

## **General**

### **1. What is the Enterprise Support Scheme?**

The Enterprise Support Scheme (ESS) is a major funding initiative under the Innovation and Technology Fund (ITF). It is designed to encourage the private sector to invest in research and development (R&D).

### **2. What are the objectives of ESS?**

The ESS objectives are:

- to create a 'rainforest' of technology start-ups;
- to increase private sector investment in R&D;
- to attract Mainland and foreign companies to establish their R&D presence in Hong Kong; and
- to create more technology-related job opportunities of a diversified nature.

### **3. What are the main features of the ESS?**

- A company, regardless of its size, can apply to the ESS for funds to carry out R&D on innovation and technology if it is -
  - incorporated in Hong Kong under the Companies Ordinance;
  - registered in Hong Kong under the Business Registration Ordinance;
  - not a government subvented organisation; and
  - not a subsidiary of any government subvented organisation.
- Funding support of up to HK\$10 million may be provided on a dollar-for-dollar matching basis.
- Project period should generally not be longer than 2 years.
- All intellectual property rights arising from the project belong to the company.
- Recoupment of Government's contribution is not required.
- Benefit-sharing of commercialised R&D results is not mandatory.

#### **4. My business needs money for operation and expansion, is ESS the right funding programme for me?**

ESS cannot be used for general business operations such as improvement of production/operational process (e.g. investment on equipment, automation facilities or IT facilities) or general business financing, etc.

#### **5. What other ITF schemes would be useful to ESS recipients?**

ESS funded project with a project period of 12 months or longer is eligible to hire researchers and/ or postdoctoral talent to assist in the Project. For the details, please visit our website at (<https://www.itf.gov.hk/en/funding-programmes/nurturing-talent/research-talent-hub/index.html>).

An ESS funded project is also eligible for the R&D Cash Rebate Scheme. Under the R&D Cash Rebate Scheme, a company will receive a cash rebate equivalent to 40% of the company's expenditure in the ESS project. For the prevailing level of cash rebate and other details, please visit our website at <https://www.itf.gov.hk/en/funding-programmes/supporting-research/crs/index.html>.

## **Application Submission**

### **1. Who is eligible to apply ESS?**

A company will be eligible to apply if it is -

- incorporated in Hong Kong under the Companies Ordinance;
- registered in Hong Kong under the Business Registration Ordinance;
- not a government subvented organisation; and
- not a subsidiary of any government subvented organisation.

## **2. What is government subvented organisation?**

A government subvented organisation means organisation that receives grant from the government on a recurrent basis. The grant contributes towards the organisation's operational expenses, in exchange for its service to the public. The recurrent grant may account for the bulk of the organisation's income or may just be a token contribution/sponsorship forming a small percentage of the organisation's total income.

## **3. When may I submit an application?**

Applications can be submitted throughout the year.

## **4. How do I submit my application?**

All ESS applications should be submitted through ITC's electronic application submission system, the [ITCFAS](#). Please note that each applicant has to first complete the user [registration](#) process with [ITCFAS](#) before being granted the right to use the system for the submitting and the subsequent processing of the application.

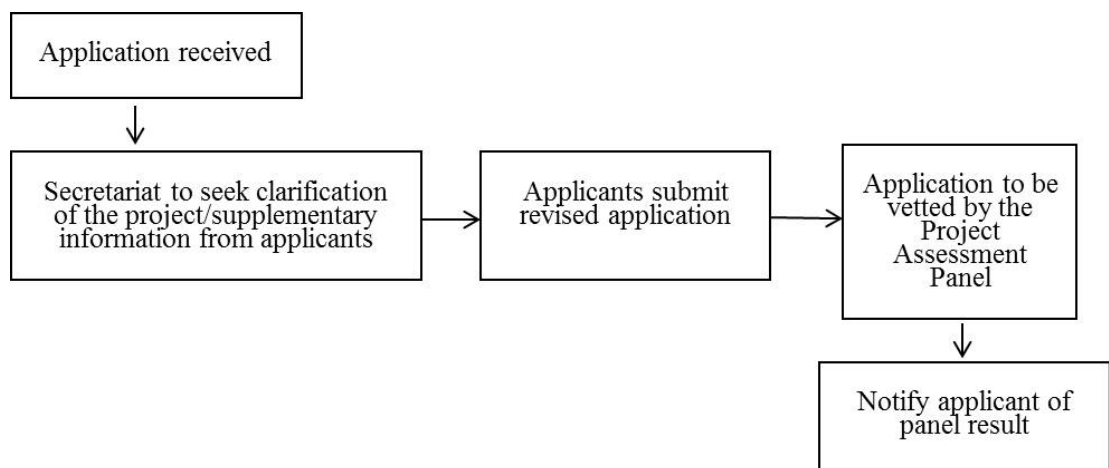
## **5. Mine is an SME company. Should I be concerned that my application will be competing against those from large corporations for the ESS support?**

ESS will place equal emphasis on SMEs as well as large corporations. Each application will be assessed on its own merits. In assessing the applications, projects meeting the relevant funding criteria will be supported. We have also set up a designated track for applicants which have less than 100 employees and are seeking funding support of no more than \$2.8 million. This will enable SME applications to be handled in a more effective and focused manner.

## 6. What is the definition of SME?

SMEs are companies whose sizes do not exceed 100 employees.

## 7. How my application will be processed?



## 8. How often does the assessment panel meet to consider applications?

Generally speaking, assessment panel meetings will be held around every six weeks to two months to consider applications seeking not exceeding \$2.8 million by SMEs while for applications seeking above \$2.8 million, meetings will be held around every four months.

## Application Vetting

### 1. What are the vetting criteria?

The vetting criteria are as follows:-

- Innovation and Technology Component (25%);
- Technical and Management Capability (20%);
- Financial Considerations (15%);
- Commercial Viability of Project Deliverables (30%); and

- Relevance with Government Policies or in Overall Interest of the Community (10%).

To help the panel of assessors decide whether funding should be approved for an application, amongst other information as requested in the application form, the applicant should -

- provide sufficient information on the research topic (R), development activities (D), and project deliverables;
- articulate the technical challenges or the innovation involved in undertaking the R&D on the proposed technology;
- demonstrate the team's capability in carrying out the project to its completion;
- provide sufficient information to justify the reasonableness of the proposed project expenditure;
- provide sufficient information on the planned commercialisation of the project deliverables, and their market potential; and
- estimate the number of technical jobs that would be created during the project period and the potential number of technical jobs that might be created thereafter.

## **2. Who decide whether my application will get ESS funding or not?**

An assessment panel examines and selects the applications to be funded under ESS. The panel will comprise experts from the academia, industry, private equity and capital market, etc. to ensure an informed, fair and balanced assessment of applications. Where necessary, ITC may seek comments and advice from outside experts on individual application. Based on a list of assessment criteria which include innovation and technology component, technical and management capability, financial considerations, commercial viability of project deliverables, as well as relevance with Government policies or in overall interest of the Community, the assessment panel will formulate its recommendations to the Commissioner for Innovation and Technology who will then consider whether the applications should be approved.

**3. What kind of information would the Assessment Panel be looking for under the Innovation and Technology component?**

The Innovation and Technology component comprises the Research (R) aspect and the Development (D) aspects.

For the Research aspect, the applicant should articulate the scientific/engineering phenomena of which the project is to study and investigate. Technology roadmap of the product/solution development may also be required. While this could range from upstream to downstream research activities, given that ESS focuses on the commercial application and viability of the project deliverables, upstream or theoretical research will not be accorded priority.

For the Development aspect, the applicant should describe the technology development processes and activities that will convert the research results into innovative, marketable solutions. Proposals on mass production activities would generally not be supported.

**4. What kind of information would the Assessment Panel be looking for under the Commercial Viability of Project Deliverables component?**

For the assessment panel to deliberate on the commercial viability of the project deliverables, the applicant should describe:

- customer segments that the project deliverables are intended for;
- the target market, industry-wise and geographical region;
- how the product deliverable(s) is to be sold and how revenue is to be generated;
- how project deliverables would compete against similar products/services already available in the market; and
- detailed business plan may also be required.

**5. Would my application be considered unfavourably if the R&D is at its early stage?**

ESS is to encourage private sector to undertake applied R&D. Any R&D project that would lead to a commercially viable product or has a potential commercial value will be considered more favourably by the assessment panel, in addition to the merits of the project's innovation and technology content.

**6. What does commercial value mean?**

Commercial value means project deliverables that could bring benefit to, for example, the applicant company's overall profitability, productivity or operational efficiency.

**7. What kind of information would the Assessment Panel be looking for under the Technical and Management Capability component?**

The assessment panel would look at the technical and management ability of the project coordinator and his team to deliver the proposed project fully (e.g. background and experience of the research team and feasibility of the R&D work plan). Please note that the project coordinator and deputy project coordinator of the project shall be employed by the applicant company or being a key member of the applicant company (e.g. Director) at the time of application and throughout the project period.

**8. What kind of information would the Assessment Panel be looking for under the Relevance with Government Policies or in Overall Interest of the Community component?**

The assessment panel will be interested in technologies that dovetail Government policies and bring benefit to the community at large, such as creating high value employment opportunity in the technology industry; a project plan that can support important Government initiatives, such as those in the areas of environmental protection and healthcare;

and whether the applicant will offer benefit-sharing on the project deliverables.

**9. What is the minimum score for an application to be approved of funding?**

An application needs to pass each of the vetting criteria.

**10. If the Assessment Panel declined my application, can I appeal such decision?**

If an application is declined, the Secretariat will notify the applicant and provide the reasons for the Panel's decision in writing.

While there will be no appeal to the assessment panel's decision, a declined application may be resubmitted if it has been revised to fully address the Panel's comments on the project or if it has been able to produce additional information to justify the resubmission.

In completing the application form for a resubmitted application, the applicant should set out clearly the differences between the resubmitted application and the previous one. The resubmission will be assessed by the Panel following the same assessment procedures.

## **Budget**

**1. Are there any restrictions in using the project funds?**

Project funds, including the ESS Fund and the recipient company's matching fund, must be exclusively used for (a) the costs of manpower employed by the Applicant Company specifically for carrying out the project's technology R&D activities in Hong Kong and who are lawfully employable in Hong Kong; (b) new equipment procured specifically for



carrying out the project and be maintained by the Applicant Company in Hong Kong; and (c) other direct costs incurred within the project period.

**2. We have already incurred/committed some expenditure for the proposed project before our application is approved. Could these expenditures be claimed on the project funds under ESS?**

All project expenditures to be claimed under ESS must be incurred within the approved project period. Any expenditure incurred/committed before the approved project commencement date would have to be borne by the Applicant.

**3. Can the project funds be used outside Hong Kong?**

The R&D work funded under ESS should primarily be conducted within the territory of Hong Kong. When R&D tasks need to be conducted outside Hong Kong, (a) prior approval from CIT must be sought with sufficient justifications (b) the tasks need to be carried out through outsourcing arrangements (c) up to 50% of the approved total project cost may be incurred outside Hong Kong.

**4. Can shareholders or directors of the applicant company charge salary from the project funds?**

In general, company shareholders/directors shall not take salary from the Project Funds. Only in exceptional cases would company shareholders/directors who directly participate in the R&D work of the Project be considered taking nominal salary from the Project Funds, which shall be decided at the absolute discretion of Commissioner for Innovation and Technology.

# Project Execution

## **1. What would happen next if my application passes each of the vetting criteria?**

For application that passes each of the vetting criteria, the ESS Secretariat will follow up on the comments made by the assessment panel regarding your application, including but not limit to reworking on the budget, project milestones etc.

The applicant will be required to address the assessment panel's comments and submit a finalised application together with all the other requested documents within three months after the date of notification by the ESS Secretariat for seeking the funding support of the application by the Commissioner for Innovation and Technology. Failing to do so, ITC may deem the application being withdrawn and cease processing the application further.

## **2. Apart from revising my application to address the assessment panel's comments, can I propose changes to my application?**

In general, there shall be no revision on the application other than the comments made by the assessment panel. In the event that the change(s) in the project details are significantly deviated from the original objective of the application that has been considered by the assessment panel, including but not limited to a change of the original objective of the technology development undertaking, deliverables, project scope, development activities or the composition of the project team (including project coordinator and deputy project coordinator), the applicant has to withdraw the application.

## **3. What is an ESS Fund Agreement?**

For each project approved for funding support, the recipient company has to sign an ESS Fund Agreement (Agreement) with the Government.

The Agreement is a contract or grant agreement entered into between the Government and a fund recipient company for the performance of research and developmental work funded by the Innovation and Technology Fund. The recipient company is required to carry out the approved project strictly in accordance with the terms and conditions laid down in the Agreement.

#### **4. When will I receive the ESS Fund for my approved application?**

ESS Fund will normally be made available to the recipient company by instalment subject to the confirmation of due contribution of the matching fund by the recipient company and satisfactory project progress. The first instalment of ESS Fund will be released after the recipient company has provided proof that the project has spent the first instalment of its matching fund.

An advancement payment can be arranged at project commencement upon request by the recipient company. A payment of up to 50% of the matching fund approved under the ESS for the first 6 months or up to \$500,000, whichever is lower, will be released to the recipient company on the condition that it has provided proof that the same amount of fund contribution has been made on a matching basis.

In both cases, the remaining payment will be disbursed in instalments upon the recipient company's fulfilment of the obligations stated in the Agreement.

#### **5. How should I handle the ESS Fund and Company matching fund?**

The recipient company is required to open and maintain a risk-free interest-bearing bank account (project bank account) under its sole name specifically for processing all receipts and payments in connection with the approved project.

**6. Can I make changes to the project proposal after the project commencement date?**

An approved project is required to be carried out strictly in accordance with the final proposal appended to the ESS Fund Agreement. Any modification, amendment or alteration to the project or the Fund Agreement, including but not limited to a change of project commencement or completion dates, key project staff (including project coordinator and deputy project coordinator), deliverables, or project scope, development activities, budget or cashflow projection, will require prior written approval by Commissioner for Innovation and Technology, otherwise Commissioner for Innovation and Technology may terminate the Fund Agreement or withhold the payment of the ESS Fund.

**7. Do I need to return the interest income and residual funds to the Government upon completion of the approved project?**

The recipient company needs to tender to the Government in a cashier cheque the Government's pro rata share of the audited project residual funds (including interest income) upon completion of the project or termination of the Agreement and all actual interest income accrued from the date of project completion or termination of the Agreement up to the date of payment, within one month after the acceptance of the final report and audited accounts by Commissioner for Innovation and Technology.

## **Benefit-Sharing**

**1. What does non-mandatory benefit-sharing mean?**

Non-mandatory benefit-sharing means that it is not mandatory for an ESS recipient company to share the financial or other benefit of commercialised project deliverables with the Government.

**2. If benefit-sharing is non-mandatory, then why would I want to offer benefit-sharing?**

If an ESS applicant is confident with its commercial prospects and offers benefit-sharing, this would be taken into account in assessing the application.

**3. Would participating in benefit-sharing increase the chance of my application getting approved?**

It would be taken into account under the Relevance with Government Policies or in Overall Interest of the Community. However, your application still needs to score a passing mark in every one of the other vetting criteria. Based on the assessment criteria, including innovation and technology component, technical and management capability, financial considerations, commercial viability of project deliverables, as well as relevance with Government policies or in overall interest of the community, the assessment panel will formulate its recommendations to the Commissioner for Innovation and Technology, who will then consider whether the applications should be approved. (Please also see the vetting criteria of an ESS application.)

**4. Why don't I see benefit-sharing among the vetting criteria?**

Benefit-sharing will be considered together with other components under Relevance with Government Policies or in Overall Interest of the Community, the total weighting of which is 10%.

**5. How much weight does benefit-sharing alone carry in vetting?**

For an application that offers benefit-sharing, it would be taken into account under the Relevance with Government Policies or in Overall Interest of the Community, and will be vetted in totality with other components including technical job creation, important Government

initiatives supported by the project and benefit that the project will bring to the society.

**6. Will not offering benefit-sharing be seen as lacking in confidence with the commercial prospect of my project and hence will adversely affect the chance of my application getting approved?**

Based on the listed assessment criteria (please see previous FAQs), including innovation and technology component, technical and management capability, financial considerations, commercial viability of project deliverables, as well as relevance with Government policies or in overall interest of the community, the assessment panel will formulate its recommendations to the Commissioner for Innovation and Technology, who will then consider whether the applications should be approved.

**7. Will my application be treated unfavourably and even be rejected if I do not offer benefit-sharing?**

Not offering benefit-sharing will not alone cause your application to be rejected. Based on the listed assessment criteria (please see previous FAQs), including innovation and technology component, technical and management capability, financial considerations, commercial viability of project deliverables, as well as relevance with Government policies or in overall interest of the community, the assessment Panel will formulate its recommendations to the Commissioner for Innovation and Technology, who will then consider whether the applications should be approved.

**8. Is there any guiding principle for coming up with a benefit-sharing formula with the Government?**

Benefit-sharing with the Government shall be made in cash only and shall commence from the next financial year of the applicant upon project

completion. The applicant would have the flexibility to propose the number of years that it would like to offer benefit-sharing with the Government.

Benefit-sharing shall be made only for the financial years where the company's Profit for the Year are positive. The applicant would have the flexibility to propose the percentage of its Profits for the Years to be shared with the Government. For the purpose of determining the Government's share of the applicant's Profit for the Year, the applicant shall submit to the Government the company's audited accounts for the relevant financial year(s).