

General

1. What is the Enterprise Support Scheme?

The Enterprise Support Scheme (ESS) is one of the funding programmes under the Innovation and Technology Fund (ITF). It is designed to provide funding support for local companies to conduct in house research and development (“R&D”) with a view to encouraging the private sector to invest in 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 will be eligible to apply if it –
 - (a) is incorporated in Hong Kong under the Companies Ordinance (Cap. 622) or its predecessor ordinance;
 - (b) has a current business registration certificate issued under the Business Registration Ordinance (Cap. 310);
 - (c) is not a government subvented organisation*; and
 - (d) is not a subsidiary within the meaning of the Companies Ordinance (Cap. 622) of any government subvented organisation*.
- Funding support of up to HK\$10 million may be provided on a dollar-for-dollar matching basis for each approved project.
- Project period should generally not be longer than 2 years. There is however no minimum time requirement.
- As a general rule, all intellectual property rights generated from the project should be fully vested with the recipient company.
- Recoupment of Government's contribution is not required.
- Benefit-sharing of commercialised R&D results is not mandatory.

** A government subvented organisation means an organisation that receives any grant towards its operational expenses from any government on a recurrent basis in exchange for its services 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.*

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

ESS supports downstream R&D activity with focuses on commercial application and viability of project deliverables. It will **NOT** support mass production activities, general business operations such as improvement of production/operational process (e.g. facility revamp, investment on equipment, automation facilities, information technology-related infrastructures or R&D facilities), general business financing or staff training.

5. May I apply for other funding schemes other than ESS for the same project proposal?

It should be noted that any expenditure or part thereof which is already funded by the Government (including but not limited to any other ITF-funded project), a government subvented body/institution or a university shall not be covered by the project funds under ESS. For the avoidance of doubt, no double funding is allowed for the same expenditure item or any part thereof.

6. Which other ITF schemes would be useful to ESS recipients?

ESS funded project with a project period of 12 months or longer is eligible to engage research talents to assist in the project. For more details, please visit Research Talent Hub's webpage 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 Research and Development Cash Rebate Scheme. Under the 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 Research and Development Cash Rebate Scheme's webpage 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 –

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- (c) is not a government subvented organisation; and
- (d) is not a subsidiary within the meaning of the Companies Ordinance (Cap. 622) of any government subvented organisation.

2. What is government subvented organisation?

A government subvented organisation means an organisation that receives any grant towards its operational expenses from any government on a recurrent basis in exchange for its services 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 Innovation and Technology Commission Funding Administrative System ([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. May I submit more than one application?

Only one application per applicant will be accepted and processed at any one time.

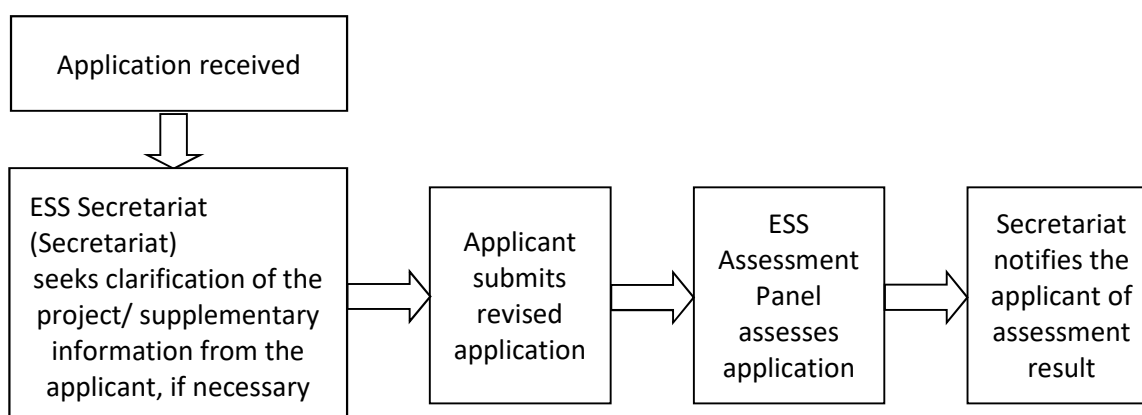
6. Mine is an SME company. Should I be concerned that my application will be competing against those from large corporations for the ESS support?

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 for a project of no more than \$2.8 million. This will enable SME applications to be handled in a more effective and focused manner.

7. What documentary proofs or supporting documents do I need to provide in my application?

A checklist is available on the ESS's webpage:
<https://www.itf.gov.hk/l-tc/ess.asp>

8. How will my application be processed?



9. 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 designated track applications (please see relevant FAQs above) by SMEs while for non-designated track applications, meetings will be held around every three to four months.

10. If my application is not recommended by the ESS Assessment Panel for funding support, will ITC dispose the records immediately?

All ESS applications, irrespective of their application status or result of assessment, must be retained for a certain period of time to comply with the established records management guidelines of ITC.

Application Vetting

1. What are the vetting criteria?

The vetting criteria are as follows: -

- Innovation and Technology Component (25%);
- Technical and Management Capability (20%);
- Reasonableness of Project Cost (15%);
- Commercial Viability of Project Deliverables (30%); and
- Relevance in Overall Interest of the Community or with Government Policies (10%).

To help the assessment panel decide whether an application should be recommended for funding support, amongst other information as requested in the application form, the applicant should –

- (a) specify what problems/issues that the project deliverables aim to solve/address;
- (b) specify which innovation and technology component involved in producing the project deliverables is novel and based on original (or not obvious) concepts and hypotheses;
- (c) explain clearly how the innovation and technology component works and why it works;

- (d) provide sufficient information on the scope of research areas and development activities involved in producing the project deliverables at each specific project milestone;
- (e) articulate the technical challenges or the innovation involved in undertaking the R&D;
- (f) demonstrate the team's capability in carrying out the project to its completion;
- (g) provide key parameters to assess and measure the functions and performance of the project deliverables;
- (h) provide a reasonable project cost and justification for each and every project cost item;
- (i) provide sufficient information on the planned commercialisation of the project deliverables and their market potential; and
- (j) 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 of members invited by the Government 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 in overall interest of the community or with Government policies, the assessment panel will formulate its recommendations in respect of their worthiness for funding support to the Commissioner for Innovation and Technology (CIT) 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?

A clear description of what the project aims to develop and its purpose.

For the innovation and technology component to be developed or to be deployed in the project, the assessment panel will consider what is new/novel, in terms of ideas, concepts, knowledge, technologies, methods and/or applications without conflicting existing third party intellectual property rights. Details of the new/novel element(s) and the underlying scientific/engineering principle(s) of how it works should be provided.

In developing the new/novel element(s), you need to specify the research topics to be investigated systematically for generating new knowledge.

Information on the specific core development activities, technology development processes and/or methods for converting the above research results into innovative and marketable solutions should be provided.

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.

Proposals on engaging in mass production activities would generally not be supported.

4. 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 should be employed by the applicant or being a key member of the applicant (e.g. shareholder/director) at the time of application and throughout the project period.

5. What kind of information would the assessment panel be looking for under the Reasonableness of Project Cost component?

The assessment panel will evaluate whether the estimated expenses are realistic, justified and aligned with industry standards by looking for the following information –

- (i) Benchmarking and market comparison – compare the cost with similar projects, make reference to vendor quotes or industry standards;
- (ii) Breakdown of cost items with specified purposes;
- (iii) Manpower rates;
- (iv) Equipment and material costs – are material quantities and unit costs justified, are equipment rental/purchase costs competitive
- (v) Scope alignment – does the cost match the project scope and deliverables, are there unnecessary or inflated expenses.

6. 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 commercial / market risks will be managed / addressed;
- commercialisation plan on how the project 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.

7. 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.

8. What does commercial value mean?

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

9. What kind of information would the assessment panel be looking for under the Relevance in Overall Interest of the Community or with Government Policies component?

The assessment panel will be interested in technologies that bring benefit to the community at large and dovetail Government policies, 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.

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

An application needs to pass each and every one of the vetting criteria.

11. If the assessment panel declined my application, can I appeal against 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 mechanism to the assessment panel's decision, a declined application may be resubmitted if it has been revised taking into account the reason(s) of the previous rejection. The resubmitted application, justified with additional information, will be treated as a new application and be subject to the same assessment criteria and procedures.

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. If the resubmitted application has not been duly revised, it will be returned to the applicant.

Project Funds

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 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 (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 –

- prior approval from CIT must be sought with sufficient justifications
- outsourcing arrangements should be made
- up to 50% of the approved total project cost incurred outside Hong Kong may be allowed

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

In general, company shareholders/directors shall **NOT** take any form of remuneration from the project funds. If any shareholders/directors of the applicant or its related company within the same group of companies are appointed as the project coordinator, the deputy project coordinator or a project team member to conduct the project's technical R&D work, they should provide declarations in writing as set out in the "Additional Declaration Form for Remuneration Position" on (i) all their remunerated positions, (ii) justifications for the appointment; and (iii) course of action to be taken to mitigate conflict of interest, to seek CIT's approval before being appointed to work for the project. CIT shall have the absolute discretion to determine whether such approval shall be given.

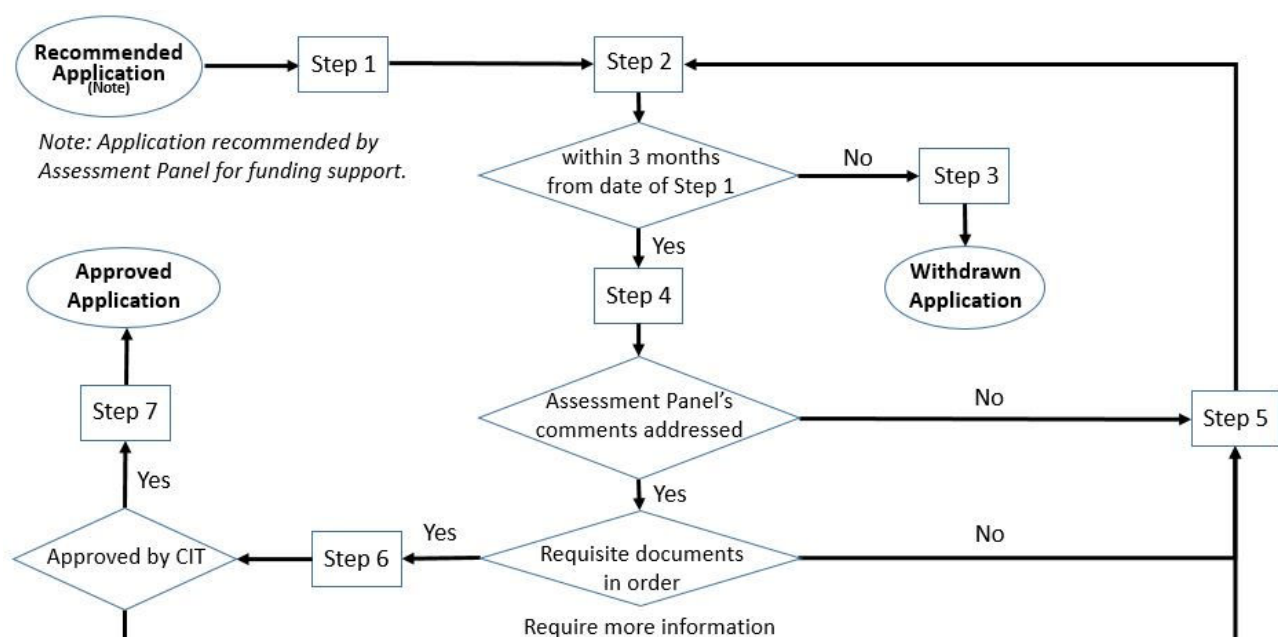
Project Execution

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

For application that passes each of the vetting criteria, the Secretariat will follow up on the comments made by the assessment panel regarding your application, including but not limit to reworking on the project cost and project milestones of the proposed project, 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 Secretariat for seeking CIT's approval of the application for funding support. Failing to do so, ITC may deem the application being withdrawn and cease processing the application further.

The process for seeking approval of the funding support by the CIT is set out below -



Step 1	Notification to successful applicant about the requirements for (a) addressing Assessment Panel's comments, if there is any; and (b) submitting a finalised application form together with other requisite documents.
Step 2	Submission by applicant of the finalised application form together with the requisite documents.
Step 3	Application deemed as withdrawn. Notification to applicant about the decision.
Step 4	Review of the submission by ESS Secretariat.
Step 5	Return of the application form together with the requisite documents to applicant for further work.
Step 6	Submission to CIT for approval.
Step 7	Signing of fund agreement between successful applicant and Government.

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, 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 fund agreement entered into between the Government and a fund recipient company for the performance of research and developmental work funded by the ITF. 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 advance 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 maintain a separate risk-free interest-bearing Hong Kong dollar savings bank account (Designated 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 Agreement. Any modification, amendment or alteration to the project or the Agreement, including but

not limited to a change of project commencement or completion dates, key project members (including project coordinator and deputy project coordinator), deliverables, project scope, development activities, budget or cashflow projection, will require prior written approval by CIT, otherwise CIT may terminate the 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, within one month after the acceptance of the final report and audited accounts by CIT.

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

It would be taken into account under the Relevance in Overall Interest of the Community or with Government Policies. However, your application still needs to score a passing mark in every vetting criteria (please see relevant FAQs above). 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 in overall interest of the community or with Government policies, the assessment panel will formulate its recommendations to the CIT, who will then consider whether the applications should be approved.

3. 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 in Overall Interest of the Community or with Government Policies, 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.

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

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

5. 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 year(s) that it would like to offer benefit-sharing with the Government.

Benefit-sharing shall be made only for the financial year(s) 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 Year 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).

**ESS Secretariat
Innovation and Technology Commission
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