

Guide to the
Innovation and Technology Fund

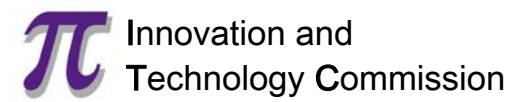
Volume II General Support Programme



**Guide to the
Innovation and Technology Fund**

Volume II

General Support Programme



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The Government of the Hong Kong Special Administrative Region

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Chapter I

INTRODUCTION

- 1.1 The Innovation and Technology Fund (ITF) has four programmes which are designed for different purposes. This is Volume Two of the *Guide to the Innovation and Technology Fund* (the Guide) and provides details of one of the ITF programmes - the **General Support Programme (GSP)**.
- 1.2 ITF is set up by the Government to provide funding support to projects that contribute to innovation and technology upgrading in industry, as well as those essential to the upgrading and development of industry. It aims to increase the added value, productivity and competitiveness of our economic activities. The Government hopes that, through the ITF, Hong Kong companies could be encouraged and assisted to upgrade their technological level and introduce innovative ideas to their businesses.
- 1.3 GSP supports those projects that contribute to fostering an innovation and technology culture in Hong Kong, and those that will be beneficial to the upgrading and future development of our industries. Projects to be supported may include conferences, exhibitions, seminars, promotional and training programmes, studies and surveys, etc. Generally, the GSP will not support projects mainly for technology/product development or marketing/promotion of commercial products/services.
- 1.4 GSP is administered by the ITF Secretariat under the Innovation and Technology Commission (ITC), the Government of the Hong Kong Special Administrative Region located at 20/F, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2737 2229; Fax: (852)

2957 8726). Any project that meets the objective and the eligibility criteria of GSP has to be submitted to the ITF Secretariat electronically through the Innovation and Technology Commission Funding Administrative System (ITCFAS). For details, please visit <http://www.itf.gov.hk>.

- 1.5 Applications for GSP are open all year round. The General Support Programme Vetting Committee (GSPVC) normally meets four times a year in January, April, July and October to vet applications. For details on the vetting and assessment procedures, please refer to Chapter III.
- 1.6 Funding priority will be given to those projects that can contribute substantially to innovation and technology upgrading in industry and those that have demonstrated strong support from the relevant industry.
- 1.7 This Guide provides the details of the funding support available under the GSP, the eligibility criteria, the application procedures, vetting and assessment procedures, and the rules that need to be followed if an application is approved. Applicants should read this Guide carefully before applying for a grant under the GSP.

Chapter II

GENERAL FEATURES OF GSP

2.1 Who are eligible to apply?

2.1.1 Universities, research institutes (including the R&D Centres¹), industry support organizations, trade and industry associations, professional bodies and local companies (either locally incorporated or established under the statute of the Hong Kong Special Administrative Region) are eligible to apply. The principal applicant organization should be incorporated in Hong Kong under Companies Ordinance (Cap. 32) and have substantial connection² to Hong Kong OR a body corporate incorporated in Hong Kong under other ordinances of the Hong Kong Special Administrative Region.

2.2 Form of funding support

2.2.1 Funding support is normally given as a grant (up to 90% of the total approved project cost). In this connection, the total approved project cost should be the sum of all approved expenditures (including expenditure items to be covered by in-kind sponsorship, if any) and the approved institution

¹ With funding support from the HKSAR Government, five R&D Centres have been set up in April 2006 to undertake industry-oriented research in technologies demanded increasingly in the Pearl River Delta. The five Centres focus on the following technology areas: automotive parts and accessory systems; information and communications technologies (ICT); logistics and supply chain management enabling technologies; nanotechnology and advanced materials; and textiles and clothing.

² An organization which has substantial connection to Hong Kong means that it must have a significant proportion of its research, design, development, production, management or general business activities located in Hong Kong.

administrative overheads³. The net amount requested from ITF represents the net approved project cost after deducting the expected income (excluding interest income) during the project period, the amount of sponsorship and/or funding from other sources for the project. All ITF grants will be disbursed by instalments to the approved projects. ITF grants may be used for meeting the manpower, equipment and other direct costs specifically required for the conduct of the project. For projects involving recurrent expenditures, the applicant organization has to demonstrate that such expenses will be of a specified finite duration or that the project will become self-financing after the completion of the project.

2.2.2 A list of unallowable cost items which cannot be charged to the project account is set out in paragraph 5.2 of Chapter V.

2.3 Industrial Sponsorship

2.3.1 All projects normally require sponsorship from more than one private firm not related to the applicant organization in terms of ownership or management. Such sponsorship can either be in cash or in kind, but should cover not less than 10% of the total project cost, except with the specific approval of the Commissioner for Innovation and Technology (CIT). Funding priority will be given to applications that have substantial sponsorship in the form of cash and/or sponsorship from potential users of the project deliverables. Projects with less than two sponsors may be considered but will be accorded a lower priority in funding.

³ Local universities, the Vocational Training Council, the Hong Kong Institute of Vocational Education (IVE) and the R&D Centres (except the ICT R&D Centre) are allowed to charge administrative overheads for undertaking ITF projects. Please refer to paragraphs 8.1 to 8.2 in the Supplementary Note (for Universities) for details of the administrative overheads.

2.3.2 In-kind contributions should only be in the form of equipment or consumables and would only be accepted provided that:

- (a) the in-kind contribution is essential to the project and is contributed by the industry specifically for the project;
- (b) the in-kind contribution should be included as part of the sponsorship of the project budget while the corresponding expenditure of the same amount should be included in the expenditure section;
- (c) the delivery status of the in-kind contribution should be reported in the progress/final reports of the projects; and
- (d) documentary proof of the value of contribution should be provided to facilitate an objective assessment of the fair value of contribution. Where documentary proof is not available, reasons should be given and properly documented.

Manpower contribution would be welcome but would not be counted as industry contribution as such in the project account.

2.3.3 If an application is successful, at least half of the cash sponsorship has to be in place before commencement of the project and all committed sponsorship (including both cash and in-kind) should be received during or before the second last half-yearly cashflow period of the project.

2.4 *Commercialization*

2.4.1 The outcome or deliverables of the projects should be relevant to and benefit the industrial sector(s) concerned as a whole. In developing the project proposal, the applicant should have in mind that the results of the project will be made available to companies in the relevant industry(ies) through different

arrangements. Please also refer to paragraph 8.2 of Chapter VIII on intellectual property rights and use of project results.

2.5 *Application Procedures*

2.5.1 Applications should be submitted electronically through ITCFAS at the ITF website <http://www.itf.gov.hk>. It contains eight sections, all of which have to be completed with supporting documents wherever required. Before submission, please read this Guide and the explanatory notes in the application form. Each applicant/applicant organization can submit more than one application for different projects. No application fee will be charged. Unless on the request of the ITF Secretariat, supplementary information provided after submission of the application will not be accepted and will not form part of the application.

Chapter III

VETTING AND ASSESSMENT PROCEDURES

3.1 Vetting Procedures

3.1.1 Upon receipt of an application, the ITF Secretariat will conduct a preliminary screening and may seek clarification or supplementary information from the applicant. The ITF Secretariat's assessment will be submitted to a vetting committee for assessment. The committee members comprise businessmen, professionals and academics from different sectors as well as Government officials. They provide the necessary commercial, technical and policy input in the assessment and monitoring processes. The membership list of the committee is available at the website <http://www.itf.gov.hk>.

3.1.2 Project team members may be required to attend assessment meetings to present their projects to and answer queries from committee members.

3.1.3 The vetting committee's recommendations will be submitted to the Government for approval for the release of grants for projects requesting not more than HK\$21 million from ITF. Approval from the Finance Committee of the Legislative Council is required for projects requesting more than HK\$21 million each from ITF.

3.2 Vetting Criteria

3.2.1 In considering a proposal, due consideration will be given to, inter alia, the following wherever applicable:

- (a) the potential of the project to facilitate general upgrading and future development of one or more sectors in industry; contribute to innovation and technology upgrading of the economy, and broaden the scientific and technical knowledge base of the economy;
- (b) whether there is a demonstrated need for the proposed project;
- (c) whether similar products, technologies or services are already available in the market, and whether the project is duplicating or likely to duplicate the work carried out by other institutions;
- (d) the overall planning and organizational structure of the project and the technical and project management capability of the project team i.e. the project team members' experience, qualifications, track record, and the resources available for the project; and
- (e) whether the proposed budget is reasonable and realistic and whether the project should be funded by other sources, such as the Research Grants Council, SME Development Fund or the Professional Services Development Assistance Scheme.

3.3 Avoidance of Conflict of Interest

3.3.1 To avoid conflict of interests, members of the vetting committee who are directly or indirectly related to an application will be required to leave the conference room and refrain from the discussion of that application. This will apply to members who are part of the project team, and chairman/president, vice-chairman/vice president, director, advisor and secretary, whether paid or unpaid, or a paid staff of

the applicant organization, an implementing organization, a collaborating organization or a sponsoring organization.

3.4 *Notification of Results*

3.4.1 For projects for which funding support is recommended by the vetting committee, the applicant organization may be required to submit a revised application proposal, taking into account the comments of the ITF Secretariat and the vetting committee, and the ITF Secretariat will issue an approval-in-principle letter to the applicant organization for preparation of project cashflow etc. Subject to further vetting by the ITF Secretariat, the revised application proposal, together with other necessary documents like the cashflow for the project, will be formally approved and appended to the project agreement. If an application is declined, reasons will be provided.

3.5 *Withdrawals*

3.5.1 The applicant organization can write to the ITF Secretariat to withdraw an application at any time before an agreement is signed between the Government and the applicant organization.

3.6 *Resubmission*

3.6.1 A declined application may be resubmitted only if it has been revised substantially or if it has been able to produce additional information to address the comments made by the vetting committee in its earlier review. In completing the application form for a resubmitted application, the applicant should set out clearly the differences of the resubmitted application vis-à-vis the previous one. The revised application will be treated as a new application, and will be subject to the same assessment procedures.

3.7 *Returns*

3.7.1 Applications will be returned if they are submitted by ineligible organizations or if they have been declined previously but have not been revised in accordance with paragraph 3.6 above.

Chapter IV

PROJECT AGREEMENT AND PROJECT ACCOUNT

4.1 Contractual Requirement

4.1.1 For each project for which grants have been approved, the recipient organization has to sign an agreement with the Government and comply with all the terms and conditions laid down in the project agreement, this Guide and all instructions and correspondences issued by CIT from time to time in respect of the project.

4.2 Separate Account and Interest⁴

4.2.1 The recipient organization is required to open a separate risk-free interest-bearing bank account (project bank account) with a licensed bank registered under the Banking Ordinance (Cap. 155) specifically for processing all receipts and payments of each project. The ITF grants and all other receipts (including cash sponsorship and funding from other sources) arising from the project should be deposited into the project bank account and all payments exclusively applied to the project for which they were paid should be paid out from the project bank account. All project funds (including ITF grants, all other receipts and interest income) should be kept in the project bank account by the recipient organization which should, until such funds are spent (paid) in accordance with the compliance requirements as specified in paragraph 4.4.1 above/returned to the Government by the recipient organization, hold the same as trustee for the Government.

⁴ For universities, please also refer to the Supplementary Note attached to this Guide.

4.2.2 All interest income generated in the project bank account should be credited back to the project account, should not be used and should be returned to the Government on completion of the project or termination of the project agreement. (Please also see paragraph 6.5 of Chapter VI for details on Return of Residual Funds.) The recipient organizations are not entitled to charge to the project account any interest expenses or claim any compensation or relief of whatsoever nature against the Government in the event of any late or withholding of payment of the ITF for any whatsoever reason.

4.2.3 The recipient organization may be required to compensate the Government for loss of interest income if the project fund is not properly handled in accordance with paragraphs 4.2.1 and 4.2.2 above. In this regard, the Government will take such action as may be deemed necessary.

4.3 Books and Records

4.3.1 The recipient organization is required to keep a proper and separate set of books and records (project account) for each project. The project account should be maintained in such a manner as to enable the production of Statement of Income and Expenditure and Balance Sheet in respect of the project. All income and expenditure of a project should be properly and timely recorded in the books of accounts.

4.3.2 Accrual basis of accounting should be adopted for all projects. Expenditure could only be charged to the project account after the equipment and goods have been received and used, or services delivered. Moreover, the expenditure so charged should be incurred between the project commencement date and completion date as specified in the project agreement. Sponsorship income and all other income, budgeted or not, should form part of the income of the project and should be used solely for the project and their usage should follow the

approved project budget, this Guide and instructions laid down for the projects. All the income and expenditure of a project must be received/accrued and expended (paid)/accrued respectively in accordance with the basis of each budget line item as set out in the approved project budget.

4.3.3 The books and records of the project should be kept by the recipient organization (and the implementing organization(s), if any) for at least two years after completion of the project or termination of the project agreement, or as otherwise specified by CIT within that two-year period. In this connection, CIT and the Director of Audit will have unhindered access to the books of accounts and records when conducting financial audit and inspection of such books and records at any time when such books and records are kept and have rights to obtain photocopies of such records, if necessary. CIT and the Director of Audit may at their absolute discretion request the recipient organization and/or the implementing organization(s) to make available and/or deliver photocopies of such records to the Government at its sole costs and expenses. When so requested in this connection, the organization(s) will be obliged to make available all project books of accounts and records and explain to CIT and the Director of Audit any matters relating to the income, expenditure or custody of any money derived from the project. The Director of Audit may carry out value for money studies on any organization in receipt of ITF grants. CIT reserves the right to require recipient organizations to return mis-spent amount together with interest income accrued to the Government.

4.4 *Reporting requirements*⁵

4.4.1 The recipient organization has to submit to CIT half-yearly/final accounts of all income and expenditure (together with its half-yearly progress reports/final report) as well as annual and final audited accounts prepared on accrual basis of accounting for each project. The audited accounts should comprise Statement of Income and Expenditure, Balance Sheet, Notes to the Accounts and Auditor's Report.

- (a) Annual audited accounts made up to 31 March each year should be submitted on or before 30 June of that particular year. The first annual audited accounts may cover more than 12 months but not more than 18 months. The last annual audited accounts can be waived if it covers not more than 18 months.
- (b) Final audited accounts covering the period from project commencement date to project completion date or termination date of the project agreement should be submitted within three months from the completion date of the project or termination date of the project agreement if the total approved project cost involved is HK\$1 million or above, and within one month if it is below HK\$1 million.

4.4.2 All income received/receivable and expenditure incurred (paid or payable) for the project during the reporting period should be fully and properly accounted for in accordance with the project agreement, this Guide and all instructions and correspondences issued by CIT in respect of the project and should be the same as recorded in the books of accounts for that reporting period. The annual/final accounts of a project should be properly prepared from and in agreement with the books of accounts of the project. The financial position

⁵ For universities, please also refer to the Supplementary Note attached to this Guide.

reported in each half-yearly progress reports/final report and annual/final audited accounts should tie in with the progress/ results of that reporting period(s)/year(s). No adjustments relating to prior and/or the subsequent period(s)/year(s) are allowed once the progress report(s)/final report and/or annual/ final audited accounts for that reporting period(s)/year(s) have been submitted to ITC except the correction of arithmetic errors or adjustments as requested by CIT. Arithmetic errors should be rectified within the first three months of the period covered by the ensuing progress report.

4.4.3 Any record of mishandling of public funds or lack of discipline in financial management or non-compliance with the terms and conditions of the project agreement is a factor which the ITF Secretariat will take into account in considering future applications from the same organization or the same project team members.

4.5 *Auditing requirements*

4.5.1 The requirement to submit annual/final audited accounts is to assure the Government that the project funds were fully and properly applied to the projects for which they were paid, and received and expended in accordance with the approved project budget; and that the recipient organization complied with the funding terms and conditions in the administration, management and usage of the ITF project. The annual/final audited accounts should be reported by independent auditors who must be Certified Public Accountants holding a practicing certificate registered under the Professional Accountants Ordinance (Cap. 50) (the Auditors) and conducted in accordance with the latest version of the Notes for Auditors of Recipient Organizations (the Notes) issued by ITF Secretariat.

4.5.2 The recipient organization should specify in the engagement letter for the employment of the Auditors that they should

strictly follow the requirements stipulated in the latest version of the Notes in conducting a reasonable assurance engagement and preparing auditors' report for each annual/final account of each project. The engagement letter should also specify that CIT, Director of Audit and his authorized representatives should have the right to communicate with the Auditors on matters concerning the annual/final accounts and the supporting statements. In addition, the recipient organization should ensure that each of the auditors' reports strictly follows the specimen as attached to the latest version of the Notes.

4.5.3 Recipient organizations are required to make available to the Auditors all information, documents and explanations relating to the project. The information and documents mainly comprise project agreement, this Guide, any instructions and correspondences issued by CIT in respect of the project, progress report(s)/final report and project accounts and records.

4.5.4 External audit fees relating to the project and arising from compliance with the provisions of the ITF agreement have to be included in the budget. The maximum funding support allowed for an annual/final audited account of a project costing less than HK\$1 million, between HK\$1 million and HK\$5 million and more than HK\$5 million should not be more than HK\$5,000, HK\$10,000 and HK\$20,000 respectively. In this context, the project cost refers to the amount net of the approved institution administrative overheads, if any.

Chapter V

CHANGE REQUESTS AND UNALLOWABLE COSTS

5.1 *Change Requests*⁶

5.1.1 An approved project is required to be carried out strictly in accordance with its proposal appended to the ITF agreement. Any modification, amendment or addition to the project or the agreement, including change of the project commencement or completion dates⁷, key project staff (including project coordinator, deputy project coordinator and principal investigator) or key equipment⁸, scope, methodology, budget (other than circumstances set out in paragraph 5.1.2 below) or cashflow projection, will require prior specific written approval by CIT. The project coordinator should inform the ITF Secretariat well in advance by submitting a change request electronically through ITCFAS. The project coordinator is responsible for overseeing the project generally; monitoring its expenditure and ensuring the proper usage of project funds in accordance with the approved project budget, this Guide and other instructions set for the projects; liaising with and answering all enquiries/requests raised by CIT and the ITF Secretariat for information and clarification on all aspects of the project; and attending progress meetings on the project.

⁶ For universities, please also refer to the Supplementary Note attached to this Guide.

⁷ The commencement and completion dates are specified in the project agreement. They could not be varied unless there has been a mutual agreement in writing between the contractual parties.

⁸ Key project staff and key equipment are identified in the project proposal appended to the project agreement.

5.1.2 For budget control purpose, the actual expenditure for any individual item may exceed at most 10% of the original budgeted expenditure for that item if this does not result in any increase in the overall total approved project cost and the total amount of ITF grants requested and that all expenditure follows the relevant requirements set out in this Guide. Justification is required to be disclosed for any spending in excess of the budget items in the relevant half-yearly progress report(s) and/or final report. Notwithstanding this, prior written approval is required to be sought from the CIT if budgeted expenditure is to be transferred to any **unbudgeted expenditure item** (e.g. new/alternative equipment item, new project staff, revised number/rank of the project staff, new/alternative consumable item.) Such request should be made electronically through the ITCFAS. The final decision on whether certain items of income and/or expenditure should be/ can be included/charged to a project should vest with CIT.

5.2 *Unallowable Costs*

General

5.2.1 All project funds (including ITF grants allocated to recipient organizations, sponsorship and other income) are for the sole purpose of carrying out the projects. Project funds may be used for covering -

- (a) the costs of manpower specifically employed for carrying out the project;
- (b) new equipment procured specifically for carrying out the project; and
- (c) other direct costs which are specifically incurred for carrying out the project.

5.2.2 All expenditure to be covered by the project funds must be exclusively used for the project and incurred within the project period, except otherwise approved by CIT. When preparing the project budget contained in the application proposal, all expenditure items have to be grouped under the categories of manpower, equipment and other direct costs. Unspecified cost items such as miscellaneous, sundry and contingency etc. will not be accepted by the ITF Secretariat and should not be included in the budget.

*Manpower*⁹

5.2.3 Unless otherwise agreed by CIT, the ITF will not pay any emolument to a person who is already on the payroll of the Government or a Government sub-vented body/institution. This principle should apply irrespective of whether the relevant service/work is carried out within or outside normal working hours of the person concerned.

5.2.4 Subject to paragraph 5.2.3 above, project coordinators, deputy project coordinators and project team members may charge their efforts to the project on a full-time basis or a pro-rata/hourly basis provided that a monthly time sharing record of their working time devoted to the project is maintained.

5.2.5 Notwithstanding paragraph 5.2.4, an applicant organization must not charge the salary of its existing staff against the project unless this is a deployment absolutely necessary and essential for the project and CIT's prior approval has been obtained. In case only a certain percentage of the working time of the staff is deployed for the project, his/her salary can be charged on a pro-rata/hourly basis provided that a monthly time sharing record devoted by the staff to the project is maintained.

⁹ For universities, please also refer to the Supplementary Note attached to this Guide.

5.2.6 Specifically, project funds cannot be used to cover the following expenditure items:

- (a) annual salary increment, except cost of living adjustment at a rate comparable with and applicable to civil service.
- (b) gratuities, fringe benefits and allowances other than employer's contribution to the Mandatory Provident Fund. Such fringe benefits and allowances include expenses on housing (including nominal rental for quarters), education, training, passage and travelling¹⁰, food, medical, dental, insurance, severance pay, overtime and untaken leave, etc.

Equipment

5.2.7 Cost of new equipment for implementing the project can be charged to the project account. In general, hire-purchase of equipment is not allowed. If the new equipment is to be shared among different projects with its cost charged on a pro-rata basis under each project, the applicant organization is required to maintain a record on the usage of the equipment by the concerned projects for cost allocation purpose. Applicants are required to specify in detail in the application and project budget if such incident will happen. Applicants are encouraged to share the use of existing equipment within their organizations or from other organizations. Maintenance cost of the existing equipment can be charged against the

¹⁰ Local/overseas training, study/trade mission and field trip are normally not allowed unless otherwise fully justified. These should be itemized and put under the category of "Other Direct Costs" in the budget of the application proposal for ITC's approval. The number of participants should be limited to no more than one person from the project team, members of which shall be from the recipient or the implementing organizations. Any travelling expenses incurred for such purposes should account for no more than 5% of the total amount of funds requested from the ITF and cover the cost of economy class fares (if any) incurred by project team members.

project account on a pro-rata basis if the applicant organization maintains a record on the usage of the equipment. For the sake of clarity, such maintenance/rental cost (if any) should be placed under "Other Direct Costs".

5.2.8 Specifically, project funds cannot be used to cover -

- (a) rental/time cost of existing equipment owned by the recipient organization; and
- (b) depreciation/amortization or provisions not representing actual expenses incurred.

5.2.9 For general office and IT equipment specifically required for the project, they have to be either included in the approved budget with full justifications given or the funding of which has been specifically approved by CIT, or otherwise the costs of such items cannot be charged to the project account.

*Other Direct Costs*¹¹

5.2.10 Project funds cannot be used to cover:

- (a) building facilities (including office, laboratory, accommodation) - rates, rental, renovation, and operation, repair and maintenance expenses.
- (b) costs of setting up office or forming association.
- (c) utilities - charges for electricity, gas, water, telephone and fax.
- (d) transport - shuttle bus services and home to workplace travelling expenses.

- (e) general administration and office expenses.
- (f) staff-related costs - provident fund handling charges, staff training and development costs and staff facilities.
- (g) entertainment expenses, and any prizes, either in the form of cash or other types of souvenirs.
- (h) advertisement (except for disseminating project deliverables, or recruitment of staff listed in the approved budget or subsequently approved by CIT).
- (i) organization of trade missions and participation fees at study/trade missions for individuals/companies¹².
- (j) charges for services provided by the recipient organization or their contractors/agents - accounting services, personnel services, procurement services, library services, security services, cleansing services, legal services, and central and departmental administrative services.
- (k) costs related to prior/subsequent year(s)/period(s) adjustment(s)¹³.
- (l) capital financing expenses, e.g. mortgage and interest on loans/overdrafts.

5.2.11 The list of unallowable cost items for manpower, equipment and other direct costs set out in this paragraph 5.2 is not exhaustive. Recipient organizations should consult the ITC if they have any doubts about whether an item could be charged to a project account.

¹¹ For universities, please also refer to the Supplementary Note attached to this Guide.

¹² Please also see note 10 on page 20.

¹³ Please also see paragraph 4.4.2 of Chapter IV.

Chapter VI

SUBMISSION OF REPORTS AND DISBURSEMENT OF FUNDS

6.1 Progress Reports

6.1.1 All projects are monitored against their stated milestones by the vetting committee with the support of the ITF Secretariat. Recipient organizations have to submit half-yearly progress reports until project completion or termination of the project agreement for each of their projects for approval according to the schedule as set out in the project agreement. All progress reports should be prepared in the standard format stipulated by CIT and submitted through the ITCFAS. When preparing the Statement of Income and Expenditure for the progress report, please refer to paragraphs 4.3 and 4.4 of Chapter IV for details. Upon request by CIT, recipient organizations are required to provide timely clarification and/or additional information to substantiate the content of progress reports. Each progress report will then be submitted to the vetting committee for consideration and comments. Both CIT and the committee may organize visits or progress review meetings to examine the progress of a project.

6.2 Disbursement of ITF Grants

6.2.1 Disbursement of ITF grants will be done by instalments. The first instalment will only be effected when all the required documents have been submitted and at least half of the cash sponsorship is in place. Unless circumstances justify otherwise, other instalments of ITF grants, if any, will be disbursed only if the project is able to meet the prescribed milestones and the committee is satisfied with its progress and

that there is evidence showing due contribution by the sponsor(s), if any, to the project. All committed sponsorship (including both cash and in-kind) should be received during or before the second last half-yearly cashflow period of the project. CIT reserves the right to withhold any further payment to the project if a large amount of funds remains unspent in the project account or if there is any delay in submission of progress report.

6.2.2 For some projects, the committee may consider it necessary to withhold a sum of retention money of 5% of the ITF fund, until all the prescribed milestones have been completed satisfactorily and all the requirements set down by that committee have been accomplished.

6.2.3 In addition, the ITC reserves the right to withhold a sum of retention money of 5% of the ITF fund if there is any record of non-compliance with the terms and conditions of the project agreement.

6.3 Final Report

6.3.1 Within two months from project completion date or termination date of the project agreement, the recipient organization has to submit a final report covering the period from project commencement date to project completion date or termination date of the project agreement, in which, among other things, quantifiable results of the project as well as a publicity plan for the project deliverable have to be set out. The final report should be prepared in the standard format stipulated by CIT and submitted through ITCFAS.

6.3.2 Upon receipt of the final report of a project, the ITF Secretariat will assess the effectiveness of the project by comparing the project results against its original objectives and targets as set out in the project proposal. Feedback from the project teams,

their partners/sponsors, the relevant business sector, and the experts that have assisted in the project assessment would be sought. Upon request by CIT, recipient organizations are required to provide timely clarification and/or additional information to substantiate the content of final report.

6.3.3 The final report will then be submitted to the committee for consideration and comments. The project coordinator and/or other project team members may be invited to a vetting committee meeting to present the project results.

6.4 *Suspension or Termination of Funding Support*

6.4.1 CIT may terminate a project or suspend ITF fund at any time for reasons which include, inter alia, lack of progress of the project in a material way, slim chance of completion of the project in accordance with the project proposal, the original objectives of project being no longer relevant to the needs of the industry as a result of material change in the circumstances, objectives and relevance of the project having been overtaken by events, or CIT seeing fit to terminate the project in public interest.

6.5 *Return of Residual Funds*

6.5.1 The recipient organization should return to the Government all residual funds remaining in the project account mentioned in paragraph 4.3 of Chapter IV (including interest income) upon completion of the project or termination of the project agreement and all actual interest income accrued from project completion date or termination date of the project agreement up to the date of payment, within 90 days after such completion or termination. CIT may take such action as may be deemed necessary in case of unreasonable delay in the

return of residual funds and interest income to the Government.

6.6 *Post-Project Evaluation Report*

6.6.1 The recipient organization may be required to submit a post-project evaluation report for its project to report on the efforts in publicizing the project deliverables, and to provide quantitative measurement on the adoption of the project results by the industry. The report can be in whatsoever form and format as specified by CIT.

Chapter VII

PROCUREMENT AND RECRUITMENT

7.1 Procurement Procedures¹⁴

7.1.1 The recipient organization should ensure that all procurements for goods and services are carried out in an unbiased and fair manner and must comply with the following procedures unless CIT agrees otherwise.

- (a) For every procurement the aggregate value of which does not exceed HK\$50,000, quotations from at least two suppliers should be obtained. The recipient organization should select the supplier that has submitted the lowest bid. If the lowest bid is not selected, full justifications must be given.
- (b) For every procurement the aggregate value of which exceeds HK\$50,000, but does not exceed HK\$1,300,000, quotations from at least five suppliers should be obtained. The recipient organization should select the supplier that has submitted the lowest bid. If the lowest bid is not selected, full justifications must be given.
- (c) For every procurement the aggregate value of which is more than HK\$1,300,000, open tendering should be used.

7.1.2 In case an applicant organization intends to procure goods or services from one company/organization/individual, it has to provide details, justifications and its relationship with the company/organization/individual in the application form for not following the open procurement process set out at

¹⁴ For universities, please also refer to the Supplementary Note attached to this Guide.

paragraph 7.1.1 above. If the application is approved, subsequent approval from CIT will not be required. Where goods or services are procured from collaborating party, details should be given in Section C3 (Collaborations with Other Organisations) of the proposal.

7.1.3 All quotations and tendering documents should be kept by the recipient organization for CIT and the Director of Audit's inspection and the retention period of these documents should be at least two years after completion of the project or termination of the project agreement, or as otherwise specified by CIT within that two-year period.

7.2 Hiring of Project Staff

7.2.1 The recipient organization is required to abide by the principle of openness and competitiveness in hiring staff for the approved project.

7.3 Title to Equipment¹⁵

7.3.1 The title to equipment costing over HK\$500,000 will remain with the Government throughout the scheduled project period and for two additional years thereafter. Upon completion of the project or termination of the project agreement, the recipient organization is required to make available for removal by the Government such equipment in which the Government retains title. However, the recipient organization will have the right to use the equipment to carry out the project. The risk in the equipment (e.g. loss, damages, liabilities, etc.) will vest and remain with the recipient organization upon procurement of the equipment.

¹⁵ For universities, please also refer to the Supplementary Note attached to this Guide.

7.3.2 Unless otherwise agreed or specified by CIT, the recipient organization has to keep all equipment costing less than or equal to HK\$500,000 purchased for the project for at least two years after project completion or termination of the project agreement. The project coordinator should make such equipment available for CIT and the Director of Audit's inspection upon request.

Chapter VIII

PUBLICITY AND INTELLECTUAL PROPERTY RIGHTS

8.1 Publicity and Acknowledgement

8.1.1 The recipient organization should try to publicize the project results or any events related to the project through publications, seminars, workshops, conferences and exhibitions etc. Where appropriate, the applicant should try to generate income by charging fees for project deliverables so as to recoup wholly or partly the cost of the deliverables. It should also provide CIT with information about the events and the project results so that CIT may put it on the web.

8.1.2 Acknowledgement of ITF support must appear on all equipment, facilities, publicity/media events related to an ITF-funded project, as well as in publications arising from the project. The following disclaimer should also be included in any publications and media events related to an ITF-funded project:

"Any opinions, findings, conclusions or recommendations expressed in this material/event (or by members of the project team) do not reflect the views of the Government of the Hong Kong Special Administrative Region, the Innovation and Technology Commission or the vetting committees for the Innovation and Technology Fund."

8.2 Intellectual Property Rights and Use of Project Results

8.2.1 Intellectual property rights mean all intellectual property rights arising from the project including designs, inventions, patents, copyrights, rights in goodwill, and trade marks, whether

registered or unregistered. In this regard, patent registration fee for functional inventions directly relating to the project may be included in the budget. The patent registration fee charged to the project account should not be more than HK\$100,000, or 90% of the total direct costs involved in patent registration, whichever is the lower.

8.2.2 Please draw this section to the attention of all sponsors, collaborating parties, employees, subcontractors, agents or other personnel who will be involved in the project.

- (a) The recipient organization will solely own all intellectual property rights arising from the project.
- (b) The recipient organization is required to make available to local companies the project results through workshops, seminars, publications, etc. This can be provided at a fee to cover publication/production cost. The general principle is that all interested local companies should have equal access to the project results on equal terms. The sponsors can have priority use of the project results.
- (c) Exclusive use of the project results is not allowed unless otherwise approved by CIT. The recipient organization should refer to the guidelines governing the commercialization of the results of ITF projects should it intend to exclusively dispose of a project in part or in whole. The guidelines can be downloaded from the website <http://www.itf.gov.hk>.
- (d) Under special circumstances where public interests are involved or where the public mission of the ITF needs to be fulfilled, the recipient organization may be required to grant unconditionally and irrevocably to the Government a non-exclusive perpetual royalty-free worldwide and sub-licensable licence to exploit, deal with or otherwise dispose of the rights.