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BY E-MAIL

19 March 2020

Miss Bowie LAM
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Miss LAM,

**Finance Committee
Follow-up to the meeting on 21 February 2020**

At the meeting of the Finance Committee on 21 February 2020, with respect to the Government's proposal to implement the Local Mask Production Subsidy Scheme (the Subsidy Scheme), Members requested the Government to provide the details of the Subsidy Scheme and its implementation, including the considerations for providing subsidies to private entities to establish local surgical mask production lines, the arrangements for the subsidy, the mechanism for setting the price of the masks, the profit margin for manufacturing masks, and the monitoring mechanism for the Subsidy Scheme. I have been authorised to reply as follows.

The Subsidy Scheme aims to facilitate the establishment of local mask production facilities in order to address the acute shortage of masks locally and to build up stock. The Government has engaged the Hong Kong Productivity Council (HKPC) to administer the Subsidy Scheme. HKPC announced the details of the Subsidy Scheme on 1 March and the Subsidy Scheme has been open for applications since 2 March. Details of the Subsidy Scheme (including the eligibility criteria, application procedures, assessment criteria, arrangements for subsidy disbursement, etc.) can be found in the application guide attached at **Annex**.

An applicant must be a company holding a valid Business Registration Certificate and a valid Certificate of Incorporation in Hong Kong and meets all the conditions below at the time of submitting its application:

- possesses the relevant production equipment in Hong Kong;
- possesses the raw materials in Hong Kong;
- possesses or has rented a production venue in Hong Kong;
- possesses, has rented or has hired a contractor to set up clean room facilities in Hong Kong; and
- each production line must be able to produce at least 500,000 masks per month.

In addition, the applicant must submit the following information and proof thereof:

- its capability to comply with the Level 1 standard of the latest version of American Society for Testing Materials (ASTM) F2100, ISO 13485:2016 quality management system standard, and to achieve ISO Class 8 under ISO 14644-1 for the clean room after it begins production;
- its committed production output and its ability to achieve it; and
- its target commencement date for mass production supported by a detailed timetable.

The Subsidy Scheme will provide subsidies to a maximum of 20 local production lines, and will cease accepting applications on 31 December 2020 or once all quotas for the production lines have been exhausted, whichever is earlier. The Subsidy Scheme will initially accept applications for at most two production lines from each company.

An applicant may be granted a subsidy of up to HK\$3 million for its first mask production line approved under the Subsidy Scheme, while an additional subsidy of up to HK\$2 million may be given for a second approved production line. The subsidy covers the capital costs for production equipment, venue setup, clean room setup, and testing and standard compliance. The subsidy will be disbursed in phases depending on a successful applicant's progress in establishing the production line and producing masks. HKPC will monitor the production lines' compliance with the relevant requirements on an on-going basis.

The Government will also procure up to two million masks from each production line each month for one year. The Government will only purchase masks that meet the specified standards. The price of the masks is set with reference to major production costs and will be reviewed regularly. Documentary proof for such costs must be submitted for verification purposes. For further details, please refer to paragraph 5.2 and Annex 2 of the application guide.

HKPC has set up a thematic website for the Subsidy Scheme at <http://u.hkpc.org/mask>. The application and the application guide are also available on the website. Companies interested in applying may contact the Subsidy Scheme hotline at 2788 6035 or send an e-mail to mask@hkpc.org.

We would greatly appreciate it if the Secretariat could please relay this letter to the Finance Committee for reference.

Yours Sincerely,



(Harry LIN)

for Secretary for Commerce and Economic Development

c.c. Financial Services and the Treasury Bureau

Guide to Application for the Local Mask Production Subsidy Scheme

Effective from 2 March 2020



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



工業貿易署
Trade and Industry Department



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1. GENERAL

1.1 Background

In view of the spread of the novel coronavirus worldwide, the demand for all types of personal protective equipment, notably face masks in Hong Kong, both for use by the medical sector as well as for the community's consumption, has surged very significantly. However, the supply of such masks in Hong Kong is largely through import, with a big portion from the Mainland.

With the Mainland itself having a significant additional demand on masks, export shipments to Hong Kong, even for those committed orders, have largely fallen through lately. The acute supply shortage situation is aggravated by the worldwide surge in demand for masks and this has driven up prices.

To address the health concerns that would likely persist for a while, the Government considers of paramount importance to facilitate home-based production of masks as soon as possible. The Government has launched the Local Mask Production Subsidy Scheme (the Scheme) under the Anti-epidemic Fund and has engaged the Hong Kong Productivity Council (HKPC) as the Secretariat of the Scheme.

1.2 Objective of the Scheme

The objective of the Scheme is to provide financial incentive to facilitate the establishment of mask production facilities in Hong Kong.

1.3 Scope of the Scheme

The Scheme is to provide subsidies to Hong Kong registered companies to facilitate the establishment of mask production facilities in Hong Kong.

1.4 Subsidy Amount and Principles

1.4.1 Based on the actual costs of setting up mask production facilities in Hong Kong, a subsidy of up to HK\$3 million may be given to each factory for setting up one production line of masks, while an additional subsidy of up to HK\$2 million may be given for each additional production line of the same applicant. The applicant should commit to a production output of at least 500 000 masks per month for each production line in order to be eligible for subsidy. The Government will initially accept applications from companies each with at most two production lines, but may relax this limit depending on relevant factors such as the number of applications received.

1.4.2 The ceiling of subsidy amount for each production line is based on the

committed monthly production output:

Tier	Committed Monthly Production Output (no. of masks to be produced per production line)	Ceiling of Subsidy Amount for Each Production Line
1 st	$\geq 3\,000\,000$	<ul style="list-style-type: none"> • HK\$3,000,000 for 1st line • HK\$2,000,000 for 2nd line (of the same applicant)
2 nd	$\geq 2\,000\,000$ while $< 3\,000\,000$	<ul style="list-style-type: none"> • HK\$2,500,000 for 1st line • HK\$1,500,000 for 2nd line (of the same applicant)
3 rd	$\geq 500\,000$ while $< 2\,000\,000$	<ul style="list-style-type: none"> • HK\$2,000,000 for 1st line • HK\$1,000,000 for 2nd line (of the same applicant)

Remarks: If an applicant apply for the Scheme for more than one production lines, the production line with the earliest first date of production will be regarded as the 1st line.

- 1.4.3 The Scheme provides subsidy to a maximum of 20 production lines.
- 1.4.4 The subsidy will cover the costs of production equipment, venue setup, clean room setup, as well as testing and standard compliance. The maximum subsidy for each cost item and the documentary proofs required are set out in **Annex 1**. The actual subsidy will be determined based on the actual costs incurred by the applicant or the ceiling of subsidy amount in paragraph 1.4.2, whichever is lower.
- 1.4.5 The production equipment being subsidised under the Scheme must be procured and owned by the applicant, which is a registered company in Hong Kong, and to be used solely for the purpose of the Scheme. Such equipment must continue to be in the possession of the applicant and retained in Hong Kong for 2 years after the end of Committed Procurement Period as stated in paragraph 1.4.8 (the Retention Period). The applicant shall submit documentary evidence, such as auditors' report, to the Government proving the ownership and location of the equipment every year during the Retention Period. The Government reserves the right to conduct on-site inspection to verify that the equipment continues to be in the possession of the applicant. In case of non-compliance, the Government reserves the right to demand the applicant to refund the subsidy granted.
- 1.4.6 In case an applicant decides to dissolve its business during the Scheme (i.e. from the date of approval to the end of the Retention Period), the applicant should notify the Government of its intent to dissolve and refund the subsidy granted by the Government under the Scheme.

- 1.4.7 The subsidy will be allocated to production lines based on the target commencement dates of the Committed Procurement Period as defined in paragraph 1.4.8 below. If there are applications with the same target commencement date of the Committed Procurement Period, priority will be given to the production line with a higher committed monthly production output. If an applicant apply for the Scheme for more than one production lines, the priority of each production line is assessed individually, and the Government may approve the subsidy for only one or some or all of the production lines.
- 1.4.8 For each production line, the Government commits to procure the first two million masks produced in each month over a period of one year, counting from the date when the Government is satisfied that the masks produced from the production line in a clean room comply with the Level 1 standard of the latest version of American Society for Testing and Materials (ASTM) F2100 and the production output of the production line reaches at 70% of the committed monthly production output (“Committed Procurement Period”). The first two million masks produced by each production line every month must be sold to the Government. If more than two million masks are produced by the production line per month, the excess must be sold directly to statutory bodies, medical institutions, education institutions, public transport companies, other private companies, etc. for their employees in Hong Kong, or the retail consumption market in Hong Kong, and under no circumstances be exported out of Hong Kong.

1.5 Application Period

The Scheme is open for application from 3:00pm on 2 March 2020 until 31 December 2020, or the quota of all 20 production lines is exhausted, whichever is earlier.

2. ELIGIBILITY

2.1 Eligibility of Applicants

- 2.1.1 An applicant for subsidy under the Scheme must be a registered company in Hong Kong with a valid Certificate of Incorporation issued by the Companies Registry and a valid Business Registration Certificate issued by the Inland Revenue Department.
- 2.1.2 The applicant must prove to the Secretariat’s satisfaction, supported by documentary evidence, its capabilities in establishing of local mask production facilities in a short period of time. These include:

- (A) the mask production equipment physically in Hong Kong;
- (B) the inventory raw materials for mask production physically in Hong Kong for at least 25% of the committed monthly production output;
- (C) the rental agreement or proof of property ownership of the production venue in Hong Kong for carrying out the mask production;
- (D) the rental agreement or proof of ownership of existing clean room facilities in Hong Kong, or purchase order of existing or under-construction clean room facilities in Hong Kong;
- (E) the target commencement date of the Committed Procurement Period with detailed timetable; and
- (F) the committed monthly production output with detailed calculation.

2.1.3 Other supporting documents required are:

- (A) the production ramp-up plan to meet the committed monthly production output with detailed calculation; and
- (B) the capability and experience as well as plan and schedule in acquiring (i) the Level 1 standard of the latest version of American Society for Testing and Materials (ASTM) F2100 for masks, (ii) the ISO Class 8 under ISO 14644-1 for clean room, and (iii) ISO13485-2016 quality management system standard.

2.1.4 The Secretariat reserves the rights to request additional documentary evidence from the applicant for assessing its eligibility before processing the application further.

3. APPLICATION

3.1 Application Submission

- 3.1.1 The Scheme is open for application since 2 March 2020 until 31 December 2020, or the quota of all 20 production lines is exhausted, whichever is earlier.
- 3.1.2 To apply for the Scheme, the applicant must complete the online application form. Submission of application by email or other means will not be accepted.
- 3.1.3 The application form is available in an online format. Applicant should submit the application by filling in the online application form at (<http://u.hkpc.org/mask>). The online application form is available in English and Chinese and may be completed in either language. No application fee will be charged.

3.1.4 The following documents are required to be submitted for an application under the Scheme:

(A) Duly completed online application form.

(B) Registration and supporting documents of the applicant as attachments to the online application form:

- (i) Copy of the Certificate of Incorporation;
- (ii) Copy of the Business Registration Certificate; and
- (iii) Copies of the documentary evidence as set out in paragraphs 2.1.2 and 2.1.3 proving that the applicant has capabilities to establish the local mask production line(s) in a short period of time.

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

3.1.5 Acknowledgement of receipt will be sent to the applicants upon receipt of the applications by the Secretariat. Applicants should contact the Secretariat if they for whatever reasons have not received an acknowledgement.

3.2 Application Processing

3.2.1 Applications will be processed subject to the submission of the required supporting documents as mentioned in paragraph 3.1.4.

3.2.2 The Secretariat reserves the right to seek additional information/documentary proof from applicants on their submitted applications where deemed necessary. The application would be considered withdrawn if the information/documentary proof/clarification requested by the Secretariat is not provided within 7 calendar days under normal circumstances. Unless requested by the Secretariat, supplementary information provided after submission of application may not be accepted and may not form part of the application. Incomplete application may not be processed and may be regarded as withdrawn cases.

3.2.3 The applicant should assign a project coordinator who will act as the main contact point between the applicant and the Secretariat after the application is lodged and throughout the implementation period if the application is approved. Change of project coordinator during the period is not permitted unless with the written agreement of the Secretariat.

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

4. ASSESSMENT

4.1 Assessment Procedure and Criteria

4.1.1 Applications received will be assessed according to the following procedures and criteria:

- (A) The Secretariat will examine the applications and verify the information as set out in paragraphs 2.1.2 and 2.1.3. The Secretariat may seek clarification or supplementary information from the applicants in the process as necessary.

Approval and First Payment

- (B) When the applicant can prove to the technical team of the Secretariat, through both document check and on-site inspection, that (i) the production equipment is physically available on-site in Hong Kong, (ii) raw materials for at least 25% of the committed monthly production output are physically available on-site in Hong Kong, and (iii) the applicant has secured a clean room in Hong Kong for production, i.e. at least leased/owned a premises and placed a purchased order for a clean room in Hong Kong, the information submitted by the applicant will be sent to the Government for review and decision. When an application is approved by the Government, a quota will be assigned to the approved applicant for each production line. Upon entering into contracts, the First Payment will then be disbursed to the approved applicant. The quota assigned to an approved applicant is non-transferrable and cannot be reallocated to other production lines. When the quota of 20 production lines is exhausted, no new application will be accepted and the applications under processing regardless of what stage they are in will be stopped immediately.

Second Payment

- (C) The approved applicant should send an on-site assessment request and submit supporting evidence to the Secretariat through an online form when production has achieved the criteria for Second Payment. When all supporting evidence is received to the satisfaction of the Secretariat, the Secretariat would arrange a technical assessment team to conduct on-site assessment for the mask production in a clean room. The assessment includes:
- (i) Provision of a test report of the masks showing compliance with the Level 1 standard of the latest version of American Society for Testing and Materials (ASTM) F2100 from an accredited laboratory;
 - (ii) The mask production line can demonstrate its capability for mass production and has reached at least 70% of the committed monthly production output in a clean room for at least 1 month;
 - (iii) The raw materials on hand and under purchase can sustain for long term production, with a minimum materials stock for 25% of the committed monthly production output.

When an approved applicant can fulfill the on-site assessment requirements,

the Secretariat would submit an assessment report to the Government for review. Second Payment will be disbursed upon Government's approval. If the on-site assessment fails, the approved applicant can submit the on-site assessment request again.

The applicant should prove to the Secretariat's satisfaction that the production has achieved the criteria for Second Payment by the target commencement date of the Committed Procurement Period stated in its application as approved by the Government. Normally, an extension of not more than one month may be allowed, and any extension beyond one month would not be entertained unless under exceptional circumstances with full justifications. If the production could not achieve the criteria for Second Payment by the deadline, the approval of the application will be revoked, and the applicant must refund the First Payment to the Government. The previously allocated quota will then be reallocated to other applicants where appropriate.

Third Payment

- (D) When the production line is in full operation and has achieved ISO 13485:2016 certification and clean room certification, the approved applicant should send an on-site assessment request and submit supporting evidence to the Secretariat through an online form. When all supporting evidence is received to the satisfaction of the Secretariat, the Secretariat would then arrange a technical assessment team to conduct on-site assessment for the mask production facilities. The assessment includes:
- (i) Certification of ISO 13485:2016 quality management systems for medical devices issued by an accredited certification body.
 - (ii) Certification of clean room facilities (ISO Class 8 under ISO 14644-1) issued by an accredited certification body.
 - (iii) The actual production output of the mask production line that can meet at least 90% of the committed monthly production output for at least 3 months.

When an approved applicant can fulfill the on-site assessment requirements, the Secretariat would submit an assessment report to the Government for review. Third Payment will be disbursed upon Government's approval. If the on-site assessment fails, the approved applicant can submit the on-site assessment request again.

Provided that the assessment criteria (i) and (ii) above are satisfied, if the actual production output of the mask production line can meet at least 70% but less than 90% of the committed monthly production output for at least 3 months, the applicant will only be paid 50% of the Third Payment, while the remaining 50% will be paid together with the Final Payment.

The Government reserves the right to revoke the approval of an application should the progress of production does not meet the criteria. In such case, the applicant must refund all payments to the Government. The allocated quota will then be reallocated to other applicants where appropriate.

Final Payment

(E) Within two months after the end of the Committed Procurement Period, the approved applicant should send an on-site assessment request to the Secretariat through an online form. The Secretariat would then arrange a technical assessment team to conduct on-site assessment for the mask production facilities. The assessment includes:

- (i) The production line operated in smooth and full production and the actual production output during the Committed Procurement Period has meet the committed yearly output quantity.
- (ii) Submission of final report which is considered acceptable and satisfactory.

When an approved applicant can fulfill the assessment requirements, the Secretariat would submit an assessment report to the Government for review. Final Payment will be disbursed upon Government's approval.

(F) The Government reserves the right to reject an application on grounds including but not limited to:

- (i) a petition is presented or a proceeding is commenced or an order is made or a resolution is passed for the winding up of the applicant; or
- (ii) a false, inaccurate or incomplete statement or representation is contained in the application.

4.1.2 The actual processing time will depend on the number of applications received at the time, completeness and clarity of the information provided, etc. The Secretariat will complete the processing of a valid application and notify the applicant after receipt of a complete application accompanied by all necessary documentation proofs and clarifications as requested by the Secretariat. Applicants are reminded to submit the required documents as detailed in this Guide in a complete manner to the Secretariat. Failure to do so may cause delay in the processing of their applications.

4.2 Notification of Results of Applications

4.2.1 The Secretariat will notify the applicant of the Government's decision on whether the application is successful or not upon receipt of Government's decision. Applicants must abide by the decision thereby made by the Government.

5. SUBSIDY ARRANGEMENT/FINANCIAL MANAGEMENT

5.1 Disbursement of Subsidy

5.1.1 For each production line with quota approved by the Government, the

arrangement for disbursement of subsidy is as follows:

Installment for each production line	Payment	Criteria for subsidy disbursement for each production line
First	1st installment = (actual equipment cost + estimated/actual venue setup cost + estimated/actual clean room setup cost + estimated/actual testing & certification cost) x 20%	<ol style="list-style-type: none"> 1. Decision by the Government as approved applicant based on the submitted information and on-site assessment findings (if any), but in any case the following conditions must be met: (i) production equipment is physically available on-site in Hong Kong, (ii) raw materials for at least 25% of the committed monthly production output are physically available on-site in Hong Kong; and (iii) the applicant has secured a clean room for production. 2. Duly signed the agreement(s) with the Government.
Second	2nd installment = (actual equipment cost + actual venue setup cost + estimated/actual clean room setup cost + estimated/actual testing & certification cost) x 40% - First Payment	<ol style="list-style-type: none"> 1. Submission of the masks (produced from the production line under the subsidy application) test report showing compliance with the Level 1 standard of the latest version of American Society for Testing and Materials (ASTM) F2100 from an accredited laboratory. 2. The production output of the mask production line in a clean room that can meet at least 70% of the committed monthly production output for at least 1 month. This part is to be verified by the Secretariat. 3. The raw materials on hand and under purchase can sustain for long term production, with a minimum materials stock for 25% of the committed monthly production output.
Third	3rd installment = (actual equipment cost + actual venue setup cost + actual clean room setup cost + actual testing & certification cost) x 70% - First Payment - Second Payment	<ol style="list-style-type: none"> 1. Submission of the certification of ISO 13485:2016 quality management systems for medical devices issued by an accredited certification body. 2. Submission of the certification of clean room facilities (ISO Class 8 under ISO 14644-1) issued by an accredited certification body.

		3. The actual production output of the mask production line that can meet at least 90% of the committed monthly production output for at least 3 months.
Final	4th installment = (actual equipment cost + actual venue setup cost + actual clean room setup cost + actual testing & certification cost) - First Payment – Second Payment – Third Payment	1. The production line operated in smooth and full production and the actual production output during the Committed Procurement Period has meet the committed yearly output quantity. 2. Submission of final report which is considered acceptable and satisfactory.

Remark: The costs of equipment, venue setup, clean room setup and testing & certification used in the above calculations are all subject to respective limits as defined in Annex 1.

5.1.2 For each payment, the applicant must prove to the Secretariat’s satisfaction that all the respective criteria for each payment is satisfied.

5.1.4 Should the actual output quantity during the Committed Procurement Period be less than the committed yearly production output, the Government reserves the right to deduct the total amount of subsidy proportionally. If the reduced amount of subsidy is less than the subsidy amount that the Government has already paid to the applicant, the applicant must return the excess together with all administrative, legal and other costs and interest to the Government (regardless of whether the applicant has already spent the subsidy or not).

5.2 Government Guaranteed Mask Procurement

5.2.1 The Government commits to procure from each production line the actual number of masks produced or 2 million masks, whichever is lower, per month during the Committed Procurement Period. Procurement will be on a monthly basis for 12 months.

5.2.2 The Purchase Price of each mask shall be calculated according to the schedule in **Annex 2**. All documentary proofs of materials purchase and rental payments should be submitted for verification. If necessary, the factory should allow the Secretariat to inspect the materials and documents on site.

5.2.3 Taking into account fluctuation of production cost, the Purchase Price will be reviewed every two months.

5.3 Account

- 5.3.1 The successful applicant is required to maintain under its name a bank account with a licensed bank registered under the Banking Ordinance (Cap. 155) for the purpose of processing all receipts and payments of the production.
- 5.3.2 The applicant is required to keep proper and separate books and records for expenses incurred under the project as required in paragraph 5.5 below.

5.4 Books and Records

- 5.4.1 The applicant shall keep a proper 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 and balance sheet in respect of each project. All transactions relating to the production line shall be properly and timely recorded in its books of accounts.
- 5.4.2 The applicant is required to maintain, during the continuance of the subsidy agreement and for a minimum of seven years after the completion of the project or the expiry or termination of the subsidy agreement, full and proper books of accounts and records of the project (including receipts and other supporting documents). In this connection, the Secretariat, the Government and their authorised representatives shall be allowed access to all or any of the books and records for conducting audit, inspection, verification and copying from time to time upon reasonable notice of such books and records at any time when such books and records are kept. When so requested in this connection, the applicant will be obliged to make available all project books of accounts and records and explain to the Secretariat, the Government and their authorised representatives any matters relating to the receipt, expenditure or custody of any money derived from the project. The Government reserves the right to require the applicant to return any mis-spent amount together with the interest income accrued to the Government.

5.5 Financial Reports

- 5.5.1 The successful applicant will be required to submit the financial report to the Secretariat from the project commencement date to the project completion date or the expiry or termination date of subsidy agreement (together with the final report as set out under paragraph 6.1.2) not later than two months after project completion or the expiry or termination of the subsidy agreement, whichever is earlier.

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

Late submission of the audited accounts may lead to suspension or termination of the subsidy support.

5.5.2 Auditing requirements

To ensure that the subsidy has been solely and properly applied to the production line, the required accounts shall be audited by an independent auditor who must be either Certified Public Accountants or Public Accountants registered under the Professional Accountants Ordinance (Cap. 50) (the Auditors).

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

6. MONITORING AND REPORTING REQUIREMENT

6.1.1 To facilitate the monitoring of approved production lines, review of production progress will be conducted by the Secretariat on a bi-monthly basis after the First Payment. The applicant should provide the evidence or documents to the Secretariat for review, including, but not limited to:

- (A) The mask production line operates in smooth production
- (B) The clean room facilities are under normal operation
- (C) The inventory levels of raw materials can sustain long term production
- (D) The actual production outputs can meet the committed production output
- (E) The masks produced are either sold to the Government or distributed in Hong Kong

The Secretariat reserves the right to conduct on-site monitoring work at the

applicant's factory at any time to verify the information given.

- 6.1.2 The applicant will be required to submit a final report within two months after the end of the Committed Procurement Period to the Secretariat for review. The final report should include the following records:
- (A) The records of mask production machines, such as the machine list with model numbers and photos
 - (B) The records of the production venue, such as production layout and photos
 - (C) The records of clean room facilities, such as layout and photos
 - (D) The daily production output records
 - (E) The financial report and auditors' report showing, amongst other things, the recipients of all outgoing produced masks

If the Secretariat is satisfied with the final report, the Secretariat will pass the final report to the Government for acceptance.

7. ADMINISTRATIVE HIGHLIGHTS

7.1 Contractual Requirements

- 7.1.1 The successful applicant is required to sign an agreement with the Government on the establishment of mask production line(s) and the one-year committed order for each production line and to comply with all the terms and conditions of the agreements. The Government reserves the right to consider lapsing the approval decision in case where the applicant fails to sign the agreement.
- 7.1.2 Determined by the Government, the purchase price of the committed order of masks shall be calculated based on the formula specified in paragraph 5.2.2. The successful applicant shall submit the supporting documents to the Secretariat for verification on a bi-monthly basis.

7.2 Appointment of Project Coordinator

The successful applicant will be required to appoint a project coordinator who will be responsible for overseeing the implementation of the project, liaising with the Secretariat, arranging of the on-site checking conducted by the Secretariat and attending meetings on the project as necessary.

7.3 Suspension or Termination of Subsidy Support

Any applicant who knowingly or willfully makes a false statement, misrepresents or conceals any information in order to obtain subsidy under the Scheme by deception commits a criminal offence and is liable on conviction to imprisonment.

The Government reserves the right to suspend or terminate subsidy support for an approved project. Circumstances which warrant suspension or termination of subsidy support may include but not limited to a lack of satisfactory progress or a slim chance of completion of a project, failure to submit reports within the stipulated deadlines. The applicant may have to return all/part of the Government subsidy disbursed in respect of these projects together with all administrative, legal and other related costs and payments (regardless of whether the applicant has already spent the funds or not).

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

7.4 Handling of Information

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

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

7.5 Indemnity

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

7.6 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 Government may cancel the application approved and hold the applicant liable for any loss or damage which the Government may sustain.

8. ENQUIRIES

Enquiries regarding the Scheme can be addressed to HKPC, the Secretariat of Local Mask Production Subsidy Scheme:

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

Telephone: (852) 2788 6035

E-mail: mask@hkpc.org

Website: <http://u.hkpc.org/mask>

All applications must be submitted through the online form on the above-mentioned website.

This application guide is for reference only. All the terms and conditions of the Scheme are subject to those set out in the Agreements between the Government and successful applicants.

Should there be any inconsistency or ambiguity between the English and Chinese version of the Guide, the English version shall prevail.

The Government reserves the right to update or amend this Guide without further notice.

March 2020

Schedule of Items Under the Subsidy Scheme

Item	Description	Allowable Maximum Subsidy for Each Item			Documentary Proof
		For Different Tiers of Committed Monthly Production Output (i.e. no. of masks to be produced per month per production line)			
		Tier 1 ≥ 3 000 000	Tier 2 ≥ 2 000 000 while < 3 000 000	Tier 3 ≥ 500 000 while < 2 000 000	
Production Equipment	The costs of procuring or leasing of additional machinery/ equipment dedicated for the face mask production line concerned.	<u>For 1st line</u> HK\$1,400,000	<u>For 1st line</u> HK\$1,200,000	<u>For 1st line</u> HK\$1,000,000	Purchase orders, invoices and photos of machine, equipment, computer hardware and/or computer software, and external engineering services justifiable and related to the production equipment.
		<u>For 2nd line</u> HK\$1,200,000	<u>For 2nd line</u> HK\$1,000,000	<u>For 2nd line</u> HK\$800,000	
		<u>For old/existing machinery/ equipment (each line)</u> Book value or HK\$100,000 whichever is higher while not exceeding the allowable maximum subsidy for each line			
Venue Setup	The costs of venue setup works, installation and renovation of premises (excluding clean room) dedicated for the face mask production line concerned.	<u>For 1st line</u> HK\$300,000	<u>For 1st line</u> HK\$250,000	<u>For 1st line</u> HK\$100,000	Purchase orders/tenders, invoices and photos of venue setup works, installation and renovation of premises justifiable and related to the production line.
		<u>For 2nd line</u> HK\$80,000	<u>For 2nd line</u> HK\$80,000	<u>For 2nd line</u> HK\$80,000	
Clean Room Setup	The costs of setup of certified clean room(s) dedicated for the face mask production line concerned; or For leased certified clean	<u>For 1st line</u> HK\$1,000,000	<u>For 1st line</u> HK\$1,000,000	<u>For 1st line</u> HK\$1,000,000	Purchase orders/tenders, invoices and photos for the construction, installation and certification of clean room(s) complying to the ISO Class 8 under ISO 14644-1 standard. (For leased certified clean room)
		<u>For 2nd line</u> HK\$750,000	<u>For 2nd line</u> HK\$600,000	<u>For 2nd line</u> HK\$600,000	

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	room(s), the cost is calculated by the one-year leasing cost deducted by the rental cost of the clean room(s) dedicated for the face mask production line concerned. The rental cost is based on the latest Demand for Rates and Government Rent.	<u>For existing self-owned clean room</u> HK\$100,000			Contract agreement with the owner of clean room and the latest Demand for Rates and Government Rent.
Testing and Compliance Cost	<p>The cost for the masks (produced from the production line under the subsidy application) test report showing compliance with the Level 1 standard of the latest American Society for Testing and Materials (ASTM) F2100 requirement from an accredited laboratory.</p> <p>The cost for the certification of ISO 13485:2016 quality management systems for medical devices for the production line concerned issued by an accredited certification body.</p>	<p><u>For 1st line</u> HK\$450,000</p> <p><u>For 2nd line</u> HK\$80,000</p>	<p><u>For 1st line</u> HK\$450,000</p> <p><u>For 2nd line</u> HK\$80,000</p>	<p><u>For 1st line</u> HK\$450,000</p> <p><u>For 2nd line</u> HK\$80,000</p>	<p>Purchase order, invoice and report of testing service of masks (produced from the production line under the subsidy application) showing compliance with the Level 1 standard of the latest American Society for Testing and Materials (ASTM) F2100 requirement from an accredited laboratory.</p> <p>Purchase order, invoice and certificate of the certification service of ISO 13485:2016 quality management systems for medical devices issued by an accredited certification body.</p>

Remarks

- For Tier 1, the Ceiling of Subsidy Amount for Each Production Line is HK\$3,000,000 for 1st line and HK\$2,000,000 for 2nd line (of the same applicant)

- For Tier 2, the Ceiling of Subsidy Amount for Each Production Line is HK\$2,500,000 for 1st line and HK\$1,500,000 for 2nd line (of the same applicant)
- For Tier 3, the Ceiling of Subsidy Amount for Each Production Line is HK\$2,000,000 for 1st line and HK\$1,000,000 for 2nd line (of the same applicant)

Schedule on Purchase Price of Each Mask

The purchase price of each mask equals to the sum of:

- (A) unit cost & freight (C&F) of materials, rounded to the nearest cent;
- (B) unit cost of rental expenditure, rounded to the nearest cent; and
- (C) a factor according to paragraph 4 below.

2. The unit C&F of materials is the sum of total cost of materials and freight cost divided by the total number of masks produced by the materials.
3. The unit cost of rental expenditure is the monthly rental expenditure divided by the actual number of masks produced in the month or 2 million masks, whichever is lower.
4. The factor mentioned in paragraph 1(C) above is tabulated as follows:

Sum of unit C&F of materials and unit cost of rental expenditure	Factor
Not more than HK\$0.5	HK\$0.60
More than HK\$0.5 and not more than HK\$1.0	(i) HK\$0.55; or (ii) HK\$1.10 minus the sum of unit C&F of materials and unit cost of rental expenditure, whichever is higher
More than HK\$1.0 and not more than HK\$1.5	(i) HK\$0.50; or (ii) HK\$1.55 minus the sum of unit C&F of materials and unit cost of rental expenditure, whichever is higher
More than HK\$1.5 and not more than HK\$2.0	(i) HK\$0.45; or (ii) HK\$2.0 minus the sum of unit C&F of materials and unit cost of rental expenditure, whichever is higher
More than HK\$2.0	(i) HK\$0.40; or (ii) HK\$2.45 minus the sum of unit C&F of materials and unit cost of rental expenditure, whichever is higher