

# **Enterprise Support Scheme (ESS)**

## **Guide to Filling in the Application Form (ITF Form 7.3)**

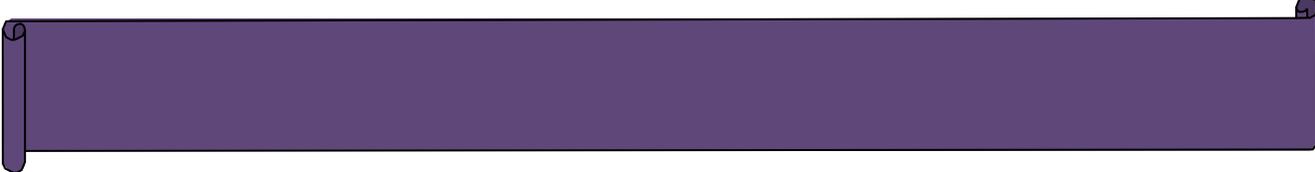
This Application Guide explains how the Application Form of the Enterprise Support Scheme (“ESS”) under the Innovation and Technology Fund (“ITF”) could be completed. It shall not in any circumstances affect or limit the interpretation of any agreements that may be made between the Government and the successful Applicants under the ESS. Applicants’ attention is drawn to the Disclaimers in Part H of the Application Form. Unless the context otherwise requires, terms defined and expressions used in this Application Guide shall bear the meanings set out in the Interpretation herein.

2. Details of the ITF and the ESS are available at <http://www.itf.gov.hk>. In addition to the information in this Application Guide and the Application Form, the Innovation and Technology Commission (“ITC”) may issue supplementary information and guidelines from time to time. Applicants should check the ITF website to see if there is any update before submission of their Application Forms.

3. If you have any question on this Application Guide and the Application Form, please contact -

ESS Secretariat  
Innovation and Technology Commission  
Unit 1275, 12/F  
Kowloonbay International Trade and Exhibition Centre  
1 Trademart Drive  
Kowloon Bay, Hong Kong  
Tel : (852) 3422 3700  
E-mail : [ess@itc.gov.hk](mailto:ess@itc.gov.hk)

4. This Application Guide is also available in Chinese. If there is any inconsistency or ambiguity between the English version and the Chinese version, the English version shall prevail.



## **General**

1. Before filling in the Application Form, Applicants shall note the following –
  - (a) ESS is one of the funding programmes under the ITF.
  - (b) ITF is set up by the Government to provide funding support for projects that contribute to innovation and technology upgrading in the industry, thereby helping to increase the added value, productivity and competitiveness of our economic activities. The Commissioner for Innovation and Technology (“CIT”) is the controlling officer of ITF.
  - (c) ESS supports downstream research and development (“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. Funding support of up to \$10 million will be provided on a dollar-for-dollar matching basis to a successful Applicant to undertake an approved project which is generally up to 24 months.
  - (d) Applications for ESS are open all year round.
  - (e) No application fee will be charged.
2. The Applicant must duly complete and sign the Application Form. The Application Form should be submitted together with all necessary information and supporting documents. Applications must be submitted to the ESS Secretariat –
  - (a) through the Innovation and Technology Commission Funding Administrative System (“ITCFAS”) (<https://itcfas.itf.gov.hk>); and
  - (b) in one duly signed and stamped original hard copy.
3. Acknowledgment will be sent to the Applicant upon receipt of the application by the ESS Secretariat.

4. To ensure that more companies benefit from the ESS funding, applications submitted by Applicants who have never received any funding support from the ESS will be processed with higher priority.
5. ITC reserves the right to seek additional information as it deems necessary. An Applicant shall also provide all clarification, information and documents requested by CIT from time to time for processing its application. Unless on request of the ESS Secretariat or otherwise approved by CIT, supplementary information provided after submission of the Application Form will **NOT** be accepted and will **NOT** form part of the application.
6. If an Applicant defers the submission of the clarifications, information and documents requested by CIT for processing its application for more than two months, the application will be considered as being withdrawn and the ESS Secretariat will cease processing the application further.
7. The Application Form and other supporting documents will be submitted to the assessment panel for assessment and recommendations to CIT whether the Project should be supported.
8. In the event that the Project is recommended for funding support, the assessment panel will require the Applicant to address its comments on the application (e.g. scope, budget and milestones, etc. of the proposed Project) and submit a finalised Application Form together with other necessary documents as requested by the ESS Secretariat. Failing to do so within three months after the date of notification by the ESS Secretariat, ITC would consider the application being withdrawn and cease processing the application further.
9. The finalised Application Form, together with other necessary documents as requested by the ESS Secretariat, will be submitted to CIT for approval. To avoid delaying the approval process, the Applicant is advised to submit the following documents<sup>1</sup>, if available, at the time of application submission.
  - (a) Proof of a separate risk-free interest bearing Hong Kong dollar savings bank account (“Designated Bank Account”) opened by the Applicant with a licensed bank registered under the Banking Ordinance (Cap.155) specifically for processing all receipts and payments of the Project;
  - (b) A written price quotation of each project cost item under equipment and other direct cost; and
  - (c) Proofs that project team members are lawfully employable in Hong Kong.

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<sup>1</sup> These documents even though might not be necessary for the assessment but are mandatory for finalising the Application Form to seek approval.

10. Where an application is successful, the Applicant shall enter into a fund agreement with the Government and is required to comply with the terms and conditions therein, including monitoring project progress and expenditure, submission of reports and audited accounts, etc.
11. As a general rule, Intellectual Property Rights generated from the Project should be fully vested with the Applicant.
12. Unsuccessful Applicants will be informed of the reason(s) of rejection. A rejected application could be resubmitted if it has been revised taking in account the reason(s) of the previous rejection, and the resubmitted application will be treated as a new application and be subject to the same assessment procedures. However, resubmitted applications which have not been duly revised will **NOT** be processed and will be returned to the Applicant.

## **Interpretation**

### **I. Definitions**

In this Application Guide and the Application Form, the following words and expressions shall have the respective meaning ascribed to them unless the context otherwise requires –

<b>“Applicant”</b>	means an applicant who has submitted an application for funding under ESS;
<b>“Application Form”</b>	means “Enterprise Support Scheme (“ESS”) – Application Form”;
<b>“Application Guide”</b>	means “Enterprise Support Scheme (“ESS”) - Guide to Filling in the Application Form” as varied, modified, deleted and/or added from time to time by the Government without prior notice;
<b>“Associate”</b>	of any person means: (a) a Relative or partner of that person; or (b) any body of persons (corporate or unincorporate) one or more of whose Directors is in common with one or more of the Directors of that person;
<b>“Associated Person”</b>	in relation to another person means: (a) any person who has Control, directly or indirectly over the other; or (b) any person who is Controlled, directly or indirectly, by the other; or (c) any person who is Controlled by, or has Control over, a person at (a) or (b) above;
<b>“CIT”</b>	means the Commissioner for Innovation and Technology;
<b>“Control”</b>	in relation to another person means the power of a person to secure: (a) by means of the holding of shares or interests or the possession of voting power in or in relation to that or any other person; or (b) by virtue of powers conferred by any constitution, memorandum or articles of association, partnership, agreement or arrangement (whether legally enforceable or not) affecting that or any other person; or (c) by virtue of holding office as a Director in that or any other person; that the affairs of the first-mentioned person are conducted in accordance with the wishes of that other person;

<b>“Director”</b>	includes any person occupying the position of director by whatever name called, including a de facto or shadow director and any person in charge of the day-to-day management or operation of a body of persons (corporate or unincorporate);
<b>“ESS”</b>	means Enterprise Support Scheme;
<b>“Government”</b>	means the Government of the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“Intellectual Property Rights”</b>	means patents, trademarks, service marks, trade names, design rights, copyright, domain names, database rights, rights in know-how, new inventions, designs or processes and other intellectual property rights whether now known or created in future (of whatever nature and wherever arising) and in each case whether registered or unregistered and including applications for the grant of any such rights arising out of or in connection with the Project.;
<b>“ITC”</b>	means the Innovation and Technology Commission;
<b>“ITF”</b>	means the Innovation and Technology Fund;
<b>“ITCFAS”</b>	means the Innovation and Technology Commission Funding Administrative System;
<b>“person”</b>	includes an individual, company, corporation, firm or any body of persons, corporate or unincorporated and includes any public body;
<b>“Profit for the Year”</b>	means the Applicant’s profit after tax for the relevant financial year;
<b>“Project”</b>	means the proposed project as set out in the Application Form;
<b>“Project Accounts”</b>	means a proper and separate set of books and records for each Project;
<b>“Project Funds”</b>	means the company matching fund and the government contribution made to the Project;
<b>“R&amp;D”</b>	means research and development;
<b>“Relative”</b>	means the spouse, parent, child, brother or sister of the relevant person, and, in deducing such a relationship, an adopted child shall be deemed to be a child both of the natural parents and the adopting parent and a step child to be a child of both the natural parent and of any step parent;

**“Restricted  
Person”**

means:

- (a) the Applicant, its Associates or Associated Persons;
- (b) any shareholder or Director of the Applicant, or their Associates, Associated Persons or close friends; or
- (c) any current employee of the Applicant, its Associates or Associated Persons; or his/her Associates, Associated Persons or close friends.

## **II. Rules of Interpretation**

In this Application Guide and the Application Form, unless the context otherwise requires, the following rules of interpretation shall apply –

- (a) references to any statutes, enactment, order, regulation, statutory provisions or other similar instrument shall be construed as references to those as replaced, amended, modified or re-enacted from time to time; and shall include all subordinate legislation made under those statutes;
- (b) words importing the singular shall include the plural and vice versa; words importing a gender shall include every gender; references to any person shall include references to individual, firm, public body, body, corporate or unincorporate (wherever established or incorporated);
- (c) section or clause headings are inserted for convenience of reference only and shall not affect the interpretation and construction of this Application Form;
- (d) a reference to a clause, sub-clause, schedule, appendix or attachment by number or letter, and not in conjunction with an ordinance or regulation, shall be construed as a reference to the clause, sub-clause, schedule, appendix or attachment of that number or letter contained in the Application Form;
- (e) references to time and dates in the Application Form shall be construed as Hong Kong time and dates;
- (f) reference to a day refers to calendar day; and reference to a working day means any day other than Saturdays and General Holidays as defined in the Interpretation and General Clauses Ordinance (Cap. 1);
- (g) reference to a month or a monthly period refers to a calendar month;
- (h) any word or expression to which a specific meaning has been attached in any part of any of the Application Form shall bear such meaning whenever it may appear in the same or other parts of the Application Form;
- (i) unless otherwise provided, all reference to money and payments shall be made in Hong Kong dollars;
- (j) the expression “Cap.” means a Chapter of the Laws of Hong Kong;
- (k) words and expressions extend to their grammatical variations and cognate expressions where those words and expressions are defined in this Application Form; and
- (l) whenever the expression “including” is used in this Application Form, it shall be deemed to mean “including without limitation”.

## *Part A The Applicant*

1. 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\*.
2. An Applicant shall register its organisation and the relevant personnel with the ITCFAS prior to submitting the Application Form through the ITCFAS.
3. The Applicant shall provide ITC the company's address registered with the Companies Registry and business address registered with the Inland Revenue Department.
4. The Applicant should submit a copy of the following as attachment(s) to the application –
  - (a) Certificate of Incorporation issued by the Companies Registry of the Government;
  - (b) Business Registration Certificate issued by the Inland Revenue Department of the Government;
  - (c) latest Annual Return (or the Incorporation Form for newly established company);
  - (d) Notice of Change of Company Secretary and Director (Appointment/Cessation) (if any);
  - (e) Notice or Certificate of Change of Company Name (if any); and
  - (f) organisation chart(s) showing both the divisional (i.e. departments) and functional (i.e. positions) structures of the company. If the Applicant belongs to a company group, please also provide a chart showing its relationship and the shareholding structure with other legal entities in the company group.

\* *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.*

## ***Part B The Project***

### **I. Key Project Details**

#### **(A) Total Project Cost**

The total project cost is the sum of all estimated expenditure to be incurred. Applicants are required to provide details of the project cost items under the 'Financial Considerations' section in Part C of the Application Form.

##### *(i) Company Matching Fund*

Company matching fund is the Applicant's own financial contribution to the Project which must be no less than 50% of the total project cost. Financial contribution from company should be in cash.

##### *(ii) Net Amount Requested from ESS*

A maximum of \$10 million from ESS could be provided for each approved Project on a dollar-for-dollar matching basis. The net amount requested from ESS shall not be more than 50% of the total project cost.

#### **(B) Overall Schedule**

The project period should generally not exceed 24 months. There is however no minimum time requirement.

#### **(C) Location of R&D Work**

- (i) The R&D work funded under ESS should primarily be conducted within the territory of Hong Kong.
- (ii) When certain R&D tasks need to be conducted outside Hong Kong, the tasks concerned have to be carried out through outsourcing arrangements. Prior approval from CIT must be sought with sufficient justifications.
- (iii) In general, up to 50% of the approved total project cost can be incurred outside Hong Kong.
- (iv) If the R&D task is conducted by organisations other than the Applicant with the related expenses charged to the Project Funds, it will be considered as a procurement of R&D services. The Applicant is required to follow the procurement procedures stated in the Application Guide.

**(D) Benefit-Sharing**

- (i) Benefit-sharing is not a mandatory requirement. If an ESS Applicant is confident with the commercial prospects of the proposed Project and offers benefit-sharing, this would be taken into account in assessing the application against the assessment criteria “Relevance with Government Policies or in Overall Interest of the Community”.
- (ii) For more details on benefit-sharing, please read the section on ‘Benefit-Sharing’ at the ‘Frequently Asked Questions’ on the ITF website.
- (iii) Applicants who offer benefit-sharing are required to complete Part E of the Application Form.

**(E) Indemnity**

If the Project involves using background intellectual property of a third party, the Applicant should indicate in the Application Form whether the consent/license for use of such intellectual property has been obtained. The Applicant shall indemnify and keep indemnified the Government against any and all claims, actions, investigations, demands and all liabilities from the use of such intellectual property on the term set out in the fund agreement.

## **II. Brief Description of Project Proposal**

### **Abstract of Proposed Project**

The Applicant should give a concise description of the proposed Project with the aim to give the assessment panel an overall appreciation of the application at a glance. The Applicant is required to articulate the following in both English and Chinese –

- (a) Overview of the key issues or problem(s) existing in the concerned area(s) identified for the proposed R&D work;
- (b) Description of the product(s)/service(s)/process(es)/system(s) to be launched in the market for solving the problem(s);
- (c) Highlight of the key innovation and technology to be developed or to be deployed for developing (b) with a brief explanation of the underlying scientific/technology/engineering principle;
- (d) Competitive advantages of (b) in terms of functional and technical performance; and
- (e) Strategies to commercialise (b).

## *Part C Justifications*

1. Applicants and their Projects will be assessed in accordance with the following criteria and weightings –
  - (a) Innovation and Technology Component (25%);
  - (b) Commercial Viability of Project Deliverables (30%);
  - (c) Technical and Management Capability (20%);
  - (d) Relevance with Government Policies or in Overall Interest of the Community (10%); and
  - (e) Financial Considerations (15%).
2. To help the assessment panel decide whether funding should be approved for an application, 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 budget 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.
3. The Applicant should submit a 6-slide PowerPoint introduction of the application (all documents must be saved in PDF, JPG or JPEG format). It should include the following areas:
  - (a) key problem(s) to be solved;

- (b) innovation and technology to be developed/deployed in the Project, how it works and why it works;
- (c) scope of R&D work with a brief description of the major tasks;
- (d) technical challenges and how they will be addressed;
- (e) target market and business model; and
- (f) competitive analysis with similar offers in the market.

## I. Innovation and Technology Component (25%)

1. The ESS is a funding programme under the ITF which is set up to finance primarily applied R&D projects that contribute to innovation and technology upgrading in industry. Hence it is crucial to provide sufficient information regarding the Project's contents in the following areas. You are also required to provide information to substantiate any claims being made with respect to the Project's feasibility under items (a)(iii) and (b) below –

(a) Objectives	<p>(i) The Applicant should provide a problem statement explaining the key issue(s) or problem(s) existing in the concerned area(s) selected for the R&amp;D work.</p> <p>(ii) A brief description of the product(s)/service(s)/process(es)/system(s) to be released to the market for solving the problem(s) should be provided. Please suitably quote some use cases to illustrate the application of the proposed item(s).</p> <p>(iii) The Applicant should also explain what is new/novel in the innovation and technology to be developed or to be deployed in the Project, in terms of ideas, concepts, knowledge, technologies methods and/or applications. Details of the new/novel elements should be provided.</p> <p>Explanation of the underlying scientific/engineering principle(s) of how does the innovation and technology work should be provided.</p> <p>The Applicant should provide information on the arrangement of Intellectual Property Rights in Part F of the Application Form.</p>
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<p>(b) Scope of R&amp;D Work</p>	<p>The Applicant should articulate the research areas to be investigated systematically for generating new knowledge to develop the innovation and technology.</p> <p>The Applicant should describe the specific core R&amp;D activities, technology development processes and/or methods that will convert the above research results into innovative and marketable solutions. Explanations on how they work and why they work should also be provided.</p> <p>If the R&amp;D activities involve data collection from other parties, the Applicant should provide more information on (i) principal approaches/methodologies in collecting the data; (ii) types of data to be collected; (iii) how will the data be used; (iv) any restrictions in collecting data; and (v) how data privacy and integrity will be addressed.</p> <p>The Applicant should clarify if there is any regulatory requirement for conducting a user/clinical trial if it is proposed as part of the R&amp;D plan. If there is, please provide details on (i) whether it has been addressed and the documentary proofs or (ii) how will it be addressed and the related plans in terms of the expected activities and schedule.</p> <p>Core R&amp;D activities refer to (i) investigation work undertaken to acquire new knowledge directed towards specific and practical aims/objectives(s); and (ii) systematic work, drawing on knowledge gained from research and practical experience and producing additional knowledge which is directed to producing new product(s)/service(s)/process(es)/system(s) or to improving product(s)/service(s)/process(es)/system(s).</p>
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(c) Project Deliverables	<p>The Applicant should describe the project outputs and how the progress towards achieving the outputs will be tracked and evaluated in concrete and measurable terms. The expected quantitative and qualitative outcomes of the Project, including measurable parameters indicative of the functions, purposes and performance of the expected project deliverables must be specified.</p> <p>Information provided should be consistent with ‘Project Milestones’ in Part D.</p>
(d) Technical Challenges/Risks	<p>The Applicant should articulate the risks and challenges in accomplishing the project objectives and milestones. Proposed measures on how they can be tackled should be included.</p>
(e) Technology Roadmap	<p>The Applicant may be required to provide the plan for technological advancement of the project deliverables for further development.</p>

2. While the assessment panel will assess the innovativeness of the proposed idea(s) and the amount of technology that would be researched on and developed in the Project, the assessment panel will also consider –
- (a) whether the Project will enhance the quality and performance of existing products/system (e.g. capacity, reliability, speed, etc.). Hence, the Applicant should set out the type and extent of such improvements; and
  - (b) whether the Project will render production/service delivery/application cost more competitive. Hence, the Applicant should explain the basis of such improvements and provide an estimate in terms of unit cost savings.

## II. Commercial Viability of Project Deliverables (30%)

1. The assessment panel would assess whether the project deliverables are commercially viable based on the following aspects –

(a) Target Customers/Market /Geographical Regions	The Applicant should provide details on the targeted customers/market/geographical regions that the proposed project deliverables aim to reach out to.
(b) Commercial/Market Risks	<p>The Applicant should identify the commercial/market risks that will be encountered in launching the proposed product(s)/service(s)/ process(es)/system(s). A description of how these risks will affect successful commercialisation and what measures will be put in place to manage the risks should be included.</p> <p>The Applicant should specify if there are any regulation(s)/potential liability/risk(s) over the use of the proposed product(s)/service(s)/process(es)/ system(s) and how will they be addressed.</p>
(c) Competitive Analysis	<p>The Applicant should provide an analysis of the project deliverables against similar products/ services already available in the market, e.g. locations, competitive edges in terms of performance and price over the competition, and estimated market share (%), etc.</p> <p>If the project deliverables are enhanced versions of the Applicant’s own existing products/services, the Applicant should provide details of comparison in terms of pricing, quality, functions, features and performance specifications.</p>

(d) Business Model	<p>The Applicant should describe how the target customers/markets could be reached and details on how the project deliverables could help generate income (e.g. pricing mechanisms, licensing, subscription, etc.) from each customer segment.</p> <p>The Applicant may be required to complete the application with the following components –</p> <ol style="list-style-type: none"> <li>1. Value Propositions Provide a concise statement explaining how the proposed project deliverables will add more value or better solve a problem than other similar offerings in the market.</li> <li>2. Customer Relationships Give details on what kind of relationship that the Applicant has established or would like to establish with the target customers. In addition, the Applicant should also explain how such relationships could integrate with its business model.</li> <li>3. Key Resources Provide details on the most important resources required to make the proposed business model successful.</li> <li>4. Key Activities Provide details on the major activities (e.g. problem solving, platform, etc.) required to make the proposed business model successful.</li> <li>5. Key Partnerships Describe the alliances, network of suppliers and partners, etc. that help optimise the proposed business model.</li> <li>6. Cost Structure Describe the costs needed to operate the proposed business model.</li> </ol>
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(e) Commercialisation Plan	<p>The Applicant should include details on the following areas concerning the commercialisation of the project deliverables –</p> <ol style="list-style-type: none"><li>1. What is the revenue stream (e.g. licensing, subscription, direct sales, commission, etc.)?</li><li>2. How to reach out to target customers (e.g. direct marketing, distribution channels, partnerships, loyalty programmes, etc.).</li><li>3. How to manage and engage the supply chain (e.g. raw material suppliers, manufacturing, testing, payment, shipping and delivery, etc.).</li><li>4. What is the cost structure of product/service/process/system and the pricing strategy?</li></ol>
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### III. Technical and Management Capability (20%)

1. This refers to 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).
2. The Applicant must provide the credentials of each project team member in a curriculum vita (“CV”) prepared in ITC’s prescribed template and saved in PDF format. The credentials stated in the CV must be substantiated with the following documents –
  - (a) proof of academic and professional qualifications, e.g. certificate(s), testimonial(s) or academic transcript(s);
  - (b) proof of relevant business/work experience, e.g. reference letter(s) issued by relevant authorities (such as employers, universities, government departments, business partners), employment letter(s) or contract(s) issued by employer(s), commercial contracts;
  - (c) latest employment contracts issued by the Applicant; and
  - (d) others: patents, publications, industry and academic awards won in the past, endorsement of outstanding experts in the field, etc.

Documents submitted for (a) to (d) must be combined and saved in one single file in PDF, JPG or JPEG format for each individual project team member.

3. In assessing the research team, apart from the credentials of individual members, the assessment panel will consider whether the overall size of the team, the composition of the team at various levels, role of key project members/involving parties in implementing the Project, etc. are appropriate. Proven track records in applied R&D work and technology commercialisation will also be favourably considered.
4. The project coordinator and deputy project coordinator of the Project should be employed by the Applicant or are key members of the Applicant (e.g. shareholder/Director) at the time of application and throughout the project period.
5. For the Project’s collaborating party, the Applicant must provide information and supporting documents on its credentials (e.g. partnership agreements, letters of intent, memoranda of understanding, contracts, reference letters, publications etc.) and specify the division of work.

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

1. This mainly refers to 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. In assessing the Project's benefit to Hong Kong in the area of innovation and technology development, the assessment panel will consider factors such as –
  - (a) whether the Project would create long term and high value-added technology employments in Hong Kong, particularly for our local graduates in the relevant fields; and
  - (b) whether the Project can provide training opportunities to our local graduates in the fields of science, technology, engineering and mathematics.
2. Apart from the need for the Applicant to demonstrate that a Project will serve the relevant industrial sector, the assessment panel is also interested in technologies that dovetail Government policies and bring benefit to the community at large.
3. It is not mandatory for the Applicant to offer benefit-sharing. If an Applicant is confident with its commercial prospects of the proposed Project and offers benefit-sharing on the deliverables of the Project, this would be taken into account in assessing the application, among other factors mentioned in paragraphs (1) and (2) above.

## V. Financial Considerations (15%)

The Applicant shall ensure that all necessary financial information has been provided in this section and the basis of calculation is reasonable.

### **Project Expenditure**

1. The Applicant shall provide sufficient justification and a breakdown of the estimated project expenditure to be incurred during the project period. For any individual project cost item under equipment and other direct costs exceeding \$500,000, the Applicant must provide one written price quotation.
2. It should be noted that any expenditure or part thereof which is already funded by the Government, a Government subvented body/institution, a university or another concurrent ITF-funded project will not be supported under ESS, i.e. no double payment is allowed for the same part of an expenditure item. Successful Applicant is required to sign a declaration before the signing of the fund agreement confirming that the Application has not received and shall not receive any direct Hong Kong public funding (whether or not provided by the Government direct) for any expenditure item(s) for the same activity of the same costs in the Project. The ITC reserves the absolute right to determine whether the Application is in conflict with the condition of the ESS.
3. Project Funds may be used for covering –
  - (a) the costs of manpower employed by the Applicant specifically for carrying out the Project's technology R&D activities in Hong Kong (documentary proof of the manpower concerned who is lawfully employable in Hong Kong has to be provided upon request by the ESS Secretariat);

The successful Applicant is required to observe the principles of openness and competitiveness in hiring staff for the Project. Where the Applicant intends to employ or engage a person as project staff who is:

- (i) any Associate, Associate Person or close friend of any shareholder, Director or current employee of the Applicant; or
- (ii) any shareholder, Director or current employee of any supplier or service provider of the Applicant;

unless such appointment has been disclosed to CIT prior to entering the fund agreement, the successful Applicant should, prior to offering the appointment, make full and proper disclosure of the proposed appointment to CIT and seek his approval.

- (b) new equipment procured specifically for carrying out the Project; and
  - (c) other direct costs which are specifically incurred for carrying out the Project.
4. The successful Applicant is required to adhere to the principles of openness, fairness and value for money in the procurements of all equipment, other goods and services of any value in relation to or for the purposes of the Project. All successful Applicants should ensure that such procurements are made on an open, arm's length and competitive basis, in accordance with prudent commercial principles and only from suppliers or service providers who are not Restricted Persons, unless prior approval in writing has been granted by CIT.
5. A list of allowable and disallowed expenditure items is set out as follows:

(A) Manpower

- i. Project Funds can generally be used to cover the salary of project staff who engage in technology R&D activities, including employer's mandatory contribution to the Mandatory Provident Fund (minimum mandatory contribution in force from time to time).
- ii. Specifically, Project Funds cannot be used to cover sales commissions, bonuses, contract gratuities, annual salary adjustment (including increments and promotions), general fringe benefits and allowances such as expenses on housing (including nominal rental for quarters), education, training, passage and travelling, food, medical, dental, insurance, severance pay, overtime and untaken leave, etc.
- iii. Project Funds will not cover any emolument to a person who is already on the payroll of the Government, a Government subvented body/institution, a university or another concurrent ITF-funded project. This principle should apply irrespective of whether the relevant service/work is carried out within or outside normal working hours of the person concerned.
- iv. Subject to the above, project coordinators, deputy project coordinators and project team members may charge their efforts to the Project. If only part of their working time is deployed for the Project, they should charge their time spent on a pro-rata basis.

In general, company shareholders/Directors shall **NOT** take salary from the Project Funds. If any shareholders/Directors of the Applicant or its Company Group/related companies are appointed as the project coordinator, the deputy project coordinator or a project team member, they should provide declarations on all their remunerated positions to CIT for approval before taking salary from

the Project Funds. CIT shall have the absolute discretion to determine whether such approval shall be given.

- v. The deployment of each post-holder with salary charged to the Project must be justified by providing details with respect to the following –
  - (a) required qualifications and years of relevant business/work experience;
  - (b) roles and responsibilities;
  - (c) core R&D activities to be conducted in this Project and the percentage of time allocated to each activity; and
  - (d) ways in which these R&D activities contribute to the achievement of results detailed in ‘Project Deliverables’ in Part C and ‘Project Milestones’ in Part D.
- vi. Successful Applicants are required to inform the ITC in advance whenever they hire a project team member after the Project commences.

#### (B) Equipment

- i. The title to equipment for a Project, including those procured with the Project Funds, will be held and maintained in Hong Kong by the successful Applicant.
- ii. Project Funds may be used in accordance with the fund agreement for renting, procuring or repairing equipment specifically for carrying out the Project.
- iii. Specifically, Project Funds cannot be used to cover –
  - charges/time cost for use or purchase of equipment owned by the Applicant or a company within the same group of companies as the Applicant;
  - depreciation/amortisation or provisions not representing actual expenses incurred; and
  - general office and information technology equipment.
- iv. Cost of new equipment for implementing the Project can be charged to the Project Accounts. If the new equipment is to be shared among different projects with its cost charged on a pro-rata basis under each project, the successful Applicant is required to maintain a record on the usage of the equipment by the concerned projects for cost allocation purpose. Successful Applicants are encouraged to share the use of existing equipment within their organisations or with other organisations to increase their utilisation.

- v. The deployment of each equipment item in the Project must be justified by providing details of the following –
- (a) its principal function(s);
  - (b) ways in which it will be utilised for the achievement of results detailed in ‘Project Deliverables’ in Part C and ‘Project Milestones’ in Part D; and
  - (c) division of work if purchasing more than one unit.

(C) Other Direct Costs

- i. Project Funds can be used to cover the following expenses for the Project –
- outsourcing to third party technology vendor;
  - consumables (an itemised breakdown of the cost and quantity should be provided);
  - production of samples/prototypes (e.g. IC tape-out, PCB fabrication, MPW (Multiple Project Wafer), IC packaging) required for functional verification and not for commercial production purposes;
  - industrial standards (e.g. product safety) and compliance test (e.g. UL, CE, FCC) conducted by certified laboratories;
  - the necessary testing and certification to certify the functionality as described in the application (e.g. functional test, reliability test, failure analysis);
  - industrial design;
  - pre-clinical study and clinical trial;
  - patent registration fee for functional inventions directly relating to the Project may also be included in the budget. The above notwithstanding, the patent registration fee charged to the Project Accounts should not exceed \$250,000;
  - the funding support allowed for an interim/final audited account of a project costing less than \$1 million, between \$1 million and \$5 million and more than \$5 million should **NOT** exceed \$8,000, \$14,000 and \$20,000 respectively; and
  - subject to the absolute discretion of CIT, Project Funds may be used to cover expenses for market research.

ii. Disallowed Cost Item

Project Funds cannot be used to cover the following expenses for the Project –

- building facilities (including office, laboratory, accommodation): rates, rental, renovation, and operation, repair and maintenance expenses;
- repair and maintenance expenses of equipment;

- costs of setting up office or forming association/consortium;
- utilities: charges for electricity, gas, water, telephone and fax;
- transport: shuttle bus services and home to workplace travelling expenses;
- costs arising from conference calls/video conferencing/exchange of documents/overseas visit by project team members or consultant(s) or advisor(s) residing outside Hong Kong;
- general administration and office expenses;
- staff-related costs: provident fund handling charges, staff training and development costs and staff facilities;
- entertainment expenses, and any prizes, either in the form of cash or other types of souvenirs;
- advertisement;
- organisation of trade missions and participation fees at study/trade missions for individuals/companies;
- charges for non-R&D services (e.g. accounting, personnel, procurement, library, security, cleansing, legal, bank, and central and departmental administrative support, etc.) provided by the successful applicant or its contractors/agents;
- costs related to prior/subsequent year(s)/period(s) adjustment(s); and
- capital financing expenses, e.g. mortgage and interest on loans/overdrafts.

iii. Justifications for each project cost item should be provided by specifying the following details –

- (a) its main purpose(s)/scope of service;
- (b) ways in which it contributes to the achievement of results detailed in ‘Project Deliverables’ in Part C and ‘Project Milestones’ in Part D;
- (c) reason(s) for the quantity requested; and
- (d) location of service and duration if it is a service item.

6. The list of disallowed cost items for manpower, equipment and other direct costs set out above is **NOT** exhaustive. The Applicant should consult the ESS Secretariat if it has any doubts about whether an item could be charged to the Project Accounts.
7. The Applicant is required to submit one written price quotation for each individual project cost item exceeding \$500,000 under equipment and other direct costs to justify for the requested amount.
8. The successful Applicant shall ensure that all procurement for goods and services is carried out in an unbiased and fair manner and must comply with the following procedures –

<i>Aggregate value of each procurement</i>	<i>Requirement</i>
Above \$5,000 to \$50,000	Written price quotations from at least two suppliers
Above \$50,000 to \$1,400,000	Written price quotations from at least five suppliers
Above \$1,400,000	Open tender

9. In case the successful Applicant intends to procure goods or services from one company/organisation/individual, it has to provide details, sufficient justifications and its relationship with the successful Applicant/organisation/individual for not following the open procurement process set out above. Prior approval from CIT is required.

## ***Part D Implementation Plan***

### **Project Milestones**

1. The Project will be monitored half-yearly in accordance with the agreed project milestones through examination of the progress/final reports submitted and/or inspection of any part of the Project being carried out. To facilitate the ESS Secretariat to check the successful completion of each technical milestone, all information provided in this section should be quantifiable and supported by demonstrable reasoning as far as possible.
2. The following information should be provided for each project milestone:
  - (a) Core R&D activities –
    - investigation work undertaken to acquire new knowledge directed towards specific and practical aims/objectives(s); and
    - systematic work, drawing on knowledge gained from research and practical experience and producing additional knowledge which is directed to producing new products/services/processes/system or to improving products/services/processes/system.
  - (b) Key accomplishments –
    - notable results achieved upon the completion of the R&D activities stated in (a) above; and
    - measurable parameters to indicate the functions/purposes/performance of the R&D results.
  - (c) Project team member(s) to be deployed –
    - team deployment for each core R&D activity.

## *Part E Benefit-Sharing*

1. Benefit-sharing with the Government shall be made in cash only.
2. Benefit-sharing shall commence from the next financial year of the Applicant after 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.
3. 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.
4. 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).
5. The assessment panel will consider each benefit-sharing proposal on a case by case basis.

ESS Secretariat  
Innovation and Technology Commission  
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