

Guide to the Small Entrepreneur Research Assistance Programme

Chapter I

INTRODUCTION

- 1.1 This Guide gives you the details of the funding support available under the **Small Entrepreneur Research Assistance Programme (SERAP)**, one of the four programmes under the Innovation and Technology Fund (ITF). Please read this Guide carefully before you apply for funding support under SERAP.
- 1.2 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.
- 1.3 SERAP is a technology entrepreneur fund with an aim to provide funding on a dollar-for-dollar matching basis to small, technology based and entrepreneur driven companies to undertake projects with –
 - (a) innovative and technology component; and
 - (b) a reasonable chance of successful development of a new product, process or service that can be brought to the market.

SERAP is not for 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.
- 1.4 SERAP will not take equity in recipient companies or claim intellectual property rights that arise from the approved projects.
- 1.5 SERAP is administered by the SERAP Secretariat under the Innovation and Technology Commission (ITC), the Government of the Hong Kong Special Administrative Region located at 21/F, West Wing, Central Government Offices, 2 Tim Mei Avenue, Tamar, Hong Kong (Tel: (852) 3655 5847; Fax: (852) 2199 7004; E-mail: serap@itc.gov.hk).
- 1.6 Applications for SERAP are open all year round.
- 1.7 No application fee will be charged.

Chapter II

ELIGIBILITY AND FEATURES OF SERAP

2.1 Eligibility

2.1.1 A company will be eligible to apply if:

- (a) it is incorporated in Hong Kong under the Companies Ordinance (Cap. 32);
- (b) it has less than 100 employees in Hong Kong;
- (c) it is not a large company¹; and
- (d) it is not a subsidiary of or significantly owned/controlled by a large company¹.

2.2 Provision of Fund

2.2.1 Funding support of up to HK\$6 million will be provided on a dollar-for-dollar matching basis to successful applicants to undertake an up to two-year research and development (R&D) project (the project) for bringing innovation and technology to pre-market launch stage.

2.3 Disbursement of Fund

2.3.1 SERAP Fund will normally be made available to the recipient company by quarterly instalments based on an estimated cashflow of the project.

2.3.2 Quarterly instalments will be made available upon confirmation of the availability of the matching fund. The first instalment will only be effected upon receipt of the necessary proof of project expenditure using the matching fund.

2.3.3 Unless circumstances justify the otherwise, subsequent instalments (except the last instalment) of SERAP Fund will be disbursed quarterly only if the project is able to meet the prescribed milestones and CIT is satisfied with its progress, and that there is evidence showing due contribution of the matching fund by the recipient company to the project.

2.3.4 The last instalment of SERAP Fund will be disbursed to settle any outstanding Government's contribution after CIT has accepted the audited accounts (please refer to paragraph 5.4 of Chapter V) and final report (please refer to paragraph 5.6 of Chapter V) of the project.

¹ A "large company" generally means a company that meets one of the following criteria –

- (i) a publicly listed company;
- (ii) a positive cashflow generated from operating activities in the ordinary and usual course of business of at least HK\$20 million in aggregate for the two most recent financial years; or
- (iii) market capitalisation (or company asset) of at least HK\$100 million.

2.3.5 CIT reserves the right to withhold any further payment to the project if:

- (a) a large amount of the fund remains unspent in the project bank account (as mentioned in paragraph 5.1.1);
- (b) the project progress is not up to CIT's satisfaction;
- (c) there is any delay in the submission of the progress reports or audited accounts; or
- (d) there is any record of mishandling of public funds, lack of discipline in financial management or non-compliance with the terms and conditions of the Fund Agreement (Agreement).

2.4 Recoupment of Fund

2.4.1 SERAP Fund is to be recouped from gross revenue generated from the project and/or investment² made to the recipient company by a third party³, recoupment from the former should begin after completion of the project whereas that from the latter should begin after commencement of the project. In general, 5% of the gross revenue and 10% of investment is to be recouped until the Government contribution is repaid in full.

2.4.2 The recipient company is required to submit a "Report on Revenue" to the SERAP Secretariat annually. The first report should be submitted on the date one year after project completion and subsequent reports should be submitted on each anniversary of the project completion.

2.4.3 The recipient company is required to report to the SERAP Secretariat in writing within one month upon receipt of any third parties' investments after project commencement.

2.4.4 To facilitate the SERAP Secretariat in ascertaining the recoupment amounts, a recipient company upon request by the Secretariat has to submit, together with the reports mentioned in paragraphs 2.4.2 and 2.4.3 above, relevant documents as considered necessary by the SERAP Secretariat, which include, among other things, revenue statements, audited accounts, capital and shareholding information.

2.4.5 There will be a late payment penalty of 5% on all sums due and unpaid. If the monies owed to the Government remain outstanding for more than six months, a further penalty of 10% shall be imposed on all sums due and unpaid. If the monies owed to the Government remain outstanding for more than 12 months, a further penalty of 15% shall be imposed on all sums due and unpaid. For clarity, penalty shall not be counted as funds recouped. CIT may take such action as deemed necessary in case of unreasonable delay in recoupment to the Government. Any variation to the recoupment requirement is subject to negotiation and the agreement of CIT.

² "Investment" means any monetary value injected into the recipient company in exchange for shares of the recipient company. Prior approval from CIT is required for any change in shareholders structure of the company during the project period.

³ "Third party" means any individuals, corporations and unincorporated bodies other than the shareholders of the recipient company as set out in the Project Proposal.

Chapter III

APPLICATION AND VETTING

3.1 Application Procedures

- 3.1.1 Applications should be submitted electronically through the Innovation and Technology Commission Funding Administrative System (ITCFAS) at the ITF website <http://www.itf.gov.hk>.
- 3.1.2 An applicant is required to register its organisation and the relevant personnel with the ITCFAS prior to submitting the application proposal through the ITCFAS.
- 3.1.3 The project coordinator and deputy project coordinator of the project should be employed by the applicant company at the time of application and throughout the project period.
- 3.1.4 The ideas of the proposed project should be original without any constituted or potential act of infringement of the intellectual property rights of other individuals and/or organisations.
- 3.1.5 All sections of the application form have to be completed with supporting documents as required by the SERAP Secretariat.
- 3.1.6 Acknowledgment will be sent to the applicant upon receipt of the application by the SERAP Secretariat.
- 3.1.7 Unless upon the request of the SERAP Secretariat, supplementary information provided after submission of an application will not be accepted and will not form part of the application.
- 3.1.8 By submission of the project proposals to ITC, applicants are deemed to have given the requisite consent and authorisation to ITC for disclosing the project proposals to third parties for assessment for applying for public funds. However, personal data included in the application form will not be disclosed for purposes other than the abovementioned.

3.2 Processing of Application

- 3.2.1 Upon receipt of an application, the SERAP Secretariat will arrange a meeting with the applicant and/or conduct visit(s) to the applicant's company to seek clarification or supplementary information from the applicant regarding the application. Discussion and opinion/comments made by the Secretariat during the meeting and/or visit(s) do not constitute any commitment, promise and agreement on the part of the Government and the Assessment Panel (the Panel) described in paragraph 3.3 below concerning the application.

3.3 Vetting of Application

- 3.3.1 Where necessary, ITC may seek comments and advice from outside experts on individual application.
- 3.3.2 The applications and other supporting documents will be submitted to the Panel for assessment and recommendations to ITC whether funding should be granted.
- 3.3.3 Generally speaking, Panel meetings are held every month to consider applications.
- 3.3.4 The Panel, chaired by CIT or his/her representative, comprises independent assessors drawn from a pool of technologists, professionals, academics and venture capitalists. The membership of the Panel is available at the website <http://www.itf.gov.hk>.
- 3.3.5 Project team members may or may not be required to attend the Panel meeting to present their project to and answer questions from Panel Members.

3.4 Justifications for Funding

- 3.4.1 Assessments by the Panel are based on the following framework –

- (a) Innovation and technology component (30%)

- (i) The applicant should provide sufficient information on the R&D content, methodology and deliverables of the project.
- (ii) The applicant should articulate the technical challenges or the innovation involved in undertaking the R&D on the proposed technology.
- (iii) In assessing the quality of the technical submission, the Panel will consider factors such as the technical approach to the problem, accuracy of technical data, reasonableness of the assumptions made, etc.

- (b) Commercial viability of the project (30%)

The applicant should provide sufficient information on commercialisation of the R&D deliverables including information on target customers, market niche of the product/service, competitors' analysis, pricing, track record of commercialising product/service and promotion of the proposed product/service/process.

- (c) Team capability and commitment (30%)

- (i) In assessing the competence of the technical team, the Panel will consider whether the project coordinator and his team will be able to deliver the proposed project fully on the technical side (e.g. background and experience of the research team and feasibility of the R&D work plan).
- (ii) In assessing the research team, apart from studying the CVs of individual members, the Panel will consider whether the overall size of the team, the mix of staff at various levels, etc. are appropriate.
- (iii) The Panel will also, where appropriate, review the track records to see if the

applicant has delivered his commitment for other Government funded projects.

- (iv) The applicant is welcome to provide all relevant information to support the application e.g. industry and academic awards won in the past, endorsement of outstanding experts in the field, etc.

- (d) Relevance with Government policies or in overall interest of the community (10%)

Apart from serving the industry, we will be interested in technologies that dovetail Government policies and bring benefit to the community at large, e.g. –

- (i) R&D that can support important Government initiatives e.g. environmental protection and healthcare;
- (ii) R&D that can bring great social benefit e.g. creating devices to help track Alzheimer patients to relieve stress of their family members;
- (iii) R&D that can contribute to upgrading of industries e.g. cleaner method of production;
- (iv) R&D that can provide opportunities for training of local science personnel; and
- (v) R&D that can foster close collaboration among key stakeholders (government departments, industry, academics and R&D institutes).

3.5 Avoidance of Conflict of Interest

- 3.5.1 To avoid conflict of interests, members of the Panel who are directly or indirectly related to an application would not participate in assessing the application. This will apply to members who are part of the project team, chairman/president, vice-chairman/vice-president, director, advisor and secretary, whether paid or unpaid, or a paid staff of the applicant organisation and any organisation related to the project.

3.6 Notification of Results and Funding Approval

- 3.6.1 The SERAP Secretariat will, under normal circumstances, notify the applicant of the assessment result in writing within 50 clear working days from the receipt of full information related to an application.
- 3.6.2 In the event that projects are recommended for funding support, the applicant may be required to submit a revised application to take into account the Panel's comments on the scope, deliverables, budgets and duration of project within two months after the date of notification by the SERAP Secretariat. Failing to do so, ITC may consider the applicant withdrawing the application and cease processing the application further.
- 3.6.3 The revised application, together with other necessary documents as requested by the SERAP Secretariat such as the estimated cash flow for the project, will be submitted to CIT for approval of funding the project.

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

3.7 Withdrawals

3.7.1 The applicant can write to the SERAP Secretariat to withdraw an application at any time before the Agreement is signed between the Government and the applicant.

3.7.2 If the applicant wishes to abandon the project and/or terminate the Agreement after the Agreement has been signed, the applicant has to seek prior approval of CIT. CIT reserves the right to demand full repayment of Government contribution disbursed to the applicant.

3.8 Deferral

3.8.1 The applicant can write to the SERAP Secretariat to defer an application at any time before the application has been considered by the Panel.

3.8.2 Projects deferred for more than six months will be considered as being withdrawn and the SERAP Secretariat will cease processing the application further.

3.9 Resubmission

3.9.1 A declined application may be resubmitted only if it has been revised substantially to address the Panel's comments on the project or if it has been able to produce additional information to justify the resubmission. In completing the application form for a resubmitted application, the applicant should set out clearly the differences between the resubmitted application and the previous one. The resubmission will be assessed by the Panel following the same assessment procedures.

3.10 Returns

3.10.1 Applications will not be processed if –

- (a) they are not submitted via the ITCFAS;
- (b) they are submitted by ineligible organisations; or
- (c) they have been declined previously but have not been revised in accordance with paragraph 3.9.1 above.

Chapter IV

FUND AGREEMENT AND PROJECT EXPENDITURE

4.1 Contractual Requirement

- 4.1.1 For each project for which funding support has been approved, the recipient company has to sign an Agreement with the Government and comply with all the terms and conditions laid down in the Agreement, this Guide and all instructions and correspondences issued by CIT or his or her representative from time to time in respect of the project.
- 4.1.2 During the entire project period, the company should seek CIT's prior consent or approval on the occurrence of the following events, otherwise CIT may terminate the Agreement or withhold the payment of the SERAP Fund –
- (a) material change occurs in the management or control of the recipient company and in particular there is any change of directors, shareholders or other key personnel of the company;
 - (b) material change occurs in the composition of the project team referred to in the project proposal; or
 - (c) project extension or budget change.
- 4.1.3 After the completion of the project, the recipient company has the obligation to notify the SERAP Secretariat on the occurrence of any of the following events until the entire Government contribution is repaid in full –
- (a) change of contact information, including address, telephone number, fax and/or email;
 - (b) gross revenue generated from the project and/or third party investment to the recipient company as set out in paragraph 2.4; or
 - (c) liquidation of the recipient company.

4.2 Project Expenditure

- 4.2.1 All expenditure to be covered by the project funds (including the SERAP Fund and the recipient company's matching fund, but excluding interest income which should not be used) must be exclusively used for the project and incurred within the project period, except otherwise approved by CIT. Project funds may be used in accordance with the Agreement for covering –
- (a) manpower;
 - (b) equipment; and
 - (c) other direct costs.
- 4.2.2 When preparing the project budget included in the application, all expenditure items

have to be grouped under the categories of either manpower, equipment or other direct costs. Unspecified cost items such as miscellaneous, sundry and contingency, etc. should not be included in the budget and will not be funded.

4.3 Manpower

- 4.3.1 The recipient company is encouraged to abide by the principle of openness and competitiveness in hiring staff for the approved project.
- 4.3.2 Project funds may be used in accordance with the Agreement for covering the costs of manpower specifically deployed for carrying out the project.
- 4.3.3 Unless otherwise agreed by CIT, SERAP Fund will not cover any emolument to a person who is already on the payroll of the Government or a Government sub-vented body/institution or a university. This principle should apply irrespective of whether the relevant service/work is carried out within or outside normal working hours of the person concerned.
- 4.3.4 Subject to paragraph 4.3.3 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.
- 4.3.5 Subject to paragraph 4.3.3 above, company shareholders who possess the necessary skills, knowledge and experience and directly contribute to the R&D work of the project will be allowed to take nominal salary from the project funding. Whereas company shareholders who are only responsible for project management and overseeing the project will not be allowed to take salary from the project funding.
- 4.3.6 Other than employers' contribution to the Mandatory Provident Fund (minimum mandatory contribution in force from time to time), project funds cannot be used to cover gratuities, fringe benefits and allowances. Fringe benefits and allowances here refer to expenses on housing (include nominal rental for quarters), education, training, passage and travelling⁴, food, medical, dental, insurance, severance pay, overtime and untaken leave, etc.

4.4 Equipment

- 4.4.1 The title to equipment for a project, including those procured with SERAP Fund, will be held by the recipient company.

⁴ Local/overseas training, study/trade mission and field trip are normally not allowed unless otherwise fully justified and approved by CIT. These should be itemised and put under the category of "Other Direct Costs" in the budget of the application proposal. Any travelling expenses incurred for such purposes should cover the cost of economy class fares (if any) incurred by project team members.

- 4.4.2 Project funds may be used in accordance with the Agreement for renting, procuring or repairing equipment specifically for carrying out the project.
- 4.4.3 Specifically, project funds cannot be used to cover –
- (a) rental/time cost of existing equipment owned by the recipient company; or
 - (b) depreciation/amortisation or provisions not representing actual expenses incurred.
- 4.4.4 For general office and 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.
- 4.4.5 Cost of new equipment for implementing the project can be charged to the project bank 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 company 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.

4.5 Other Direct Costs

- 4.5.1 Project funds can be used to cover the following expenses for the project –
- (a) sub-contract work;
 - (b) consumables;
 - (c) 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;
 - (d) industrial standards (e.g. product safety) and compliance test (e.g. UL, CE, FCC) conducted by certified laboratories;
 - (e) the necessary testing and certification to certify the functionality as described in the application (e.g. functional test, reliability test, failure analysis);
 - (f) industrial design;
 - (g) pre-clinical and clinical trial;
 - (h) patent registration fee (up to HK\$150,000 per project); and
 - (i) external audit fees relating to the project and provisions in the Agreement.
- 4.5.2 Project funds cannot be used to cover –
- (a) building facilities (including office, laboratory and accommodation) – the related rates, rental, renovation, and operation, repair and maintenance expenses, etc.;
 - (b) costs of setting up offices or forming association;
 - (c) utilities – charges for electricity, gas, water, telephone, fax, etc.;
 - (d) transport – shuttle bus services, home to workplace travelling expenses, etc.;
 - (e) general administration and office expenses;
 - (f) staff-related costs (except for employers' contribution to the Mandatory Provident Fund) – provident fund handling charges, staff training and development costs,

- staff facilities, etc.;
- (g) entertainment expenses and any prizes, either in the form of cash or other types of souvenirs;
- (h) advertisement;
- (i) organisation of trade missions, fees for participation of individuals/ companies in study/trade missions;
- (j) charges for non-project related services provided by or to the recipient company or its contractors/agents – accounting services, personnel services, procurement services, library services, security services, cleansing services, legal services, bank services, central and departmental administrative services, etc.;
- (k) costs related to prior/subsequent year(s)/ period(s) adjustment(s); and
- (l) capital financing expenses, e.g. mortgage and interest on loans/ overdrafts.

4.5.3 The list of unallowable cost items for manpower, equipment and other direct costs set out above is not exhaustive. Recipient companies should consult the SERAP Secretariat if they have any doubts about whether an item could be charged to a project bank account for SERAP funding.

Chapter V

PROJECT ACCOUNT AND SUBMISSION OF REPORTS

5.1 Separate Account and Interest

- 5.1.1 For each project for which funding support has been approved, the recipient company is required to open a separate risk-free interest bearing bank account (project bank account) with a licensed bank registered under the Banking Ordinance (Cap.155) specifically for processing all receipts and payments of a project. All project funds (including the SERAP Fund, the recipient company's matching contribution and interest income) should be deposited into the project bank account and all payments exclusively applied to the project for which they were paid should be paid out from the project bank account. All project funds should be kept in the project bank account by the company which should, until such funds are spent (paid) in accordance with the compliance requirements as specified in paragraph 4.1.1 of Chapter IV or returned to the Government by the recipient company, hold the same as trustee for the Government.
- 5.1.2 All interest income generated from the project bank account for a project has to be credited back to the project bank account. No negative interest and bank charges should be charged to the Government. Interest income generated from the SERAP Fund should not be used and should be returned to the Government upon completion of the project or termination of the Agreement. For details on return of residual funds, please refer to paragraph 5.8 below. The recipient company is not entitled to charge to the project bank account any interest expenses or claim any compensation or relief of any nature against the Government in the event of any late or withholding of payment of the SERAP Fund for whatever reason.
- 5.1.3 The recipient company may be required to compensate the Government for loss of the interest income if the project fund is not properly handled in accordance with paragraphs 5.1.1 and 5.1.2 above. In this regard, the Government will take such actions as may be deemed necessary.

5.2 Book and Records

- 5.2.1 The recipient company is also required to keep a proper and separate set of books and records (project account) for each project. The project account should be maintained in such a manner as to enable the production of Statement of Income and Expenditure (in the same format as shown in the final report to be submitted through the ITCFAS) and Balance Sheet in respect of each project. All income and expenditure of a project should be properly and timely recorded in the books of accounts.
- 5.2.2 Accrual basis of accounting should be adopted for all projects. Expenditure could only be charged to the project account after the equipment and goods have been received and used, or services delivered. Moreover, the expenditure so charged should be incurred

between the project commencement date and completion date as specified in the Agreement. All interest and expenditure of a project must be received/accrued and expended (paid)/accrued respectively in accordance with the basis of each budget line item as set out in the Agreement.

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

5.3 Submission of Audited Accounts

- 5.3.1 Following completion of each project, the recipient company has to submit to the SERAP Secretariat audited accounts of all income and expenditure. The audited accounts should be prepared on accrual basis of accounting for each project. The audited accounts should comprise Statement of Income and Expenditure, Balance Sheet, Notes to the Accounts and Auditors' Report.
- 5.3.2 Final audited accounts according to paragraph 5.4 below covering the period from project commencement date to project completion date or termination date of the Agreement should be submitted within three months from the date of project completion or the date of the termination of the Agreement if the total project cost involved is HK\$1 million or more, and within one month if it is below HK\$1 million.
- 5.3.3 For projects that exceed 18 months, an interim audited account covering the first 12 months from the project commencement date has to be submitted within one month from the cut-off date of the interim audited account of the project.
- 5.3.4 All income received/receivable and expenditure incurred (paid or payable) for the project during the reporting period should be fully and properly accounted for in accordance with the Agreement, this Guide and all instructions and correspondences issued by CIT or his or her representative in respect of the project and should be the same as recorded in the books of accounts for that reporting period. The interim and final audited accounts of a project should be properly prepared from and in agreement with the books of accounts of the project.
- 5.3.5 Any record of mishandling of public funds or lack of discipline in financial management

or non-compliance with the terms and conditions of the Agreement, this Guide and all instructions and correspondences issued by CIT or his or her representative in respect of the project is a factor which the Panel will take into account in considering future applications from the same applicant.

5.4 Auditing Requirements

- 5.4.1 To ensure that the project funds have been fully and properly applied to the projects for which they were paid and expended (paid)/accrued and received/accrued in accordance with the approved project budget, this Guide, the terms and conditions of the Agreement and other instructions set for the projects, the interim and final audited accounts should be audited in accordance with the latest version of the Notes for Auditors of Recipient Organisations (the Notes) issued by the ITF Secretariat by independent auditor(s) who must be Certified Public Accountants/Public Accountants registered under the Professional Accountants Ordinance (Cap. 50) (the Auditors).
- 5.4.2 The recipient company should specify in the engagement letter for the employment of the Auditors that they should strictly follow the requirements stipulated in the latest version of the Notes in conducting a reasonable assurance engagement and preparing auditors' report for each interim/final audited accounts of each project. The engagement letter should also specify that CIT, the Director of Audit and their authorised representatives should have the right to communicate with the Auditors on matters concerning the interim/final audited accounts and the supporting statements.
- 5.4.3 In conducting the audits, the Auditors should comply with the relevant Standards and Code of Ethics issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants. The Auditors are required to express an audit opinion as to whether the company and the interim/final audited accounts of the project have complied, in all material respects, with all the requirements set out in the Notes and to make full disclosure of any material non-compliance in the auditors' report.
- 5.4.4 Recipient companies are required to make available to the Auditors all information, documents and explanations relating to the project being audited. The information and documents mainly comprise the Agreement, this Guide, any instructions and correspondences issued by CIT in respect of the project, progress report(s), final report and project accounts and records.
- 5.4.5 External audit fees relating to the project and arising from compliance with the provisions of the Agreement have to be included in the project budget. The maximum funding support allowed for an audited account of a project costing less than HK\$1 million, between HK\$1 million and HK\$5 million and more than HK\$5 million should not be more than HK\$8,000, HK\$14,000 and HK\$20,000 respectively.

5.5 Progress Reports

- 5.5.1 All approved projects will be monitored by the SERAP Secretariat against the milestones stated in the application. Recipient companies have to submit progress

reports until project completion or the termination of the Agreement according to the Reporting Schedule as set out in the Agreement. All progress reports should be prepared in the standard format stipulated by CIT and submitted through ITCFAS. The Statement of Income and Expenditure for the reporting period required in the progress reports should be prepared in accordance with paragraphs 5.2 and 5.3 above.

- 5.5.2 Upon request by the SERAP Secretariat, recipient companies are required to provide timely clarification and/or additional information to substantiate the content of the progress reports. The SERAP Secretariat will organise visits or meetings to examine the progress of a project.

5.6 Final Report

- 5.6.1 Within two months from the project completion date or the date of the termination of the Agreement, the recipient company has to submit a final report of the project covering the period between project commencement and project completion date or Agreement termination, in which, among other things, a synopsis of the project results (both technical and financial) has to be included. The final report should set out clearly the deliverables, the competitive advantages gained as a commercial product and the marketing plan. The final report should be prepared in the standard format stipulated by CIT and submitted through ITCFAS.
- 5.6.2 Upon request by the SERAP Secretariat, recipient companies are required to provide timely clarification and/or additional information to substantiate the content of the final report.

5.7 Suspension or Termination of Funding Support

- 5.7.1 CIT may terminate a project or suspend the provision of SERAP Fund at any time for reasons which include, inter alia, lack of material progress of the project, slim chance of completion of the project in accordance with the Agreement, that the original objectives of the project are no longer relevant to the needs of the industry as a result of material change in the circumstances, that the objectives and relevance of the project have been overtaken by events, failure to produce evidence of the company's contributions or produce the required reports or accounts, or in the circumstance CIT sees fit to terminate the project in public interest.

5.8 Return of Residual Funds

- 5.8.1 The recipient company shall return to the Government all residual funds remaining in the project bank account mentioned in paragraph 5.1.2 above (including interest income to be returned on a pro-rata basis) upon completion of the project or termination of the Agreement and all actual interest income accrued from the date of project completion or the date of the termination of the Agreement up to the date of payment, within one month after the acceptance of the final report and audited accounts by CIT. CIT may take such action as may be deemed necessary in case of unreasonable delay in the return of residual funds and interest income to the Government.

Chapter VI

CHANGE REQUESTS

6.1 Change Requests

- 6.1.1 An approved project is required to be carried out strictly in accordance with the Agreement and the documents appended to the Agreement. Any modification, amendment or alteration to the project or the Agreement, including but not limited to change of the project commencement or completion dates, key project staff (including project coordinator and deputy project coordinator), deliverables, or project scope, methodology, budget or cashflow projection, will require prior written approval by CIT.
- 6.1.2 Project coordinator should submit to the SERAP Secretariat of any change request(s) well in advance electronically through ITCFAS. The project coordinator is responsible for overseeing the project generally, monitoring its expenditure and ensuring the proper usage of project funds in accordance with the Agreement, this Guide and other instructions set for the projects, liaising with and answering all enquiries/requests raised by CIT and the SERAP Secretariat for information and clarification on all aspects of the project, and attending progress meetings on the project.
- 6.1.3 In the event that modification or amendment to the project deemed too significantly deviated from the original objective of the technology development undertaking, CIT may in his or her discretion terminate the project or request the company to present the modified project to the Panel to facilitate CIT to determine whether the project should continue to be funded.
- 6.1.4 Where the cumulative overspending for a category (i.e. “manpower”, “equipment” or “other direct costs”) does not exceed 10% of the original approved budget for that category and does not result in any increase in the total approved project cost, prior approval from CIT is not required. However, any virement as a result and the reasons for overspending should be reported in the relevant half-yearly progress report(s) and/or final report. If the overspending exceeds 10% of the original approved budget for that category, prior approval from CIT is required. As a general rule, transfer of budgeted expenditure for patent registration to other cost items is not allowed.
- 6.1.5 CIT reserves the right to require the companies to return the mis-spent amount together with the interest income accrued to the Government.

Chapter VII

PUBLICITY AND ACKNOWLEDGEMENT

7.1 Publicity and Acknowledgement

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

“Any opinions, findings, conclusions or recommendations expressed in this material/event (or by members of the project team) do not reflect the views of the Government of the Hong Kong Special Administrative Region, the Innovation and Technology Commission or the SERAP Project Assessment Panel.”

SERAP Secretariat
Innovation and Technology Commission
April 2012