



# Enterprise Support Scheme (ESS)

## Guide to Filling in the Application Form (ITF Form 7.0 / 7.1)

**Note:** With effect from 29 January 2018, the upper quotation limit of procurement for goods and services stipulated in this guide has been revised from \$1,430,000 to \$1,400,000. It applies to ESS applications submitted to the ITC on or after this date. For applications submitted before 29 January 2018, the upper quotation limit of \$1,430,000 prevails. For details, please refer to page 22.

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  
21/F, West Wing, Central Government Offices  
2 Tim Mei Avenue  
Tamar, Hong Kong  
Tel : (852) 3655 5847  
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 to 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 will not support general business operations such as improvement of production/operational process (e.g. investment on equipment, automation facilities or IT facilities), general business financing or staff training. Rather, it provides funding to companies with an aim to encourage private sector investment in R&D in Hong Kong. Funding support of up to HK\$10 million will be provided on a dollar-for-dollar matching basis to successful Applicants to undertake an up to two-year R&D project.
  - (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://www3.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. 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.

5. An Applicant may write to the ESS Secretariat to defer an application at any time before the application has been considered by the assessment panel.
6. Application deferred for more than six months 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.
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.

## **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 –

- “Applicant”** means an Applicant who has submitted an application for funding under ESS;
- “Application”** means “Enterprise Support Scheme (“ESS”) – Application Form”

<b>Form”</b>	together with all the schedules, appendices, annexes and other supporting documents attached thereto;
<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>“CIT”</b>	means Commissioner for Innovation and Technology;
<b>“Companies Ordinance”</b>	means Cap. 622 of the Laws of Hong Kong and includes the Companies Ordinance (Cap. 32) as in force from time to time before the commencement date of the Companies Ordinance (Cap. 622);
<b>“ESS”</b>	means Enterprise Support Scheme;
<b>“Government”</b>	means the Government of Hong Kong;
<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, trade marks, 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;
<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>“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 Funds”</b>	means the company matching fund and the government contribution made to the Project;
<b>“R&amp;D”</b>	means research and development.

## **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 -
  - (a) it is incorporated or registered in Hong Kong under the Companies Ordinance;
  - (b) it is not a government subvented organisation\*; and
  - (c) it is not a subsidiary 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.

*\* 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.*

## ***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 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.



(D) **Benefit-Sharing**

- (i) Benefit-sharing is not a mandatory requirement. However, 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.
- (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.

## **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 should articulate on the following topics –

- (a) Driver(s) behind the proposed R&D;
- (b) Objectives;
- (c) Scope/extent of the technical works; and
- (d) Project deliverables.

## *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) provide sufficient information on the research topic (R), development activities (D), and project deliverables;
  - (b) articulate the technical challenges or the innovation involved in undertaking the R&D on the proposed technology;
  - (c) demonstrate the team's capability in carrying out the Project to its completion;
  - (d) provide a reasonable budget and include reasonable project expenditure items;
  - (e) provide sufficient information on the planned commercialisation of the project deliverables and their market potential; and
  - (f) 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.

## 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 R&D contents in the following areas –

Research Topic (R)	The Applicant should articulate the <u>scientific/ engineering phenomena</u> of which the Project is to study and investigate. Given that ESS focuses on commercial application and viability of the project deliverables, upstream or theoretical research will not be accorded priority.
Development Activities (D)	The Applicant should describe the <u>technology</u> development processes and activities that will convert the above research results into innovative, marketable solutions. Proposals on mass production activities would generally not be supported.
Project Deliverables	The Applicant should describe the R&D results in concrete and measurable terms.  Please also include details on the deliverables (e.g. technical specifications of hardware or software platform to be developed, etc.).
Technical Challenges/ Innovation Involved	The Applicant should articulate the risks and challenges in accomplishing the R&D objectives and technical milestones.
Technology Roadmap	The Applicant may be required to provide the plan for technological advancement of the project deliverables for further development.

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 of existing products (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 or 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. Given that ESS is a funding programme under the ITF which is set up for the financing of applied R&D projects as well as for the support of technopreneurial pursuit, the assessment panel would assess whether the project deliverables are commercially viable based on the following aspects –

Commercial Value	The Applicant should describe how the project deliverables could bring benefit to, for example, the Applicant company's overall profitability, productivity or operation efficiency, etc.
Customer Segments	The Applicant should provide details on the groups of people or organisations that the proposed project deliverables aim to reach.
Target Market	The Applicant should identify the target market, specific industries or geographical regions that the deliverables are intended.
Business Model	<p>The Applicant should describe how the target customers 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 Company 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> </ol>

	<p>3. Key Resources Provide details on the most important resources required to make the proposed business model successful.</p> <p>4. Key Activities Provide details on the major activities (e.g. problem solving, platform, etc.) required to make the proposed business model successful.</p> <p>5. Key Partnerships Describe the alliances, network of suppliers and partners, etc. that help optimise the proposed business model.</p> <p>6. Cost Structure Describe the costs needed to operate the proposed business model.</p>
Competitive Analysis	The Applicant should provide an analysis of the project deliverables against similar products/services already available in the market and its competitive edges like functionalities, price, etc. over the competition.

### **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 is welcome to provide all relevant information to demonstrate the qualification/experience/technical ability of the team e.g. industry and academic awards won in the past, endorsement of outstanding experts in the field, etc.
3. In assessing the research team, apart from the qualifications and experience 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 commercialisation will also be favourably considered.



#### **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 and engineering.
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. 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.

## 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. 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.
2. 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);
  - (b) new equipment procured specifically for carrying out the project; and
  - (c) other direct costs which are specifically incurred for carrying out the project.
3. A list of allowable and disallowed expenditure items are set out as follows:
  - (A) Manpower
    - i. Project Funds can generally be used to cover the salary of project staff, 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 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 on a full-time basis. If only part of their working time is deployed for the Project, they should charge their time spent on a pro-rata basis.
- v. Please indicate which of the project team member(s) is/are company shareholders/directors. 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 CIT.

#### (B) Equipment

- i. The title to equipment for a Project, including those procured with the Project Funds, will be held by the recipient company.
- 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 of existing equipment owned by the recipient company;
  - depreciation/amortisation or provisions not representing actual expenses incurred and
  - general office equipment.
- iv. For IT equipment specifically required for the Project, they have to be either included in the approved budget or the funding of which has been specifically approved by CIT, otherwise the costs of such items cannot be charged to the project bank account.
- v. Cost of new equipment for implementing the Project can be charged to the project account. If the new equipment is to be shared among different projects with its cost charged on a pro-rata basis under each project, the Applicant is required to maintain a

record on the usage of the equipment by the concerned projects for cost allocation purpose. Applicants are encouraged to share the use of existing equipment within their organisations or with other organisations to increase their utilisation.

(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;
- 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 HK\$250,000;
- the maximum funding support allowed for an interim/final audited Project Accounts of a project costing less than HK\$1 million, between HK\$1 million and HK\$5 million and more than HK\$5 million should not be more than HK\$8,000, HK\$14,000 and HK\$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 Items –

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

- 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;
- 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 recipient company 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.

4. 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 a project account.

5. The recipient company 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>
\$50,000 and below	Written quotations from at least two suppliers
Above \$50,000 to \$1,430,000 <b>(note)</b>	Written quotations from at least five suppliers
Above \$1,430,000 <b>(note)</b>	Open tender

**Note**

With effect from 29 January 2018, the upper quotation limit of \$1,430,000 will be adjusted to \$1,400,000. This new arrangement applies to applications submitted to the ITC on or after this date. For applications submitted before 29 January 2018, the upper quotation limit of \$1,430,000 prevails.

6. In case the Applicant intends to procure goods or services from one company/organisation/individual, it has to provide details, sufficient justifications and its relationship with the recipient company/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. 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 recipient company shall submit half-yearly progress reports/final report until project completion.

## *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  
June 2016\*

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\* Paragraph 5 in Part C - Section V was updated in January 2018.