

# **Guide to Application for the Recycling Fund (Enterprise Support Programme)**

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*(Latest version: Dec 2024) This version superseded the Sep 2024 and all other prior versions*

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## **1. INTRODUCTION**

### **1.1 Background**

- 1.1.1 The Government issued in May 2013 the “Hong Kong Blueprint for Sustainable Use of Resources 2013-2022” (the Blueprint), setting out a comprehensive strategy to reduce waste and increase recovery and recycling. Effective and sustainable recycling operations are an essential component in our waste management system. In support of the sustainable development of the recycling industry, the Chief Executive announced in his 2014 Policy Address that \$1 billion has been earmarked for setting up a Recycling Fund. With the approval of funding by the Finance Committee of the Legislative Council in July 2015, the Recycling Fund was launched in Oct 2015.
- 1.1.2 The Recycling Fund comprises two parts, namely the Enterprise Support Programme and Industry Support Programme. The former provides funding support for individual Hong Kong enterprises to upgrade and expand their waste recycling operations in Hong Kong. The latter provides funding support for non-profit distributing organisations (NPOs) such as professional bodies, trade and industry organisations, research institutes and other industrial support organisations registered in Hong Kong to undertake non-profit making projects which can assist the local recycling industry in general or in specific sectors in enhancing their operational standards and productivity.
- 1.1.3 The Government has engaged the Hong Kong Productivity Council (HKPC) to be the Implementation Partner as well as the Secretariat for the Recycling Fund (the Secretariat) to assist in the development, promotion, management, operation and monitoring of the recycling fund activities.

### **1.2 Objectives of the Fund**

- 1.2.1 The primary objective of establishing the Recycling Fund is to promote the recovery and recycling of waste by facilitating the upgrading of the operational capabilities and efficiency of the recycling industry for sustainable development in order to achieve the policy objectives of waste reduction in Hong Kong as pledged in the Blueprint and to address some of

the bottlenecks / constraints in the recycling industry. Specifically, the Fund aims to support projects which can –

- (a) raise the quantity and quality of recyclables recovered from the waste stream as well as those of recycled products from their treatment, thus reducing disposal at our landfills;
- (b) promote markets for recycled products, thus providing greater impetus to local landfill diversion; and
- (c) enhance the overall capability, capacity, efficiency and skills as well as market information of the recycling industry, thus facilitating its sustainable development.

### **1.3 Scope of Programmes**

- 1.3.1 The Enterprise Support Programme (the Programme) provides matching funds for the projects to enhance the recycling value added chain covering source separation, collection, transportation, processing, product improvement, commercialisation, marketing and sales of recycled products made from recyclables. Funding may also be provided for training of staff to run the enhanced operation.
- 1.3.2 Proposed projects must demonstrate the sustainability of the enhanced operation without further funding support after the project period, set at four years maximum. The need, viability and cost-efficiency of the proposed projects would be assessed with reference to prevailing market conditions (including outlets and prices of recyclables, cost of alternative treatment methods, etc.), contribution to increasing the quantity and quality of recyclables recovered from the waste stream as well as those of recycled products from their treatment, and enhancing the competitiveness of recyclables, thus reducing the amount of waste disposed of at landfills.

### **1.4 Application Period**

- 1.4.1 Subject to funding balance and periodic review, the Recycling Fund will be

open for application till 2027.

## **2. SAFEGUARDING NATIONAL SECURITY**

- 2.1 By submitting an application for the Programme, the applicant shall acknowledge and undertake to comply with the following clauses:
- (a) notwithstanding anything to the contrary in this Guide and/or the agreement signed between the applicant and the Government in respect of the Programme, the Government reserves the right to disqualify the applicant on the grounds that it has engaged, is engaging, or is reasonably believed to have engaged or be engaging in acts or activities that are likely to cause or constitute the occurrence of offences endangering national security or otherwise the exclusion of the organisation from future applications is necessary in the interest of national security, or is necessary to protect the public interest of Hong Kong, public morals, public order or public safety.
  - (b) the Government may immediately terminate any agreement with the applicant upon the occurrence of any of the following events:
    - (i) 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;
    - (ii) the continued engagement of the applicant or the continued implementation of the Programme is contrary to the interest of national security; or
    - (iii) the Government reasonably believes that any of the events mentioned above is about to occur.
- 2.2 The applicant is required to sign an agreement on safeguarding national security by completing Appendix I of the application form for each application. An application will be considered **invalid** if the Appendix I is not duly signed and submitted along with the application.

### **3. APPLICATION AND VETTING PROCEDURE**

#### **3.1 Eligibility of Applicants**

3.1.1 (a) Any enterprise (including but not limited to sole proprietor, partnership, private company and public company) duly established, incorporated and registered under the laws of Hong Kong or its place of incorporation with a valid business registration certificate issued under the Business Registration Ordinance (Cap 310 of the Laws of Hong Kong) for carrying on a business in Hong Kong (unless it is exempted from the requirement to apply for a business certificate under such Ordinance (where applicable)) and have substantive business operations in Hong Kong. The applicant must provide documentary evidence proving its substantive business operations 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 1**. Besides, the applicant should have been involved in recycling related operation with a proven track record for at least 1 year before submitting an application to the Recycling Fund, unless the applicant can provide exceptionally strong justification (e.g. companies with shorter period of establishment but have very experienced management / supervisory staff in recycling related operation).

(b) Bodies and organisations with close connection to the recycling industry including property management companies (PMC) and Owners' Corporations (OC) registered under the Building Management Ordinance (Cap. 344). The application from OC is generally based on the building or estate. Property Management Company (PMC) can apply on behalf of the OC and such application would be counted as application from OC instead of PMC. Should a project be approved under ESP, PMC will sign the funding agreement with the Government, and the OC will sign an undertaking to agree continue with the project even the PMC could not execute their duty for the approved project by whatsoever reason (e.g. change of PMC for that building or estate). Under such condition, the OC would be required to undertake the responsibility of continuation of the

approved project either on its own or through another PMC appointed by the OC to manage the building or estate.

3.1.2 At the time of application, the applicant and major shareholder(s) of the applicant should not be subject to any bankruptcy order or proceeding. The Secretariat / RFAC will reject those applications submitted by enterprises deliberately using different business registrations (BRs) to circumvent the funding ceiling per enterprise (see clause 4.1 below). Applicants whose related persons have previously applied for grant under the Recycling Fund will be treated as one single entity and consequentially all applications for the Recycling Fund will be subject to the prevailing cumulative funding ceiling per entity of HK\$15 million.

3.1.3 Projects which are or will be in receipt of other Government or public funding support will not be considered.

### **3.2 Submission of Application**

3.2.1 Applications for the Enterprise Support Programme are accepted all the year around. Applications received will be processed by batches.

3.2.2 Copies of the latest Application Form can be obtained at the Secretariat or downloaded from the Recycling Fund website ([www.recyclingfund.hk](http://www.recyclingfund.hk)). The application form is available in English and Chinese and may be completed in either language. No application fee will be charged.

3.2.3 For the Enterprise Support Programme, the following documents are required to be submitted for the application:

- (a) Duly completed and signed application form in one hard copy and one soft copy (preferably in MS Word format).
- (b) Registration and supporting documents of the applicant:
  - (i) Copy of Business Registration Certificate (if applicable);
  - (ii) Copy of documentary proof, other than Business Registration Certificate, of being registered or incorporated under the laws of Hong Kong (if applicable);

- (iii) Copy of the documentary proof of substantive business operations in Hong Kong and recycling related activities;
- (iv) Copy of the documentary proof of the shareholders of the applicant;
- (v) Copy of the documentary proof of the enterprise's financial information;
- (vi) Curriculum vitae of the project coordinator, deputy project coordinator, key management staff and technical staff of the project team; and
- (vii) Other documents as listed in the application form for ESP.

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

3.2.4 The completed Application Form together with the supporting documents set out in clause 3.2.3 should be sent to the Secretariat in person, by post or by online application submission. If the application is submitted in person, the applicant shall put the application form and supporting documents into an envelope addressing to "Recycling Fund Secretariat" and submit to the Reception Counter at G/F of the HKPC Building. The applicant may submit the softcopy of the application form and copies of the supporting documents mentioned in clause 3.2.3 to the Secretariat via the Recycling Fund website (<https://www.recyclingfund.hk/>).

3.2.5 An acknowledgement will be sent to the applicant upon receipt of an application by the Secretariat.

3.2.6 Incomplete applications or applications not submitted in accordance with the format as prescribed in clause 3.2.4, including an application submitted by facsimile or e-mail or without submission of the original hard copy, or the application form is not duly signed by the person-in-charge of the proposed project or affixed with seal of the applicant, **will not be processed**.

#### *Withdraw and Resubmission of Application*

3.2.7 The applicant may write to the Secretariat to withdraw an application at any time before the funding agreement is signed between the applicant and the



Government.

- 3.2.8 An application that has been rejected may be resubmitted only if it has been revised substantially or supported by new evidence to address the comments made by the Secretariat and/or RFAC in previous vetting. The resubmitted application will be treated as a new application and will be processed as set out in clause 3.3.

### **3.3 Application Processing**

- 3.3.1 Applications will be processed by batches. Applicants should pay attention to the batch cut-off date<sup>1</sup> of each batch of applications which will be announced at the Recycling Fund website ([www.recyclingfund.hk](http://www.recyclingfund.hk)). Any application received by the Secretariat after a particular batch cut-off date will usually be processed together with the next batch of applications to be received by the next batch cut-off date.

### **3.4 Assessment and Vetting of Applications**

- 3.4.1 Applications received will be assessed according to the following procedures:
- (a) Upon receipt of an application, the Secretariat will send an interim reply to the applicant to acknowledge receipt of the application. The Secretariat will conduct an initial assessment of all applications and may seek clarification or request supplementary information from the applicants and / or other related parties during the vetting process as necessary. However, it should be noted that applicants should provide the best and fullest information in their applications, and the Secretariat is not obliged to request additional information from applicants. On-site meetings or inspections may be conducted to verify the provided information and the applicant shall allow and facilitate the Secretariat in conducting these meetings or inspections. The Secretariat may seek views from relevant government

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<sup>1</sup> The batch cut-off date is defined as the last date to receive the application by the Secretariat to be handled in a particular batch period. An application with a postage date later than the corresponding batch cut-off date will be processed together with the next batch of applications to be received by the next batch cut-off date. In addition, applications submitted through email will not be considered.

departments from public policy perspectives.

- (b) The Advisory Committee on Recycling Fund (RFAC), chaired by a non-official and comprising of non-official members drawn from different sectors relevant to the promotion of waste reduction and recycling, will further assess all applications having regard to the results of the initial assessment by the Secretariat. The RFAC will formulate its recommendations on the approval or otherwise of the applications, the amount to be supported and the terms and conditions for approving the funding, for consideration by the Government.
- (c) The Government, represented by the Environmental Protection Department (EPD), will further assess all applications having regard to the recommendations of the RFAC. Based on the advice of the RFAC, the EPD would decide whether to approve the applications.

### **3.5 Assessment Timetable**

- 3.5.1 The RFAC will usually meet once every 3 months for assessing the applications, however, depending on the number of applications received, the RFAC may meet more frequently if deemed necessary. Applicants can refer to the Recycling Fund website for the latest information on important events and dates regarding the application process.

### **3.6 Vetting Criteria**

- 3.6.1 All applications would be vetted by the Secretariat, RFAC and the Government based on individual merits of the applications. The guiding principles are:

- A. The Objectives

- (i) Whether the project has the potential to raise the quantity, quality or expand the types or coverage of recyclables recovered from the waste stream as well as those of recycled products from their treatment, and enhance the competitiveness of recyclables, thus

reducing the amount of waste disposed of at landfills;

- (ii) Whether the project has the potential enhancement of overall capability, efficiency and skills for the applicant;

**B. Project Effectiveness**

- (i) Whether the business and publicity plan of the project is clear and be cost-effective in achieving the project objective;
- (ii) The applicant is reasonably expected of showing the financial ability and providing the required cash contribution to undertake the project proposal;
- (iii) Whether the project could be self-sustainable without further funding support after the project period;
- (iv) Whether the project is needed and viable taking into account of the current situation in waste management;

**C. The Project Implementation**

- (i) The feasibility of the proposed implementation plan;
- (ii) The project should have clear, concrete and quantifiable deliverables / milestones (e.g. tonnage of recyclables collected / processed, number of participants in training programmes, qualifications obtained, etc.) and a reasonable schedule to facilitate progress monitoring and assessment of project outcome;
- (iii) Whether the applicant and project team possess the technical and operational capability to undertake the project;
- (iv) Whether the applicant has demonstrated management capability and commitment to undertake the project;

3.6.2. The Government / Secretariat 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 Recycling Fund ([www.recyclingfund.hk](http://www.recyclingfund.hk)).

### **3.7 Notification of Results**

- 3.7.1 The Secretariat will notify the applicants of the assessment result in writing once the Government has made the decision having regard to the recommendation of RFAC. The reason of rejection will be stated in the notification if the application is declined.
- 3.7.2 An initial approval-in-principle will be given to the applicant. The applicant may be required to revise the project details of the application form based on the advice of the RFAC and/or the Government. The approved project proposal will be appended to and form a part of the funding agreement.
- 3.7.3 The successful applications will be posted onto the Recycling Fund website and other media or channels for the purpose of promotion of the Recycling Fund, if appropriate.

## **4. FINANCIAL ARRANGEMENTS**

### **4.1 Funding Amount and Principles**

- 4.1.1 Funding support from the Recycling Fund (“Grant”) may be provided at most on a matching basis, i.e. the Government will cover (a) not more than 50% of either the estimated amount of the project cost (“Estimated Project Cost”) or the Actual Project Cost (whichever is lower), and (b) provided further that it together with any other previous Grants which may have been paid to the applicant and his related persons (if any) out of the Recycling Fund shall not exceed HK\$15 million (“Estimated Grant”).
- 4.1.2 The duration of the Enterprise Support Programme (regular projects) shall be at least 1 year to demonstrate stable performance in achieving the project objectives. All approved project should be completed within 4 years.
- 4.1.3 Where the applicant is a company, the expression “related person” of the applicant includes any one of the following:

- (a) a shareholder (corporate or individual) which beneficially owns 30% or more of the issued share capital of the applicant (“substantial shareholder”); or
- (b) a holding company or a subsidiary of the applicant; or
- (c) a holding company or a subsidiary of a substantial shareholder (being a company) of the applicant; or
- (d) a company or partnership or sole proprietorship or other type of business entity in which a substantial shareholder (being an individual) of the applicant beneficially owns 30% or more of its issued share capital or equity interest or controls the composition of its board of directors (in the case of a company); or
- (e) a director of the applicant.

The expressions “holding company”, “subsidiary” and “officer” have the meanings assigned to them under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

4.1.4 Where the applicant is a sole proprietorship or partnership, “related person” of the applicant includes any one of the following:

- (a) any partner of the applicant (if it is a partnership); or
- (b) the spouse, parent, child, brother or sister of the applicant, and, in deducing such a relationship, an adopted child shall be deemed to be a child of both of the natural parents and the adopting parent, and a step child to be a child of both the natural parent and of any step parent; or
- (c) a company or partnership or sole proprietorship or other type of business entity in which the applicant or any partner or any of the persons mentioned in (b) above of the applicant beneficially directly or indirectly owns 30% or more of its issued share capital or controls the composition of its board of directors.

4.1.5 The cumulative funding ceiling per enterprise under the ESP is HK\$15 million. During the tenure of the ESP, funding support will be granted to each enterprise for a maximum of ten approved projects. Funding for

projects from the solicitation theme of New and Start-up Enterprises, Relocation Rental Support Project, Standard Project-\$1M, Standard Project-\$150,000<sup>2</sup>, Mini-ESP<sup>3</sup> and all other schemes under ESP will count towards the cumulative funding ceiling and the maximum number of approved projects under the ESP.

## 4.2 Funding Arrangement

### 4.2.1 The arrangement for the disbursement of funds is as follows:

The arrangement for the disbursement of funds to applicants can be determined and agreed upon before signing the funding agreement and will normally be based on the cash flow and deliverables of the project and the procedures below –

	<b>Option 1 (applicable to ESP and Solicitation Theme on Projects from New and Start-up Enterprises)</b>	<b>Option 2 (applicable to ESP, Solicitation Theme on Projects from New and Start-up Enterprises and Standard Project<sup>4</sup>)</b>
<b>Upfront payment</b>	Up to 30% of the Estimated Grant	Nil
<b>Interim payment</b>	Up to 45% of the Estimated Grant	Up to 75% of the Estimated Grant
<b>Final payment</b>	Balance of the grant*	Balance of the grant*

\*provided that the Actual Project Cost is equal to or higher than the Estimated Project Cost and subject to fulfillment of the project deliverables and the Actual Project Cost as audited in the final audited account.

#### (a) Upfront Payment

<sup>2</sup> Standard Project-\$150,000 has been combined with Standard Project-\$1M since Feb 2019.

<sup>3</sup> New application for Mini-ESP was discontinued on 31 January 2019.

<sup>4</sup> Please refer to the “Guidance Notes for Applications on ‘Standard Project’” for information.

(Latest version: Dec 2024) This version superseded the Sep 2024 and all other prior versions

- (i) Option 1 – Applicants may apply for the upfront payment of the grant with the appointment of a guarantor(s) or provision of bank guarantee for the upfront payment (“Upfront Payment”). Up to 30% of the Estimated Grant will be disbursed upon signing of the funding agreement, opening of the project bank account, production of evidence showing due contribution of the matching payment for the project (i.e. an amount at least equal to the Upfront Payment in cash to be deposited) to the project account, (a “Matching Fund”) and the delivery of the aforesaid guarantee in the prescribed form for the Upfront Payment.
  - (ii) The guarantor(s) should normally be a natural person and major shareholder or owner of the applicant, to personally guarantee the Upfront Payment and will be required to sign a separate personal guarantee agreement. Alternatively, a bank guarantee can be provided in lieu of appointing a guarantor, however, the Recycling Fund will not cover any expenses or costs associated with the arrangement of the bank guarantee.
  - (iii) Option 2 – For enterprises that choose not to require Upfront Payment of the grant, the appointment of a guarantor(s) or the provision of a bank guarantee will not be required.
- (b) Interim Payment(s)
  - (i) Non-recurring interim payment: For enterprises that choose not to require Upfront Payment, an up to 30% one-off, non-recurring interim payment of the grant request can be made by the applicant with the condition that over 30% of total project cost has been spent and claim request approval by the Secretariat.
  - (ii) For projects with duration exceeding 18 months, the applicant is required to submit progress report and an audited accounts (refer to clause 5.2), interim payment of Grant (“Interim Payment”) may be disbursed every 12 months (from commencement of the project) on a reimbursement basis each of an amount up to 50% of the direct project costs incurred by the applicant (e.g.

hardware, manpower, etc.) and covered by the approved budget but subject to the fulfillment of the following conditions: (1) completion of the proposed project deliverables and performance targets which are due to be completed; (2) acceptance by the Secretariat of the progress reports and where applicable the yearly audited account statement after 12 months of project commencement (provided that they are due to be delivered before the proposed payment of the Interim Payment); and (3) production of documentary evidence to the satisfaction of the Secretariat showing payment into the project account of an amount which must not be less than the expenditures items mentioned in (4) below before withdrawing the same for meeting the expenditure items mentioned in (4) below (a “Matching Fund”); and (4) production of documentary evidence to the satisfaction of the Secretariat that the expenditure items specified in the approved budget in relation to which an Interim Payment of Grant is sought for reimbursement have been paid for in full by the Applicant by withdrawing the amount from the project account before applying for the Interim Payment to reimburse such expenditure items up to 50% of such direct costs incurred by the applicant during the reporting period.

- (iii) The amount of a proposed Interim Payment shall normally be an amount equal to the actual payment for the expenditure item(s) specified in 4.2.1 (b)(i)(4) above and multiplied by 50%, or such other lesser amount at the discretion of the Secretariat having regard to the nature of the project, and progress schedule and commitment of the Applicant (including but not limited to the project deliverables) as set out in the approved project proposal by the Applicant and whether the actual payment departs from the budgeted amount of the expenditure item.
- (iv) The aggregate Interim Payments will be subject to a cap of 45% of the Estimated Grant where the Applicant has already received an Upfront Payment as mentioned in 4.2.1 (a)(i) above. For applicants who choose not to receive the Upfront Payment of the Grant as mentioned in 4.2.1 (a)(iii) above, the aggregate amount



of the Interim Payments may be up to 75% of the Estimated Grant.

- (v) Interim fund disbursement of every 6-month could also be made to the applicants provided that necessary progress report(s) and annual audited accounts are submitted and accepted by the Secretariat.

(c) Final Payment

- (i) Provided that the actual amount of the project cost as audited by the auditors in the audited accounts for the entire project period (“Actual Project Cost”) is equal to or higher than the Estimated Project Cost, a final payment of the Grant may be paid to the Applicant (being the Estimated Grant less the amounts of all Upfront and Interim Payments made under (a)(i) and (b) above) (“Final Payment”). The Final Payment will be on a reimbursement basis subject to the fulfilment of all of the following conditions: (1) completion of all project deliverables and achievement of all performance targets before the project completion date to the satisfaction of the Secretariat (unless and save to the extent waived by the Secretariat in the light of any acceptable mitigating factor); and (2) acceptance by the Secretariat of the final report, a report from a certified public accountant or certifying body qualified and approved by the Secretariat making certain certifications concerning the quantity or quality or type and sale price of the recyclables and confirmation whether the performance targets have been met, and final audited accounts by the Secretariat (these reports and accounts are further described in clause 4.6 below).

- 4.2.2 It shall be noted that the Secretariat has the discretion to refrain from making any interim payment or final payment where any of the conditions specified above which are required to be fulfilled for such payment are not fulfilled. For example, a performance target in the form of the Applicant’s commitment to increase the quantity of recyclables to be recycled is not fulfilled, the Secretariat may refuse to make payment in the absence of any acceptable mitigating factor.

- 4.2.3 Where the Estimated Project Cost exceeds the Actual Project Cost, no Final Payment will be paid, unless the aggregate Upfront and Interim Payments made still fall short of 50% of the Actual Project Cost. Under such case, the Secretariat may pay the shortfall as Final Payment so that all payments would then equate up to 50% of the Actual Project Cost provided that the conditions specified in clause 4.2.1(c)(i) are satisfied. Where the aggregate Upfront and Interim Payments exceed 50% of the Actual Project Cost, the Applicant shall be obliged to refund the excess to the Government via the Secretariat.
- 4.2.4 In the case of unsatisfactory performance or for any reason that the Applicant is unable to attain the performance targets, the Secretariat reserves the right to reduce the amount of the Estimated Grant based on the performance of the Applicant, by taking into account of the progress already made in implementing the project, percentage of the quantifiable milestones completed and/or other factors deemed relevant. For projects that also involve raising the quality and quantity of recyclables, provided that the RFAC is satisfied with the quality output of the project but the achieved quantity is less than expected, the reduction of the Grant will be determined based on the performance of the applicant in achieving the quantifiable milestones. However, the Government, with the RFAC's advice, shall have sole discretion in deciding the amount of funding to be reduced from the final payment of the grant, if any.
- 4.2.5 If the Applicant fails to comply with the terms and conditions stipulated in the funding agreement, the Secretariat may withhold disbursement of any part of Grant to the applicant and/or request return of the Grant already paid in full or in part from the applicant. Under such circumstance, the Secretariat will inform the applicant of the decision and its reason.
- 4.2.6 The applicant is not entitled to charge any interest or claim any compensation or relief of whatsoever nature against the Government / Secretariat in the event of any late or reduction or withholding of payment of funding support for any reason whatsoever.

### **4.3 Expenditure Items**

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

4.3.2 Only expenditures directly incurred for the project and described in the approved budget items within the project period can be charged to the funding support. 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 manpower hired especially for the project and is in addition to the existing manpower of the applicant for its existing recycling business (viz., business of collection or processing or recycling of recyclable materials) directly incurred for the project will be funded. Monthly time record should be maintained to record the manpower, time duration and activities performed for the project.

(ii) Additional equipment

Only the cost of procuring or leasing of equipment in addition to the applicant's existing equipment for implementing the project can be charged to the funding support. Equipment proposed to be purchased or leased must be essential to or specifically required by the project. The applicant is encouraged to use their existing equipment as far as possible. Applicants wishing to procure vehicles for the project must also provide a secure parking space for the vehicle so as to ensure its safe custody and will not cause any disturbance to the surrounding.

(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 below (point iv) will be funded. Fundable direct costs may include:

- Expense for consumables.
- External consultancy fees.
- Production and promotion cost of project deliverables (such as printing of leaflets, production of CD-ROMs, advertising and the organisation of seminars).

- Travelling expenses - expense shall be incurred by project team members. For flight charges, only cost of economy class fare is covered.
- Direct transportation and manpower expenses necessary to organise and / or support study missions.
- External audit fees; bank charges only on audit confirmation, account opening and cheque book designated for Recycling Fund Projects.
- The baseline quantity audit fee incurred before project commencement. (refer to Clause 5.3.1 for details).
- Third party liability insurance premium.
- Rental expenses arising from new, expanding recycling business<sup>5</sup> or existing premises – the cap for funding support for rent should not exceed 30% of the total approved funding amount or HK\$50,000 per month regardless of the size and location (whichever is the less)<sup>6</sup>. This rental support can also cover the rental expenditure of “project pre-start period”<sup>7</sup>, which is the period from as early as after the date of application submission, to the date before project commencement for a maximum of 9 months. Please see **Annex 4** for more details and requirements on the “project pre-start period” support.
- Rental support on operation site and associated car parking spaces (if applicable), given that the existing operation sites, including street-corner shops and other sites will be relocated to appropriate operation sites such as industrial buildings or lands zoned for industrial purpose which will enhance the operation of the recyclers. Please refer to the Guidance Notes for Applications on Relocation Rental Support Project for more details.
- Patent registration fees - patent registration fees directly relating to the project of not more than HK\$250,000, or 90% of the total direct costs involved in patent applications (whichever is the less) may also be included in the budget.

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<sup>5</sup> The applicant has to satisfy the Secretariat that the additional space is of an appropriate size making reference to (i) prevailing business nature, scale, capacity; (ii) size and functions of original premises; (iii) market conditions, industry norms and practice of comparable industry players.

<sup>6</sup> This cap of funding support is applicable to applications submitted on or after 1 February 2023.

<sup>7</sup>The “project pre-start period” rental support is applicable to applications submitted on or after 1 February 2023.

(iv) Unallowable costs

- Unless otherwise expressly approved by the RFAC / Government / Secretariat, the funding support will not cover overhead expenses (such as salary of existing employee, renovation expenses, utility expenses), insurance costs (except premium for basic third party liability insurance), entertainment expenses, expenses for meals, local public transportation and other administration costs.

#### **4.4 Account and Interest**

- 4.4.1 The 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 project funds (the funding support under the Programme and cash contribution by the applicant, if applicable) should be deposited into the project account. All payments exclusively applied to the project for which they are paid 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 funding agreement.
- 4.4.2 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, and has to be kept in the project account.
- 4.4.3 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 the above requirements.
- 4.4.4 Interest income as stated in the final audited accounts would be used to offset the final disbursement to the applicant.

## **4.5 Procurement of Goods and Services**

4.5.1 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 / Secretariat agrees otherwise<sup>8</sup>:

- (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\$50,000, the applicant shall invite quotations in writing from at least two suppliers / service providers / contractors or lessors and accept the lowest conforming quotation. Full justifications must be given if less than two suppliers / service providers / contractors or lessors could be identified from the market. If the lowest conforming quotation is not selected, prior written consent must be obtained from the Secretariat and full justifications shall be given. For purchasing with the aggregate value of which is no more than HK\$5,000 and for mainly consumables such as stationery, two quotations from suppliers / service providers / contractors or lessors are not required<sup>9</sup>. However, the Secretariat reserves the right to request the applicants to provide quotations for purchasing or procurement of items if necessary.
  
- (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\$50,000 but does not exceed HK\$200,000, the applicant shall invite quotations in writing from at least three suppliers / service providers / contractors or lessors and accept the lowest conforming quotation. Full justifications must be given if less than three suppliers / service providers / contractors or lessors could be identified from the market. If the lowest conforming quotation is not selected, prior written consent must be obtained from the Secretariat and full justifications shall be given;

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<sup>8</sup> Suppliers, service providers, contractors or lessors from Hong Kong selected within the project should have a valid business registration.

<sup>9</sup> All purchases from the same vendor within 30 days will be treated as aggregated value of a single purchase; if the aggregated value exceeds HK\$5,000, applicant is required to acquire adequate number of quotations as required.

- (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\$200,000 but does not exceed HK\$1.36 million, the applicant shall invite quotations in writing from at least five suppliers / service providers / contractors or lessors and accept the lowest conforming quotation. Full justifications must be given if less than five suppliers / service providers / contractors could be identified from the market. If the lowest conforming quotation is not selected, prior written consent must be obtained from the Secretariat 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 exceeds HK\$1.36 million, the applicant shall refer to “Guidelines for Open Tender” document with laid down tender assessment criteria 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 the Secretariat and full justifications shall be given.
- (e) For every procurement or lease of equipment, goods or services in relation to or for the purposes of the project and the aggregate value of which exceeds HK\$500,000, when there is only (i) single quotation received or (ii) single bidding proposal received via open tender, the applicant shall apply in writing to obtain prior written approval from the Secretariat with supporting documentary evidence to demonstrate the rationale for such award of purchase order or contract before the purchase order can be issued or signing of the contract. The Secretariat may in its sole discretion determine whether or not to grant its approval, and approval will be granted based on full justification provided by the applicant.

- 4.5.2 For budgetary items, quotations and / or tenders of which the price is unreasonably high compared to the current market price, the Secretariat has the right to approve funding close to the market price as assessed by Secretariat or request the applicant to re-invite suppliers to submit quotations

or repeat the tendering process before issuance of purchase orders or award of contract.

4.5.3 Applicants should pay attention to the followings:

- (a) Applicants should obtain quotations directly from suppliers as far as possible to ensure the authenticity of the quotations;
- (b) If, under unavoidable circumstances, the applicant obtains quotation through an agent, such agent cannot be one of the suppliers. The applicant should also ensure that the agent has no interest in any supplier that provides the quotation;
- (c) Regardless of how quotations are obtained, applicants are also responsible for ensuring the authenticity of all quotation documents.

4.5.4 Unless prior written approval from the Government / Secretariat is obtained, the applicant should only engage a service provider / contractors who are not “related persons”.

- (a) Where the applicant is a company, the expression “related person” of the applicant includes any one of the following:
  - i. a shareholder (corporate or individual) which beneficially owns 30% or more of the issued share capital of the applicant (“substantial shareholder”); or
  - ii. a holding company or a subsidiary of the applicant; or
  - iii. a holding company or a subsidiary of a substantial shareholder (being a company) of the applicant; or
  - iv. a company or partnership or sole proprietorship or other type of business entity in which a substantial shareholder (being an individual) of the applicant beneficially owns 30% or more of its issued share capital or equity interest or controls the composition of its board of directors (in the case of a company); or
  - v. a director of the applicant.

The expressions “holding company”, “subsidiary” and “officer” have the meanings assigned to them under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

- (b) Where the applicant is a sole proprietorship or partnership, “related person” of the applicant includes any one of the following:
  - i. any partner of the applicant (if it is a partnership); or



- ii. the spouse, parent, child, brother or sister of the applicant, and, in deducing such a relationship, an adopted child shall be deemed to be a child of both of the natural parents and the adopting parent, and a step child to be a child of both the natural parent and of any step parent; or
- iii. a company or partnership or sole proprietorship or other type of business entity in which the applicant or any partner or any of the persons mentioned in (b) above of the applicant beneficially directly or indirectly owns 30% or more of its issued share capital or controls the composition of its board of directors.

4.5.5 The applicant shall not carry out fragmentation of orders or bids by dividing procurement requirements into installments or by reducing the usual duration of contracts with the purpose or effect of avoiding the need to obtain quotations or abusing the procedures and practices to purchase the subsidised items.

4.5.6 The Secretariat / RFAC may request and the applicant shall provide to the Secretariat / RFAC all information related to the selection of a supplier.

4.5.7 All quotations and tendering documents should be kept for inspection by the Government / Secretariat.

4.5.8 The applicant shall seek prior consent from the Secretariat for varying the approved budget by reallocation the projected expenditure amount for one item to another from time to time provided that:

- (a) any internal reallocation of expenditure shall be among the approved expenditure items as stated in Approved Budget;
- (b) no reallocation from one original expenditure item to another shall exceed 10% in total of the amount originally approved for the original expenditure item or in the value of up to HK\$500,000, whichever the lower; and
- (c) the reallocation shall not adversely affect the quantity and quality of any Project Deliverables under the Project.

The above is only applicable to situations where and there is no change to the project deliverables. In addition, the revised approved budget shall comply with the relevant rules in the Guide.

If any reallocation of expenditure exceeds the limit as stated in (a) or (b) above, the applicant shall apply in writing to obtain the prior written approval from the Secretariat with supporting documentary evidence to demonstrate the need and benefit for such reallocation of funds. The Secretariat may in its sole discretion determine whether or not to grant its approval, and approval will be granted based on full justification.

4.5.9 The Secretariat reserves the right to withhold disbursement of any percentage of the funding support if the applicant fails to comply with the procurement guidelines when procuring equipment for the project.

4.5.10 The applicant is also advised to observe the guidelines set out in the *Best Practice Checklist – Procurement* compiled by the Independent Commission Against Corruption (ICAC) and any guidance from the Secretariat/Government in execution of the procurement including but not limited to drawing up specifications, using of marking scheme and tender assessment.

4.5.11 If applicant plans to purchase second (2<sup>nd</sup>) hand equipment in the project, please refer to **Annex 3** for the requirement.

## 4.6 Financial Reports

4.6.1 The applicant will be required to submit the following financial reports to the Secretariat:

- (a) For projects with implementation period exceeding 18 months,
  - (i) annual audited accounts every 12 months (together with the relevant progress report), to be submitted 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) not later than three months after project completion or the expiry or termination of the funding agreement, whichever is earlier.

- (b) 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) not later than three months after project completion or the expiry or termination of the funding agreement, whichever is earlier.

4.6.2 The audited accounts shall contain all receipts and receivables including the funds supported by the Government under the Programme, contribution by the applicant and payments for the project. The audited accounts shall also comprise of Statement of Income and Expenditure, Detailed Statement of Income and Expenditure, Statement of Financial Position, 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.

4.6.3 Late submission of the audited accounts may lead to suspension or termination of the funding support for the project.

4.6.4 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 RFAC and Government in considering future applications from the same enterprise or the project team. Any such record may prejudice that enterprise's future applications under the Recycling Fund.

## **4.7 Auditing Requirements**

4.7.1 To ensure that the project funds have been solely 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 (practising) (CPA (practising)), a CPA firm or a corporate practice registered with the Accounting and Financial Reporting Council (AFRC) under the Accounting and Financial Reporting

Council Ordinance (Cap. 588) (the Auditors), or any certification body as approved by the Secretariat.

- 4.7.2 The Government / Secretariat or their authorised representatives shall have the right to communicate with the Auditors concerned on matters regarding 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 for Auditors on Financial Statements Audit of Funded Enterprises/ Funded Organizations” (which can be downloaded from the Recycling Fund website ([www.recyclingfund.hk](http://www.recyclingfund.hk))) and to make full disclosure of any material non-compliance.

#### **4.8 Risk and Title to Equipment**

- 4.8.1 The full legal and equitable title and interest in any piece of the equipment funded under the Recycling Fund (ESP) shall vest with the applicant. The risk in the equipment (e.g. loss, damages, liabilities, etc.) shall also be borne by and remain with the applicant.
- 4.8.2 During the project period and for a period of two years thereafter (unless with approval of the Government / Secretariat), the applicant shall be prohibited from selling, mortgaging, transferring or disposing of the equipment purchased under the project or use the equipment purchased under the project as security or collateral for any borrowing of whatsoever nature and shall keep an “Equipment Register” to account for such equipment, apply acknowledgement of the funding support on the equipment and be responsible for the use and maintenance of the equipment in serviceable condition (fair wear and tear excepted). Applicant is also required to submit the “Equipment Register” to the Secretariat on a regular or need basis. The applicant shall use the equipment solely and exclusively for the purpose of the project.
- 4.8.3 The applicant shall commit and continue to use the equipment at least for two years after completion of the project and shall make such available for

inspection by the Secretariat upon request. If the applicant intends to sell, mortgage, transfer, dispose of or discontinue the use of any equipment at the unit purchase price of HK\$100,000 or above at any time within two years after the actual completion of the approved project) the applicant shall promptly notify the Secretariat in writing with full justification and can only proceed upon obtaining written approval from the Government / Secretariat.

#### **4.9 Hiring of Project Staff**

- 4.9.1 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 2**. Any staff member of the applicant enterprise 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 RFAC 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. Please see **Annex 2** for more details on the guidelines for hiring project staff.

#### **4.10 Return of Residual Funds**

- 4.10.1 Where the total payment of Grant under Clauses 4.2(a) and (b) (viz. the total Upfront Payment and Interim Payments) exceeds the amount of the Actual Grant, such excess is to be known as the Residual Funds. Upon the expiry or termination of the funding agreement or the completion of the project, whichever is earlier, the applicant shall repay, regardless of whether or not there is any such balance in the Project Account, such Residual Funds to the Government through the Secretariat within one month after submission of the Final Audited Accounts.
- 4.10.2 The Government may initiate legal action for suitable remedies in case of delay in the return of residual funds to the Government.

## 5. OBLIGATIONS OF THE APPLICANT

### 5.1 Monitoring Mechanism

- 5.1.1 The applicant should set out in the application form the key performance indicators for assessing the effectiveness of the project and also state specifically how to evaluate the effectiveness of the project. The focus of both the key performance indicators and the methodology should be on the outcome and impact of the project, and these should be measured quantifiably as far as possible.
- 5.1.2 The applicant should maintain substantive business operation in Hong Kong throughout the Project Duration.
- 5.1.3 Unsatisfactory performance in project implementation, non-compliance with the terms and conditions set out in the Funding Agreement or breach of any laws of the Hong Kong Special Administrative Region will affect the applicant's future chance of getting funding support.

### 5.2 Progress / Final Reports

- 5.2.1 To facilitate the monitoring and evaluation of approved projects, the applicant is required to submit progress report(s) (if applicable) and a final report after the completion of the project or the expiry or termination of the relevant funding agreements to the Secretariat, which shall include an end-of-project evaluation that measures the efficacy of the project against the indicators stated in the application. Depending on the project duration, the arrangement for the submission of reports as well as the audited accounts mentioned in Clause 4.6 is as follows:

Project Duration	Submission of Progress Report and Annual Audited Accounts	Submission of Final Report, Final Quantity Audit and Final Audited Accounts
18 months or below	Not required*	Within three months upon project completion
More than 18 months	Progress report(s) every 12-month, to be submitted	Within three months upon project completion

Project Duration	Submission of Progress Report and Annual Audited Accounts	Submission of Final Report, Final Quantity Audit and Final Audited Accounts
	<p>within one month after the relevant 12-month period*</p> <p>Annual audited accounts every 12 months, to be submitted within one month after the relevant 12-month period</p>	

*\* It is optional for applicants to submit progress report(s) every 6-month and annual audited accounts in order to receive a more frequent funding payment(s).*

Each progress report should include a summary of the project progress against the project implementation plan set out in the Application Form appended to the funding agreement as well as a statement of income and expenditure for the reporting period. It should also include the “Equipment Register”, any work, deliverables and benefits that have been completed and achieved during the reporting period, the difficulties and problems encountered as well as any remedial and improvement actions planned and undertaken. The progress reports should be signed by the project coordinator and endorsed by the senior management of the applicant.

- 5.2.2 Applicants of all approved projects are required to submit final reports (together with the final audited accounts as referred to in clause 4.6 and the final quantity audit on the quantity of recyclables treated at the end of the project as stated in clause 5.3) covering the period from project commencement date to the project completion date or the expiry or termination date of the funding agreement to the Secretariat within three months after project completion or expiry or termination of the funding agreement. Each final report should include a summary of the work and deliverables completed and the benefits achieved under the project as well as a statement of income and expenditures against the objectives, deliverables and budget of the project as set out in the Project Details of the application form appended to the project agreement. It should also include the “Equipment Register” and contain an evaluation of the project results, including an account of any unresolved issues, and set out the number of additional staff employed in Hong Kong for implementing the project and / or the number of additional staff to be employed in Hong Kong as a result

of the benefits of the project. The final report submitted should be signed by the project coordinator.

- 5.2.3 The Secretariat will review the project progress and evaluate the project results by comparing the project progress / deliverables reported in the progress / final reports, such as evidence of collected / processed recyclables (e.g. invoice and payment slips, etc.), against its original objectives and deliverables as set out in the application form appended to the funding agreement. The applicant should immediately provide clarification and additional information on the contents of the progress / final reports upon the request of the Secretariat.
- 5.2.4 The Secretariat may conduct on-site checking, including random, surprise and routine inspections, to verify the project progress and results for individual projects. In this connection, the applicant shall cooperate with the Secretariat for the proper arrangement of on-site checking and make available all project documents and explain to the Secretariat for any matters relating to the progress and results of the project. The Secretariat may also require the applicant to attend meetings to examine the progress of the project.
- 5.2.5 All progress and final reports will be submitted to the RFAC for consideration. Late submission of the progress / final reports may lead to suspension or termination of the funding support for the project.
- 5.2.6 In the case where a progress / final report is rejected by the RFAC, the applicant should resubmit the progress / or final report within one month after the relevant notification by the Secretariat.
- 5.2.7 If the applicant completes the project without fully meeting the proposed targets / objectives, the RFAC reserves the right to reduce the approved funding by an amount that is based on the progress already made in implementing the project, completion of the quantifiable milestones and/or other factors deemed relevant.

### **5.3 Recyclable Quantity Achievement**

- 5.3.1 To effectively determine the actual progress made by the applicant in the



completion of the proposed quantifiable milestones, the applicant will be required to provide a baseline quantity of recyclables treated before implementing the project (the baseline period will normally be not less than the preceding 3 months prior to the month of submitting the application form by the applicant) and to substantiate the stated baseline through engaging an independent qualified auditor or engagement partner before commencing the project / at application submission stage. Alternatively, the applicant may provide a provisional baseline figure in the application form. If the application is approved with condition, the applicant could then appoint an independent qualified auditor to conduct an audit for the baseline figure. Should the baseline figure be substantiated leading to a full offer, the expense could later be counted as part of the project expenses. In cases the baseline quantity of the target recyclable under the Recycling Fund project is zero, (e.g. the applicant does not treat the recyclable that is targeted in the application but treat other recyclables), a baseline quantity audit by an independent qualified auditor will not be necessary. Instead, the Secretariat will conduct inspections and / or other verification work necessary to ascertain the zero baseline quantity as stated by the applicant.

- 5.3.2 The applicant will also be required to provide an audited quantity of recyclables treated at the end of the project by an independent qualified auditor to assess the overall performance against the stated key performance indicators. The applicant should ensure the recyclable quantity committed in the application would comply with the “Requirements on Recyclable Quantity Achievement for the Applicants”. The applicant may refer to the suggestions as provided in “Note for Grantee on Requirements for Recyclable Quantity Achievements” on fulfilling the relevant requirements. Both documents are available at the Recycling Fund website.
- 5.3.3 The independent qualified auditors are required to conduct the audit for the baseline quantity or the performance target recyclable quantity in accordance with all the requirements set out in “Notes for Auditors about Auditing the Recyclable Quantity of Grantees” which is available from the Recycling Fund website). The eligibility criteria as well as the most updated list of independent qualified auditors approved by the Secretariat would be available at the Recycling Fund website.

## **6. ADMINISTRATIVE HIGHLIGHTS**

### **6.1 Contractual Requirements**

- 6.1.1 The Applicant is required to sign a funding agreement with the Government and to comply with all the terms and conditions of the agreement, this Guide and the instructions and correspondences issued by the Secretariat or the Government from time to time in respect of the project or the Programme, whether specifically to the applicant, or to all applicants.

### **6.2 Prior Approval Requirements**

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

### **6.3 Suspension or Termination of Funding Support**

- 6.3.1 The Government / Secretariat, with the advice of RFAC reserves the right to suspend or terminate funding support for an approved project. Circumstances which warrant suspension or termination of funding support may include but are 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, non-acceptance of those reports / accounts by the RFAC and Government, a breach of the terms and conditions of the funding agreement, or if the RFAC and Government sees fit to terminate the project in public interest. Once the project is suspended or terminated, 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 costs and interest within one month after submission of the final audited accounts of the project, and provide any accounting thereof (regardless of whether the applicant has already spent the funds or not). The applicant shall also seek the written consent from the

Government / Secretariat on the handling of the funded hardware including public auction if it has resale value.

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

6.3.3 Requirements of all applications, agreements and projects:

- (i) notwithstanding anything to the contrary in the agreement signed between the applicant organisation and the Government in respect of the project, the Government reserves the right to disqualify an application on the grounds that the applicant organisation has engaged, is engaging, or is reasonably believed to have engaged or be engaging in acts or activities that are likely to cause or constitute the occurrence of offences endangering national security or otherwise the exclusion is necessary in the interest of national security, or is necessary to protect the public interest of Hong Kong, public morals, public order or public safety.
- (ii) the Government may immediately terminate the agreement upon the occurrence of any of the following events:
  - the recipient organisation 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 engagement of the applicant organisation or the continued implementation of the project is contrary to the interest of national security;  
or
  - the Government reasonably believes that any of the events mentioned above is about to occur.

## 6.4 Books and Records

- 6.4.1 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 Statement of Financial Position in respect of each project. All transactions relating to the project shall be properly and timely recorded in its books of accounts.
- 6.4.2 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 to be 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 the Secretariat or Government in respect of the project.
- 6.4.3 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, the Secretariat, 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 the Secretariat, Government and their authorised representatives (including Independent Commission Against Corruption “ICAC”) any matters relating to the receipt, expenditure or custody of any money derived from the project. The Government / Secretariat reserves the right to require the applicant to return any mis-spent amount together with

the interest income accrued to the Government.

## **6.5 Appointment of Project Coordinators**

- 6.5.1 The 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, terms and conditions of funding and funding agreement, exercising economy and prudence in the use of funds, liaising with the Secretariat and attending meetings on the project as necessary.

## **6.6 Participation in Publicity and Promotional Activities**

- 6.6.1 Applicants will be required to share the experience gained in implementing the projects approved under the Programme with other enterprises and / or organisations. They will need to participate in the publicity and promotional activities of the Programme when being invited by the Government / Secretariat to share their experience gained in the projects. These activities may include seminars, workshops, conferences, exhibitions, etc. as well as site visits to the factories / workshops of applicants as arranged by the Secretariat or Government. The applicant shall allow and facilitate the Secretariat, the Government or any authorised person to enter at all reasonable times into and upon any premises of or controlled by the applicant for the purpose of conducting these activities. The applicant will also need to provide input / contribute materials for publication to share their experience when being requested by the Secretariat or Government. The applicant cannot charge fees on the Secretariat or Government for participating in these activities or providing input / contributing materials for publication.

## **6.7 Intellectual Property Rights (IPRs)**

- 6.7.1 Applicants will hold all the intellectual property rights arising from the deliverables of the projects approved under the Recycling Fund and to the extent originally created by the applicant (if there any such original intellectual property).

## 6.8 Acknowledgement of Support and Disclaimer

6.8.1 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 the Government / Secretariat. Acknowledgement of funding support must appear on all equipment, facilities, publicity / media events or in publications related to a project funded under the Programme.

6.8.2 Information on funded projects (including names of the applicant, the amount of the funding and the nature of the supported project) will be uploaded onto the website of the Recycling Fund and other channels or media for the purpose of the promotion of the Recycling Fund, if appropriate, or for public information.

6.8.3 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 do not reflect the views of the Government of the Hong Kong Special Administrative Region, the Advisory Committee on Recycling Fund or the Recycling Fund Secretariat.”*

6.8.4 To acknowledge the source of funding, “Recycling Fund” should be added at the beginning of the project title while both the name and logo of the Recycling Fund should be used in all publicity materials resulting from a project.

6.8.5 For publicity materials produced under the Recycling Fund funded projects or activities, the sizes of the names and/or logos of the grantees and/or assisting/supporting/sponsoring bodies should not be larger, or placed in a more prominent position, than those of the Recycling Fund. For example:

*Order from top to bottom, Order from left to right:*

**Recycling Fund**

**Grantees**

**Assisting / supporting / sponsoring bodies**

**6.9 Environmental Performance, Waste Reduction and Recycling and Avoidance in Creating Obstruction in Public Places in Project Implementation**

- 6.9.1 The applicant shall endeavor to implement the project in an environmentally friendly manner. Environmental impacts potentially generated from the implementation of the project should be well assessed, minimized and mitigated. In particular, thorough waste reduction and recycling measures should be implemented. The applicant is advised to refer to the following guidelines compiled by the EPD or the guidelines suggested in the EPD website or the Waste Reduction Website or other relevant materials.

*Waste Reduction Tips for Event Organizer*

<https://www.wastereduction.gov.hk/en-hk/waste-reduction-programme/greening-your-events#waste-reduction-and-recycling-tips>

*Green Event Guidebook*

[https://www.wastereduction.gov.hk/sites/default/files/green\\_event/Green\\_Event\\_Guidebook\\_Eng.pdf](https://www.wastereduction.gov.hk/sites/default/files/green_event/Green_Event_Guidebook_Eng.pdf)

*Green Procurement*

[https://www.eeb.gov.hk/en/susdev/green\\_procure/green\\_spec.html](https://www.eeb.gov.hk/en/susdev/green_procure/green_spec.html)

- 6.9.2 The applicant shall endeavor to avoid creating obstruction in public places in implementing the project. The applicant shall also observe that illegal shopfront extensions can be issued with Fixed Penalty Notices under the Fixed Penalty (Public Cleanliness & Obstruction) Ordinance on top of summonses for the obstruction of public places.

**6.10 Prevention of Bribery**

- 6.10.1 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 (including HKPC staff) any money, gifts or advantages (as defined in the PBO) in relation to the project.

6.10.2 The offer of an advantage to the Secretariat or any member of the RFAC / Government either with or without 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.

6.10.3 The applicant is also advised to observe the guidelines set out in the *Best Practice Checklist – Strengthening Integrity and Accountability – Grantee’s Guidebook* compiled by the ICAC in order to execute the Funding Agreement in an ethical and accountable manner which meets the public expectation.

6.10.4 ICAC may conduct corruption prevention reviews for grantees of the Recycling Fund.

## **6.11 Avoidance of Conflict of Interest**

6.11.1 To avoid conflict of interest, RFAC members 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 discussion on the relevant application.

## **6.12 Assignment**

6.12.1 Unless prior written approval from the Government / Secretariat 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.

## **6.13 Indemnity**

6.13.1 The applicant shall indemnify and keep indemnified each of the Government, the Secretariat, each member of the Advisory Committee, and any assigns and successors-in-title of each of them (collectively “Indemnified Parties”) fully and effectively indemnified against (i) all losses, damage, liabilities, and costs (including all legal fees and other awards, costs, payments, charges



and expenses on a full indemnity basis) suffered or incurred by an Indemnified Party; and (ii) all action, proceedings, claims, and demands threatened, brought or established against an Indemnified Party (whether or not successful, compromised, settled, withdrawn or discontinued) (collectively, “Third Party Claims”); and everything mentioned in (i) above due to such Third Party Claims, which in any case arise directly or indirectly in connection with, out of or in relation to:

- (a) any breach of the Terms of the Project by the applicant, regardless of whether such breach was caused by the applicant or any member of the Project Team; or
- (b) any act or omission or negligence of the applicant or any member of the Project Team in the implementation of the Project; or
- (c) any allegation or claim that the use, operation or possession of the Project Deliverables or the Materials or the exercise by an Indemnified Party of any right granted under the funding agreement in relation to such Materials infringes any IPRs of any persons; or
- (d) any warranties or representations made by the applicant in the funding agreement, or in the Approved Proposal or in the Approved Budget or in any document (including in any of the Reports) or information provided by the applicant to the Secretariat, Advisory Committee or the Government from time to time being untrue, misleading, forged or incomplete; or
- (e) any failure of the applicant or of the Project Team to comply with or observe any applicable law or regulation (regardless of the law or regulation of which jurisdiction in the implementation of the Project).

## **7. ENQUIRIES**

Enquiries regarding the Recycling Fund can be addressed to –

Address: The Secretariat, Recycling Fund  
3/F, HKPC Building, 78 Tat Chee Avenue,  
Kowloon, Hong Kong  
Telephone: (852) 2788 5658  
Fax: (852) 3187 4559

E-mail: [enquiry@recyclingfund.hk](mailto:enquiry@recyclingfund.hk)

Website: [www.recyclingfund.hk](http://www.recyclingfund.hk)

- End –

## **Annex 1**

### **The Requirement of Substantive Business Operations**

In considering whether an applicant is having substantive business operations in Hong Kong, reference will be made to a basket of factors in respect of the applicant including:

- type of business operations in Hong Kong;
- volume / intensity / percentage of business operations in Hong Kong;
- capital investment in Hong Kong;
- number of employees in Hong Kong;
- information of customers / clients;
- duration of establishment of the enterprise at the time of funding application;
- information / assessment issued by relevant financial and professional institutions;
- and
- whether profits are tax assessable in Hong Kong.

To facilitate assessment on whether the enterprise is engaged in substantive business operations in Hong Kong, the applicant has to submit documentary proof for consideration as follows:

<b>Applicant's Information</b>	<b>Examples of Documents</b>
Business Operations	Business contracts, invoices, shipping documents, records of recyclables purchased / sold / processed
Financial Information	Audited accounts, financial statements, bank statements, profit tax return and assessments issued by the Inland Revenue Department
Employees' Information	Records of contribution under the Mandatory Provident Fund Scheme or to recognised occupational retirement schemes, employment contracts

## **Annex 2**

### **General Guidelines on Staff Recruitment**

#### **Introduction**

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

#### **Staff Recruitment**

Personnel outside the organisation / enterprise may be recruited to help with the implementation of Recycling Fund projects as stipulated in the application 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 given in “Appendix to Annex 2” 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 RFAC 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 of charge from the Corruption Prevention Advisory Service of ICAC (tel. 2526 6363). The applicants are advised to obtain this booklet for reference.

**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.

### **Annex 3**

#### **Requirement on Purchase of Second (2<sup>nd</sup>) Hand Equipment**

1. For normal application purchasing new equipment, applicant is only required to submit 1 quotation during the vetting stage for assessment. For application purchasing 2<sup>nd</sup> hand equipment, applicant is required to submit 1 quotation of the items in new condition and another quotation for the items in 2<sup>nd</sup> hand condition at vetting stage for reference to determine the funding amount.
2. The 2<sup>nd</sup> hand equipment quotation should clearly state:
  - a. The year of manufacturing of the equipment
  - b. The major specification (e.g. tonnage of the truck) of the equipment is the same as the new equipment
3. Maximum recognisable cost of the 2<sup>nd</sup> hand equipment is calculated accordingly with reference to a number of factors including the reference price of new equipment, depreciation of equipment, etc.
4. When applying for reimbursement, applicant is still required to submit enough number of quotations (the quotation of the items in new condition submitted at vetting stage does not count) in accordance to the price range. In general, applicants are required to submit enough number of 2<sup>nd</sup> hand equipment quotations with year of manufacturing and major specification being stated on all of them.
5. When applying for reimbursement, if applicant choose another 2<sup>nd</sup> hand equipment with longer no. of year of usage than the 2<sup>nd</sup> hand equipment stated in the quotation provided at vetting stage, the maximum recognisable equipment cost for reimbursement would be calculated again.

## **Annex 4**

### **Details and Requirements on Rental Support**

#### **Details**

- The maximum project duration of ESP is 48 months. The “**project pre-start period**” (maximum of 9-month) for rental support would not be counted as project duration. However, the rental expense of this "project pre-start period" would be calculated as part of project total expense with relevant cap imposed as stated in Section 4.3.2 of the guideline.
- Budget designated for rental expenses during this “project pre-start period” shall be clearly stated in the application.
- The “project pre-start period” rental support would form part of the total project cost. The funding amount would be tied with the milestones in the application and the recyclable quantity achievement listed in Section 5.3 of the guideline. The fund disbursement would follow the funding arrangement and principles in Section 4.2 of the guideline.
- The applicants shall bear the risk that the application could be rejected or the approved funding amount could be deducted.

#### **Project Site Requirement**

- The applicants shall implement the project at a proper recycling site which is permitted under the relevant statutory plan or covered by valid planning permission. In addition, the relevant site shall be without any lease enforcement action or land control actions being taken by Lands Department (LandsD) against the landowners/occupiers for the site.

- Examples for reference:

	Scenario 1	Scenario 2	Scenario 3
Project site status	Existing site eligible	Existing site not eligible  (The applicant submitted an application to LandsD / Town Planning Board to rectify issues after the Recycling Fund application.)	Existing site not eligible  (The applicant moved to a new and eligible site* after the Recycling Fund application.)
Rental subsidy period under “project pre-start period”	Period after the date of application submission to the date before project start for a max. of 9 months	Period after the date of application submission to the date before project start for a max. of 9 months	Period after the date of moving to the “New & eligible” operating site to the date before project start for a max. of 9 months
Example	Assume Recycling Fund application submission date as <b>2023/12/31</b> , project start date as <b>2024/12/1</b> and the monthly rental fee as <b>HK\$100,000</b> :		
	Pre-start period support ( <b>2024/1/1 – 2024/9/30</b> ):  HK\$100,000 x 9 months / 2 = HK\$450,000	Submission to LandsD / Town Planning Board : <b>2024/2/1</b> ,  Pre-start period support ( <b>2024/1/1 – 2024/9/30</b> ):  HK\$100,000 x 9 months / 2 = HK\$450,000	New eligible site rental start date: <b>2024/3/31</b> ,  Pre-start period support ( <b>2024/4/1 – 2024/11/30</b> ):  HK\$100,000 x 8 months / 2 = HK\$400,000

\* Applicant can consider submitting an application for Relocation Rental Support Project (RRSP) alternatively.