account. All payments exclusively made for the project shall be paid out from the project account. All project funds shall be kept in the project account by the applicant until such funds are spent (paid) in compliance with the project agreement or returned to the Government by the applicant in accordance with the project agreement.

4.3.2 The applicant shall ensure that all interest generated from the project account shall be reflected in the financial statements and audited accounts of the project.

4.3.3 Without prejudice to any other rights or remedies which the government may have, the applicant may be required to compensate the Government for loss of interest income if the project funds are not properly handled in accordance with paragraph 4.3.1 above.

4.4 Books and records

4.4.1 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 approved budget) 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.

4.4.2 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 and used, or services provided. Moreover, the expenditure so charged shall be incurred during the project duration only. All receipts and expenditure of the project, including the grant, contribution by the applicant and sponsors (if any), and project income (if any) shall be fully and properly recorded in the books and records in accordance with the project agreement, and all requirements, directives and correspondences issued by DGTI in respect of the project.

4.4.3 The applicant shall maintain, during the continuance of the project agreement and for a minimum of 7 years after the completion of the project or termination of the project agreement, full and proper books of accounts and records of the project (including receipts, counterfoils, vouchers, quotations and tendering documents and

---

4 Based on the Hongkong and Shanghai Banking Corporation saving interest rate applicable at the time calculated up to the date of payment of such interest.
other supporting documents). In this connection, the Government and its 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 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 books of accounts and records of the project and explain to the Government or its authorised representatives any matters relating to the receipt, expenditure or custody of any money derived from the project. Moreover, the applicant shall allow the Independent Commission Against Corruption (ICAC) to inspect the books and records, examine the management and control measures in relation to the funded project for corruption prevention review. DGTI reserves the right to require the applicant to return the mis-spent amount together with the interest income accrued to the Government.

4.5 **Financial reports**

4.5.1 The successful applicant will be required to submit the following financial reports to DGTI:

(A) For projects with implementation period not exceeding 2 years (with the exception of projects mentioned in paragraph 4.1(A)), an audited account (together with the Progress Report as set out under paragraph 5.1(A)) not later than 2 months before payment of the second instalment;

(B) For projects with implementation period exceeding 2 years,

   (i) an audited account (together with the first Progress Report as set out under paragraph 5.1(A)) not later than 2 months before payment of the second instalment; and

   (ii) an audited account (together with the second Progress Report as set out under paragraph 5.1(A)) not later than 2 months before payment of the third instalment;

(C) Final audited account on the project covering the period from the project commencement date to the project completion date or termination date of project agreement (together with the Final Report as set out under paragraph 5.1(B)) within 3 months after the completion of a project, or the expiry or termination of the project agreement, whichever is earlier.

The audited account shall contain all receipts and receivables including the grant, contribution from the applicant and sponsors
(if any), project income (if any) and payments for the project. The audited account shall also comprise Statement of Income and Expenditure, Balance Sheet, Notes to the Accounts and Auditor’s Report. The accounts of a project shall be properly prepared from and in agreement with the books and records of the project.

Any record of mishandling of public funds or lack of discipline in financial management or any breach of a project agreement by an organisation will be taken into account by the Vetting Committee and the Secretariat in considering future applications from the relevant organisation or the project team. Any such record may prejudice that organisation’s future applications under the SDF.

4.5.2 Auditing requirements

To ensure that the project funds have been fully and properly applied to the projects and expended/received in accordance with the approved budget, the required accounts shall be audited by an independent auditor who must be either a Certified Public Accountant or a Public Accountant registered under the Professional Accountants Ordinance (Cap. 50) (the Auditor).

The applicant shall specify in the engagement letter for the employment of the Auditor that he/she shall strictly follow the requirements stipulated in the latest version of the “Notes for Auditors of Recipient Organisations” (the Notes) issued by the Secretariat in conducting audits and preparing the auditor’s report for each account of each project. The engagement letter shall also specify that the Government or its authorised representatives shall have the right to communicate with the Auditor on matters concerning the accounts and the supporting statements. In conducting the audits, the Auditor 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 Auditor is required to express its opinion on 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.

4.6 Procurement procedures

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

(A) For every procurement or lease of the equipment, goods or services in relation to or for the purposes of the project, the aggregate value of which does not exceed HK$50,000, the applicant shall invite quotations in writing from at least 2 suppliers
or service providers or lessors and accept the lowest conforming bid. Full justifications must be given if less than 2 suppliers or service providers or lessors could be identified from the market. If the lowest conforming quotation is not selected, prior written consent must be obtained from DGTI and full justifications shall be given.

(B) For every procurement or lease of the 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$1.43 million, the applicant shall invite quotations in writing from at least 5 suppliers or service providers or lessors and accept the lowest conforming bid. Full justifications must be given if less than 5 suppliers or service providers or lessors could be identified from the market. If the lowest conforming quotation is not selected, prior written consent must be obtained from DGTI and full justifications shall be given.

(C) For every procurement or lease of the equipment, goods or services in relation to or for the purposes of the project, the aggregate value of which exceeds HK$1.43 million, the applicant shall use open and competitive tendering procedures and accept the lowest conforming bid. The applicant shall make use of 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 DGTI and full justifications shall be given.

In the case of universities, they may adhere to their established/current standard procurement procedures.

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

4.7 Handling of equipment

4.7.1 Record-keeping

The applicant shall keep an equipment register to account for all asset, equipment, instrument or machinery listed in the approved project proposal which are purchased with the grant. Equipment shall be listed out in the equipment register in sequence of the date of purchase. The following information of the equipment shall also be provided:

- description of the equipment with details on the brand, model and serial number;
- number of items, unit cost and total cost;
- supplier’s invoice number; and
4.7.2 Risk in and title to equipment

The risk in the equipment (e.g. loss, damages, liabilities, etc.) shall be borne by and remain with the applicant as and when it passes upon procurement of the equipment by the applicant.

Notwithstanding that risk in the equipment shall pass to the applicant upon procurement, the full legal and equitable title and interest in any piece of the equipment shall at all times remain in the Government for the entire project duration plus 3 years thereafter.

During such time as title in any one or more pieces of the equipment remains in the Government:

(A) The applicant shall be responsible for the maintenance of the equipment in serviceable condition (fair wear and tear excepted);

(B) The applicant shall place on each such equipment clear marks indicating that it is owned by the Government and shall not remove, obscure or delete such marks;

(C) The applicant shall not sell, lease, mortgage, charge or create any encumbrance over, or otherwise part with possession of, such equipment or do anything or purport to do anything inconsistent with the title of the Government in such equipment; and

(D) The Government may at any time after procurement of such equipment by the applicant to 3 years after the end of the project duration, by giving reasonable notice to the applicant, direct the applicant to release and make available such equipment for removal by the Government or Government’s nominee and the applicant shall abide by such direction and release and make available for removal the equipment as directed.

If the Government does not direct the applicant to release and make available for removal the equipment in accordance with paragraph 4.7.2 (D) above, (i) the applicant shall have power to utilise or operate the equipment during the project duration and the 3 years thereafter; and (ii) the title in such equipment shall pass to
and vest in the applicant 3 years after the project duration absolutely without the Government having to do any further act of conveyance or assurance.

4.7.3 Site-visit

The Government may, upon reasonable notice during the project duration plus three years thereafter, request the applicant to arrange a site visit to validate the existence of the equipment purchased under the project.

4.8 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 to this Guide. The Guidelines can also be downloaded at www.smefund.tid.gov.hk.

4.9 Return of residual funds

Upon the expiry or termination of the project agreement or the completion of the project, whichever is earlier, the applicant shall return to the Government any residual funds\(^5\) within 1 month after submission of the final audited account of the project.

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

5. Reporting requirement

5.1 Progress/Final Report

To facilitate the monitoring and evaluation of projects, the applicant will be required to submit the following Progress and/or Final Reports:

(A) Progress Report

For a project with implementation period not exceeding 2 years (with the exception of projects mentioned in paragraph 4.1(A)), the applicant shall submit a Progress Report (together with the audited account) to DGTI 2 months before the second installment of payment (as set out under paragraphs 4.1(B) and 4.5.1(A)).

---

\(^5\) The formula for calculating the Residual Funds is:

\[
\text{Residual Funds} = \text{SDF grant} + \text{Contribution from the applicant and sponsors (if any)} + \text{Project income (including interest)} - \text{Actual project expenditure or Project expenditure as set out in the approved budget, whichever is the less}
\]
For a project with implementation period exceeding 2 years, the applicant shall submit the first Progress Report (together with the audited account) to DGTI 2 months before the second instalment of payment (as set out under paragraphs 4.1(C) and 4.5.1(B)(i)). The second Progress Report (together with the audited account) shall be submitted 2 months before the third instalment of payment (as set out under paragraphs 4.1(C) and 4.5.1(B)(ii)).

(B) Final Report

The applicant shall submit a Final Report covering the period from the project commencement date to the project completion date or the termination date of the project agreement (together with the final audited account as set out under paragraph 4.5.1(C)) within 3 months upon completion of the project. Among other things, the report should set out quantifiable results and a plan for publicity of the project deliverables.

The Secretariat will assess the effectiveness of the project by comparing the project deliverables against its original objectives and targets as set out in the project proposal. The Final Report will then be submitted to the Vetting Committee for consideration and comments. If necessary, the applicant may be invited to attend activities to present the project deliverables or share its experience.

Each completed project will be evaluated and rated, and unsatisfactory rating may affect the future chance of the applicant or the project team in obtaining SDF grant.

5.2 Post-Project Evaluation Report

The applicant shall submit a Post-Project Evaluation Report within 6 months upon completion of the project, reporting on its efforts in publicising the project deliverables, and providing quantitative assessment on the feedback of the participating SMEs on the project deliverables.

6. Administrative highlights

6.1 Contractual requirements

The successful applicant shall be required to sign a project agreement prepared by the Government and to comply with all the terms and conditions of the project agreement, this Guide and the directives and correspondences issued by DGTI from time to time in respect of the project in order to obtain the grant. The project agreement will cover the additional obligations, undertakings and indemnity of the successful applicant, the payment of the grant, treatment of intellectual property rights, conflict of interest and governing law and jurisdiction. Under no circumstances would the Government be required to indemnify an
applicant, whether a successful applicant or otherwise, or any employees, agents, servants or associates of the applicant. Nothing in the SDF scheme or the project agreement will render an applicant an employee, agent, servant or associate of the Government.

6.2 **Prior approval requirements**

An approved project has to be carried out strictly in accordance with the project agreement. Any modification, amendment or addition to the project or the project agreement, including but not limited to change of project duration, project scope, budget or cash flow projection, or replacement of the project coordinator or deputy project coordinator, shall require prior written approval by DGTI.

6.3 **Suspension or termination of funding support**

The Government reserves the right to suspend or terminate, after consultation with the Vetting Committee, funding support for a project. Circumstances which warrant suspension or termination of funding support may include: a lack of satisfactory progress or a slim chance of completion of a project, the objectives and relevance of the project have been overtaken by events, a breach of the terms and conditions of the project agreement, or if the DGTI sees fit to terminate the project in public interest because of changing circumstances. The applicant may have to return all/part of the grant together with all administrative, legal and other costs and interest (regardless of whether the applicant has already spent the grant or not).

6.4 **Intellectual property rights (IPRs) and the use of project materials**

All IPRs in the project materials shall be and remain vested in the applicant immediately upon creation. The applicant shall grant for the benefits of the Government, its authorised users, assigns and successors-in-title an irrevocable, non-exclusive, worldwide, perpetual, royalty-free, transferable and sub-licensable licence (i) to make copies of the project materials, (ii) to issue copies thereof to the public, (iii) to make available copies thereof to the public (whether through the Internet or otherwise), (iv) to make adaptation thereof and (v) to broadcast, include in a cable programme service, perform, show and play the same in public in whole or in part, and in any manner and forms, and for any purposes.

The applicant shall make available the project deliverables to SMEs and may charge the recipients a fee for receipt or use of the project deliverables in accordance with paragraph 1.4 above. The applicant shall ensure that SMEs will have equal access to the project deliverables on equal terms. Exclusive use of the project deliverables is not allowed unless otherwise approved in writing by DGTI. The sponsors, if so approved in writing by DGTI, may have priority use of the project deliverables.
The applicant shall make the project deliverables widely available to SMEs through workshops, seminars, publications, etc.

6.5 Acknowledgement of support and disclaimer

Acknowledgement of the funding support as approved in writing by DGTI must appear on all equipment, facilities, publicity or media events related to a project funded by the SDF or in publications arising from the project.

The following disclaimer should also be included in all publications and media events related to a project funded by the SDF:

“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, Trade and Industry Department or the Vetting Committee of the SME Development Fund and the Dedicated Fund on Branding, Upgrading and Domestic Sales (Organisation Support Programme).”

6.6 Assignment

6.6.1 Except as provided in paragraph 6.6.2 below, the applicant shall not assign, transfer, sub-contract or otherwise dispose of any or all of its interests, rights, benefits or obligations under the project agreement.

6.6.2 Subject to the prior written approval of the Government, the applicant may assign, transfer or otherwise dispose of any or all of its interests, rights, benefits or obligations under the project agreement and shall observe all terms and conditions to the approval as the Government may impose, which may include without limitation to the following:

(A) Upon the Government’s request, the applicant shall immediately transfer or assign free of charge all the equipment purchased under the grant, the project results and all the IPRs in the project results; and

(B) The Grantee shall return all residual funds to the Government immediately upon such assignment, transfer or disposal.

6.7 Handling of information

TID is 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 SDF will be used by TID or its authorised
agents for activities relating to:

(A) the processing and authentication of applications for grant, if any, payment of grants under the SDF 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 authorised by the applicant/data subject.

If necessary, TID 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 TID 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 TID is inaccurate, a request for correction of the personal data may be made in writing after a data access request has been complied with. Requests for access to personal data submitted under various applications can be made in writing on the Data Access Request Form issued by the Privacy Commissioner (No. OPS003), which is available at the Information Counter on 1/F, Trade and Industry Tower, 3 Concorde Road, Kowloon City, Hong Kong, the webpage of TID (www.tid.gov.hk/english/aboutus/form/publicform/others/index.html#ops003), or the Secretariat.

6.8 **Indemnity**

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

Enquiries regarding the SDF can be addressed to:

- **Address**: SME Development Fund Secretariat
  15/F, Trade and Industry Tower
  3 Concorde Road, Kowloon City, Hong Kong
- **Telephone No.**: 2398 5128
- **Fax No.**: 2391 7375
- **Email Address**: sdf_enquiry@tid.gov.hk
- **Webpage**: www.smefund.tid.gov.hk
- **Opening Hours**: Monday to Friday 8:45 am – 12:30 pm, and 1:30 pm – 5:45 pm
  Saturday, Sunday and Public Holidays Closed

December 2016
SME Development Fund
General Guidelines on Staff Recruitment

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

Introduction

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

Staff Recruitment

2. The applicant shall appoint a staff member from its organisation as the project coordinator to oversee and lead the project. As a general rule, no reward in the form of cash allowance to the staff is permitted. Project managers, consultants, engineers or other professionals and personnel outside the organisation may be recruited to help with the implementation of projects under the SDF as stipulated in the project proposals 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

3. Any staff member taking part in a recruitment exercise (e.g. acting 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/her 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

4. 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). Applicants are advised to obtain this booklet for reference.

SME Development Fund Secretariat
Trade and Industry Department
December 2016
Appendix to Annex

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 specified criteria.

• 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.

• A two-tier approval system (including one tier to recommend and one tier to approve) for hiring key personnel (e.g., project managers) shall be established, with supporting documents showing that the recruitment process is fair, open and based on merits.