

Guide to Application for SME Development Fund

CONTENTS

1. GENERAL	1
1.1 OBJECTIVE.....	1
1.2 ELIGIBILITY FOR APPLICATION	1
1.3 AMOUNT OF GRANT	1
1.4 TERMS AND CONDITIONS FOR FUNDING SUPPORT	2
2. PROJECT APPLICATION	2
2.1 APPLICATION PROCEDURE	2
2.2 WITHDRAWALS	3
2.3 RESUBMISSION	3
3. PROJECT ASSESSMENT	3
3.1 ASSESSMENT PROCEDURE.....	3
3.2 ASSESSMENT TIMETABLE	4
3.3 VETTING CRITERIA	4
3.4 AVOIDANCE OF CONFLICT OF INTEREST.....	4
3.5 NOTIFICATION OF RESULTS	5
4. FUNDING ARRANGEMENT/FINANCIAL MANAGEMENT	5
4.1 DISBURSEMENT OF FUNDS	5
4.2 BUDGET OF THE PROJECT	5
4.3 PROJECT SAVINGS ACCOUNT AND INTEREST	8
4.4 BOOKS AND RECORDS	9
4.5 FINANCIAL REPORTS	10
4.6 PROCUREMENT PROCEDURES	11
4.7 HANDLING OF EQUIPMENT	12
4.8 HIRING OF PROJECT STAFF	13
4.9 RETURN OF RESIDUAL FUNDS AND INCOME.....	13
5. REPORTING REQUIREMENT	14
5.1 PROGRESS/FINAL REPORT.....	14
5.2 POST-PROJECT EVALUATION REPORT	15
6. ADMINISTRATIVE HIGHLIGHTS	15
6.1 CONTRACTUAL REQUIREMENTS.....	15
6.2 PRIOR APPROVAL REQUIREMENTS	15
6.3 SUSPENSION OR TERMINATION OF FUNDING SUPPORT	15
6.4 INTELLECTUAL PROPERTY RIGHTS (IPRs) AND THE USE OF PROJECT RESULT	15
6.5 ACKNOWLEDGEMENT OF SUPPORT AND DISCLAIMER	16
6.6 DISPOSAL OF PROJECT	17
6.7 HANDLING OF INFORMATION	17
6.8 APPLICANT INDEMNITY	17
7. ENQUIRIES	18
ANNEX	19

1. General

1.1 Objective

The SME Development Fund (SDF) was established by a Government allocation of HK\$200 million to provide financial support to projects which will enhance the competitiveness of Hong Kong's small and medium enterprises (SMEs)¹ in general or SMEs in specific sectors. With effect from end June 2003, the SDF allocation was merged with those of the SME Export Marketing Fund (EMF) and SME Training Fund, making the total capital commitment of the three schemes to HK\$900 million. In May 2005 and January 2008, the funding provision for the EMF and SDF was further increased by HK\$500 million and HK\$350 million respectively. This enables the Director-General of Trade and Industry (DGTI) to continue deploying resources flexibly, having regard to SMEs' actual demand.

SDF is administered by the Trade and Industry Department (TID) upon the advice of a vetting committee.

Projects to be supported may include research studies, award schemes, codes of best practice, conferences, seminars, databases, exhibitions, service centres, support facilities and technology demonstration projects. The SDF Secretariat may from time to time invite project applications for solicited topics on specific themes.

1.2 Eligibility for application

Non-profit-distributing² organisations operating as support organisations, trade and industrial organisations, professional bodies or research institutes, which shall either be statutory organisations or organisations registered under the laws of the Hong Kong Special Administrative Region, are eligible to apply. Projects in receipt of other public funding will not be funded.

1.3 Amount of grant

The maximum amount of funding support for any approved Project will be HK\$2 million, or 90% of the total Project expenditure (whichever is the less). The Applicant will have to contribute the remaining amount, which may be in cash, in kind or in the form of third-party sponsorship. This requirement may be waived under special circumstances, such as when the Applicant has demonstrated genuine difficulty in coming up with the required amount for carrying out a particularly worthwhile Project.

¹ SMEs are defined as any manufacturing businesses which employ fewer than 100 persons in Hong Kong, or any non-manufacturing businesses which employ fewer than 50 persons in Hong Kong. In this connection, "business" refers to any form of trade, commerce, craftsmanship, professional, calling or other activities carried on for the purpose of gain, but shall not include any club within the meaning of the Business Registration Ordinance unless the club is for the purpose of gain.

² A non-profit-distributing organisation is defined as an organisation of which profits are not distributed to its directors, shareholders, employees or any other persons. An Applicant has to declare in the Application Form that it has not distributed any profit generated by the Applicant in the past to any of its directors, shareholders, employees, or any other persons.

1.4 Terms and conditions for funding support

Successful Applicant will be required to sign an agreement with the Government (the Agreement) and comply with all the terms and conditions laid down in the Agreement, this Guide and all instructions and correspondences issued by the DGTI from time to time in respect of the Project.

Each Project will require a Project Coordinator and a Deputy Project Coordinator who will be responsible for overseeing the Project generally, monitoring the proper use of funds, liaising with the SDF Secretariat and attending progress meetings on the Project.

To facilitate monitoring and evaluation of funded Projects, successful Applicant will need to submit progress/final reports and financial reports. TID has the right to request access to any information related to the Projects. Project deliverables of each approved Project shall be made available at cost or free of charge to the public at the direction of the Government.

2. Project application

2.1 Application procedure

Applications for SDF are open all year round. To ensure that Applicants have sufficient resources to manage and control the Projects, each Applicant will only be allowed to submit at most 2 applications in each quarter of the year. Application procedures for solicited Projects on specific themes are similar to those for the normal applications.

Applicant should complete “Application Form for SME Development Fund”. Copies of the application form can be obtained at the SDF Secretariat of TID or can be downloaded at the homepage of the SME Funding Schemes at www.smefund.tid.gov.hk. The application form can be completed either in English or in Chinese. No application fee is charged. Applicant shall submit the application form together with the following supporting documents to TID (SME Development Fund Secretariat, 6/F, Trade and Industry Department Tower, 700 Nathan Road, Kowloon) by post, in person or by electronic means:

- (A) A photocopy of the Applicant’s registration document. Please provide copies of Business Registration Certificate, Certificate of Incorporation, and Memorandum and Articles of Association (if applicable);
- (B) A photocopy of the certified true copy of the Applicant’s latest annual return obtained from the Companies Registry (if applicable);
- (C) A photocopy of the audited accounts of the latest financial year (if applicable);
- (D) Curriculum Vitae of key members of the Project team;

- (E) Documentary evidence for other funding support applications (if applicable); and
- (F) Documentary evidence of sponsorship or funding from other sources (if applicable).

Applicant has to submit 10 hardcopies and a softcopy (preferably in Microsoft Word format) of the application by post or in person. If the application is submitted electronically, Applicant is not required to submit hardcopies of the application form. Softcopy of the application form and the supporting documents mentioned above shall be submitted, in the format specified under Section 11(2) of the Electronic Transactions Ordinance (ETO) (Chapter 553), with valid digital signature supported by a recognised certificate as referred to in the ETO, via internet e-mail to the Department's email address at **sdf_apply@tid.gov.hk**. Please note that only recognised e-cert (Organisational) for the authorised person signing the application will be accepted for making the application. For details of electronic submission of application, please refer to the homepage of the SME Funding Schemes at www.smefund.tid.gov.hk.

Acknowledgement will be sent to the Applicant upon receipt of an application by the SDF Secretariat.

2.2 Withdrawals

The Applicant may write to the SDF Secretariat to withdraw an application at any time before an Agreement is signed between the Government and the Applicant.

2.3 Resubmission

A declined application may be resubmitted only if it has been revised substantially or if it has been able to produce new evidence to address the comments made by the vetting committee in its earlier review. A resubmitted application will be treated as a new application and will be subject to the same assessment procedures.

3. Project assessment

3.1 Assessment procedure

The SDF Secretariat will first conduct a preliminary screening of all applications and seek clarification or supplementary information from the Applicant. Project teams may be required to attend assessment meetings to present their Project proposals.

A vetting committee chaired by DGTI comprising experts and representatives from different sectors will assess applications, formulate funding decisions for each project, and monitor funded projects. Where necessary, comments and advice will be sought from outside experts.

3.2 Assessment timetable

Under normal circumstances, it takes 2 months to process an application after the end of each quarter.

3.3 Vetting criteria

The major vetting criteria are:

Quality of Project

- (A) The Project shall be able to enhance the competitiveness of Hong Kong's SMEs in general or in specific sectors.
- (B) The result of the Project shall be of practical use to SMEs.

Cost-effectiveness

- (C) The number of SMEs which may benefit from the funded Projects.
- (D) The Project, including the approach to achieve the Project objective, shall be cost-effective.

Project implementation

- (E) The implementation, including the schedule of implementation, business and publicity plan, of the Project shall be effective.
- (F) The Applicant and the Project team shall have a good technical and management capability.
- (G) The proposed budget shall be reasonable and realistic.
- (H) The Project shall be completed in 2 years. If not, the Applicant shall demonstrate the Project's sustainability afterwards.

Other factors

- (I) Availability of other funding sources.
- (J) There is a demonstrated need for the Project.
- (K) The Project is not duplicating or likely to duplicate the work carried out by other organisations.

3.4 Avoidance of conflict of interest

To avoid conflict of interest, vetting committee members who are directly or indirectly related to an application will be required to refrain from the discussion of that application.

3.5 Notification of results

The SDF Secretariat will notify the Applicant of the assessment result in writing. If an application is declined, the SDF Secretariat will inform the Applicant the reason behind the decision.

An initial approval-in-principle will be communicated to a successful Applicant. The Applicant will be required to submit a revised Project proposal, where necessary, and to submit a cashflow projection for the Project. The revised Project proposal and cashflow projection will be subject to the further vetting of the SDF Secretariat. Funding approval will be granted to the Applicant upon the signing of an Agreement prepared by the Government. The Project proposal and the cashflow projection will be appended to the Agreement.

4. Funding arrangement/financial management

4.1 Disbursement of funds

Subject to the proof of the availability of at least 50% of the total cash contribution of the Applicant and the Sponsor of the Project, and the terms and conditions of the Agreement:

- (A) Funds will be disbursed upon the signing of the Agreement in one lump-sum, for Projects with funding support not exceeding HK\$1 million **and** its implementation period not exceeding 1 year.
- (B) Funds will be disbursed in 2 installments for Projects with funding support exceeding HK\$1 million **or** its implementation exceeding 1 year. The first installment will be effected upon the signing of the Agreement. The timing and amount of the second installment will be effected according to the schedule of Applicant's cashflow projection and upon the acceptance by the vetting committee/SDF Secretariat of a progress report together with the audited account (as set out under paragraph 4.5.1(A)). DGTI reserves the right to withhold the second installment or any further payments to the Applicant if 50% or more of the first installment of Funds or the Applicant's contribution remains unspent in the account designated for the Project, or if there is any delay in submission of progress report.

4.2 Budget of the Project

4.2.1 Expenditure

- (A) Scope of funding

SDF will normally fund Projects that will be completed in 2 years. An Applicant who intends to operate the Project on a long-term basis has to demonstrate its financial viability subsequent to the cessation of funding support from SDF.

Only expenditure directly incurred for the Project during the Project period can be charged to SDF. The following items directly incurred for the Project may be funded.

(i) Manpower

Only the salary (including employer's contributions to the Mandatory Provident Fund) of the additional manpower directly incurred for the Project will be funded.

Monthly time sharing record should be maintained for manpower charged on a pro-rata/hourly basis.

(ii) Equipment

Only the cost of procuring or leasing of additional equipment for implementing the Project can be charged to SDF. Equipment proposed to be purchased must be essential to or specifically required by the Project. Applicants are encouraged to use their existing equipment or to lease the additional equipment required, in order to fully utilise the grant.

(iii) Other direct costs

All other costs directly incurred for the Project with the exception of overheads and other unallowable cost items set out under paragraph 4.2.1(B) below will be funded. Fundable direct costs may include:

– Expense for consumables

– External consultant fees

– Production and promotion cost of Project Result (such as printing of leaflets, production of CD-ROMs, advertising and the organisation of seminars)

– Travelling expenses

This should not exceed 5% of the total budgeted expenditure. Expense should be incurred by Project team members. For flight charges, only cost of economy class fare is covered.

– External audit fees

The maximum funding allowed for each audit of the Project should not be more than HK\$10,000.

– Patent registration fees

Patent registration fees directly relating to the Project of not more than HK\$100,000, or 90% of the total direct costs involved in patent applications (whichever is the less) may also be included in the budget.

The Applicant shall inform the SDF Secretariat and prior written approval from DGTI is required if the Applicant foresees:

- actual expenditure in any individual item exceeds 20% of the original budgeted expenditure for that item; or
- total expenditure exceeds the original budgeted expenditure; or
- any unbudgeted expenditure item is created; or
- budgeted expenditure is to be transferred to any unbudgeted expenditure item (such as new/revised rank of Project staff, new equipment item, new consumable item, etc.).

(B) Unallowable costs

The SDF funding will not cover overhead expenses such as rental/renovation expenses, utility expenses, entertainment expenses, expenses for luncheons/dinners and other administration costs (unless otherwise expressly approved).

4.2.2 Contribution from the Applicant and the Sponsor(s) (if any)

The Applicant shall be responsible for at least 10% (either in cash or in kind) of the total Project expenditure. This requirement may be waived under special circumstances. The Applicant who wishes to apply for exemption should provide full justification.

4.2.3 Project Income

The Applicant may charge a fee for making available the Project Result³ to the public to recover the additional cost incurred by the Applicant, net of the Government contribution to the Project cost. The income generated from the Project (Project income), including all interest generated from the bank account (as set out under paragraph 4.3.2), may be retained by the Applicant upon prior written approval from DGTI, and with but not limited to the following conditions:

- (A) The Project income shall only be used for a purpose which is related to the Project;
- (B) The Project income shall be utilised after the Project completion date and not later than 1 year after the end of the Project period; and

³ Project Result means any results and deliverables arising from the Project which may be, without limitation, in the form of conferences, exhibitions, seminars, promotional activities, facilities, reports of studies/surveys, training programmes, technical manuals or consultancy services.

- (C) The Project income cannot be used to offset contribution required to be made by the Applicant under paragraph 1.3.

Any Project income which, upon DGTI's approval, has not been utilised in accordance with any of the conditions set out in paragraphs 4.2.3(A), (B) and (C) or as specified in DGTI's written approval shall be returned to the Government not later than 14 months after the end of the Project together with the audited account/account of the utilisation of the income (as set out under paragraphs 4.5.1(D) and (E)).

Unless otherwise agreed by DGTI in accordance with any of the conditions set out in paragraphs 4.2.3(A), (B) and (C), the Applicant shall return to the Government all income generated from the Project within 1 month after submission of the audited final account of the Project (as set out under paragraph 4.9).

4.2.4 Net amount requested from SDF

The net amount of funds requested from SDF refers to the Project expenditure after deducting the contribution of the Applicant and the amount of sponsorship.

4.3 Project savings account and interest

4.3.1 The Applicant is required to open a separate risk-free interest-bearing bank account (Project bank account) with a licensed bank registered under the Banking Ordinance (Chapter 155) solely and exclusively for processing all receipts and payments of a Project. All Project funds (the SDF grants and all other receipts including cash contribution/sponsorship) and Project income, if any, arising from the Project should be deposited into the Project bank account. All payments exclusively applied to the Project for which they are paid should be paid out from the Project bank account. All Project funds should be kept in the Project bank account by the Applicant until such funds are spent (paid) in compliance with the Project Agreement or returned to the Government by the Applicant.

4.3.2 Interest Income

All interest generated from the Project bank account set out in paragraph 4.3.1 may be retained by the Applicant upon prior written approval from DGTI, and with but not limited to the following conditions:

- (A) The interest income shall only be used for a purpose which is related to the Project; and

(B) The interest income shall be utilised after the Project completion date and not later than 1 year after the end of the Project period.

Any interest income which, upon DGTI's approval, has not been utilised in accordance with any of the conditions set out in paragraphs 4.3.2(A) and (B) or as specified in DGTI's written approval shall be returned to the Government not later than 14 months after the end of the Project together with the audited account/account of the utilisation of the income (as set out under paragraphs 4.5.1(D) and (E)).

Unless otherwise agreed by DGTI in accordance with any of the conditions set out in paragraphs 4.3.2(A) and (B), the Applicant shall return to the Government all actual interest accrued during the Project period within 1 month after submission of the audited final account of the Project (as set out under paragraph 4.9).

The Applicant is not entitled to claim any compensation or relief of whatsoever nature against the Government in the event of any late or withholding of payment of SDF for any whatsoever reason.

The Applicant may be required to compensate the Government for loss of interest income if the Project fund is not properly handled in accordance with paragraph 4.3.1 above. In this regard, the Government will take such action as may be deemed necessary.

4.4 Books and records

4.4.1 The Applicant is also required to keep a proper and separate set of books and records for each Project. The books and records should be maintained in such a manner as to enable the production of Statement of Income and Expenditure (items in the same format as shown in the Project budget included in the approved Project proposal (approved Project budget)) and Balance Sheet in respect of each Project. All transactions of a Project should be properly and timely recorded in the books of accounts.

4.4.2 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 Project Agreement. Sponsorship and all other income, budgeted or not, should form part of the income of the Project. All income and expenditure of the Project should be fully and properly recorded in the books and records in accordance with the Project Agreement, this Guide and all instructions and correspondences issued by DGTI in respect of the Project.

4.4.3 The books and records of the Project should be kept by the Applicant for at least 3 years after completion of the Project or termination of the Project Agreement, or as otherwise specified by DGTI within that 3-year period. In this connection, DGTI 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. When so requested in this connection, the Applicant will be obliged to make available all Project books of accounts and records and explain to DGTI 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 organisation in receipt of the SDF grants. DGTI reserves the right to require Applicants to return the mis-spent amount together with the interest income accrued to the Government.

4.5 Financial reports

4.5.1 The Applicant has to submit the following financial reports to DGTI:

- (A) Audited account (together with the progress report as set out under paragraph 5.1(A)) not later than 2 months before payment of the second installment, for Projects with funding support exceeding HK\$1 million **or** its implementation exceeding 1 year;
- (B) Audited final account on the Project covering the period from Project commencement date to Project completion date or termination date of Project agreement (together with the final report as set out under paragraph 5.1(B)) within 3 months from the completion, disposal, transfer or termination of a Project;
- (C) An account of the residual funds (as set out under paragraph 4.9) within 3 months from the completion, disposal, transfer or termination of a Project (if applicable);
- (D) An audited account of the utilisation of the income (as set out under paragraphs 4.2.3 and 4.3.2) not later than 14 months after the end of the Project, for Projects with income which is in excess of HK\$100,000; and
- (E) An account of the utilisation of the income (as set out under paragraphs 4.2.3 and 4.3.2) and all relevant invoices/receipts and supporting documents not later than 14 months after the end of the Project, for Projects with income not exceeding HK\$100,000.

The audited accounts⁴ shall contain all receipts and receivables including any contribution from sponsors (whether in cash or in kind), contribution from Applicant, all income generated from the Project, and payments for the Project. The audited accounts should also comprise Statement of Income and Expenditure, Balance Sheet, Notes to the Accounts and Auditors' Report. The accounts of a Project should be properly prepared from and in agreement with the books and records of the Project.

Any record of mishandling of public funds or lack of discipline in financial management is a factor which the SDF Secretariat will take into account in considering future SDF applications from the same organisation or the same Project team.

4.5.2 Auditing requirements

To ensure that the Project funds have been fully and properly applied to the Projects and expended/received in accordance with the approved budget, the required accounts should be audited by an independent auditor who must be either Certified Public Accountants or Public Accountants registered under the Professional Accountants Ordinance (Chapter 50) (the Auditors).

The Applicant 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 for Auditors of Recipient Organisations (the Notes) issued by the SDF Secretariat in conducting audits and preparing auditors' report for each account of each Project. The engagement letter should also specify that DGTI, the Director of Audit and his authorised representatives should have the right to communicate with the Auditors on matters concerning the accounts and the supporting statements. In conducting the audits, the Auditors should comply with the relevant Standards and Statements of Professional Ethics issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants. In the audited accounts, the Auditors are required to express an audit opinion as to whether the Applicant and the accountants 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.

4.6 Procurement procedures

The Applicant should exercise the utmost prudence in procuring equipment, goods or services for the Project and must adhere to the following procedures unless DGTI agrees otherwise:

⁴ The audited accounts (together with the progress or final report of the Project) should comprise Statement of Income and Expenditure, Balance Sheet, Notes to the Accounts and Auditors' Report. The audited accounts of the utilisation of the income (if applicable) should comprise Statement of Income and Expenditure, List of Bank Balances, Notes to the Accounts and Auditors' Report.

- (A) For every procurement the aggregate value of which is more than HK\$5,000 but less than HK\$10,000, quotations from at least 2 suppliers should be obtained. The Applicant should select the supplier that has submitted the lowest bid. If the lowest bid is not selected, full justifications must be given.
- (B) For every procurement the aggregate value of which is HK\$10,000 or more, but less than HK\$500,000, quotations from at least 3 suppliers should be obtained. The Applicant should select the supplier that has submitted the lowest bid. If the lowest bid is not selected, full justifications must be given.
- (C) For every procurement the aggregate value of which is HK\$500,000 or more, open tendering should be used.

In the case of universities, they may adhere to their established/current standard procedures.

All quotations and tendering documents in relation to the Project should be kept for DGTI and the Director of Audit's inspection for at least 3 years after completion of the Project or termination of the Project Agreement, or as otherwise specified by DGTI within that 3-year period.

4.7 Handling of equipment

4.7.1 Record-keeping

The Applicant should keep an Equipment Register to account for all fixed assets (e.g. furniture, office equipment, electrical appliances and computers) of a value of HK\$1,000 or above which are purchased by using the SDF grant for the inspection of DGTI and the Director of Audit from time to time. Equipment should be listed out in the Equipment Register, in the sequence of the purchase dates. The following information of the equipment should also be provided:

- description of the item with details on the brand, model and serial number;
- number of units, unit cost and total cost;
- supplier's invoice number; and
- location of the item.

A standard form of the Equipment Register can be downloaded at www.smefund.tid.gov.hk.

4.7.2 Title to equipment

Throughout the scheduled Project period and for 3 additional years afterwards, the title of the equipment purchased by using the SDF grant shall remain with the Government or the Applicant shall hold the equipment so purchased on trust for the benefit of the Government, as appropriate.

Upon completion, transfer, disposal or termination of a Project, the Applicant is required to make available for removal by the Government all equipment costing over HK\$200,000 which is purchased by using the SDF grant. However, the Applicant will have the right to use the equipment to carry out the Project, subject to the following terms and conditions:

- (A) The Applicant shall not do or permit to be done any thing which would prejudice or jeopardise the rights of the Government, in respect of the equipment;
- (B) The Applicant shall not create, or permit to be created, any subsequent charges or encumbrances ranking in priority to or pari passu with any security that may be given to or held by the Government for the equipment;
- (C) The Applicant shall not sell, sub-lease, charge, part with possession of or otherwise deal with the equipment, whether in whole or in part, without prior written consent of the Government; and
- (D) In any occurrence of an event referred to in (C) above, all the proceeds or sums realised or generated as a result shall be paid direct to the Government for payment towards the Indebtedness.

The risk in the equipment (e.g. loss, damages, liabilities, etc.) will vest and remain with the Applicant upon procurement of the equipment.

4.8 Hiring of Project staff

When hiring staff for the approved Project, the Applicant is required to abide by the principles of openness, fairness and competitiveness, and to strictly adhere to the General Guidelines on Staff Recruitment at Annex to this Guide. The Guidelines can also be downloaded at www.smefund.tid.gov.hk.

4.9 Return of residual funds and income

Under no circumstances shall the Government contribute more than its approved budget or 90% of the Project expenditure, whichever is the less. Within 1 month after submission of the audited final account of the Project, the Applicant shall return to the Government:

- (A) All residual funds⁵ upon completion of the Project or termination of the Project Agreement;
- (B) All actual interest accrued during the Project period up to date of return of all residual funds to the Government, unless otherwise agreed by DGTI in accordance with any of the conditions set out in paragraph 4.3.2; and
- (C) All income generated from the Project, unless otherwise agreed by DGTI in accordance with any of the conditions set out in paragraph 4.2.3.

DGTI may initiate legal action for suitable remedies in case of unreasonable delay in the return of residual funds, interest and income (as specified in paragraphs 4.9(A), (B) and (C) above) to the Government.

5. **Reporting requirement**

5.1 **Progress/final report**

To facilitate the monitoring and evaluation of Projects, the Applicant will be required to submit the following progress and/or final reports:

- (A) **Progress Report**
For Projects with funding support exceeding HK\$1 million **or** its implementation exceeding 1 year, Applicant has to submit a progress report (together with the audited account) to DGTI 2 months before the second installment of payment (as set out under paragraphs 4.1(B) and 4.5.1(A)).
- (B) **Final Report**
All Applicants have to submit a final report covering the period from Project commencement date to Project completion date or termination date of Project Agreement (together with the audited final account and the account of the residual funds as set out under paragraphs 4.5.1(B) and (C)) within 3 months upon completion of the Project. Among other things, quantifiable results and a plan for the publicity of the Project deliverables have to be set out in the report.

The SDF Secretariat will assess the effectiveness of the Project by comparing the Project Result against its original objectives and targets as set out in the Project proposal. The final report will then be submitted to the vetting committee for consideration and comments. The Project Coordinator may be invited to a vetting committee meeting to present the Project Result.

⁵ The formula for calculating the residual funds is:

Total SDF Grant + Applicant's Contribution + Other Sponsorship
- [Actual Project Expenditure / Approved Project Expenditure (whichever is the less)]

Each completed Project will be evaluated and rated, and unsatisfactory rating may affect the future chance of the Applicant/Project team in getting the SDF funding.

5.2 Post-Project evaluation report

The Applicant has to submit a Post-Project evaluation report for the Project within 6 months from its completion reporting on the efforts in publicising the Project deliverables, and providing quantitative measurement on the adoption of the Project Result by the industry.

6. Administrative highlights

6.1 Contractual requirements

Applicant shall be required to sign an Agreement prepared by the Government and to comply with all the terms and conditions of the Agreement, this Guide and the instructions and correspondences issued by DGTI from time to time in respect of the Project in order to obtain the SDF grant. The Agreement will cover the additional obligations and responsibilities of a successful Applicant, the payment of the grant, treatment of intellectual property rights, governing law, indemnity, conflict of interest and confidentiality. Under no circumstances would the Government be required to indemnify an Applicant, whether a successful Applicant or otherwise, or any employees, agents, servants or associates of the Applicant. Nothing in the SDF Scheme or the Agreement will constitute an Applicant an employee, agent, servant or associate of the Government.

6.2 Prior approval requirements

An approved Project has to be carried out strictly in accordance with the Agreement. Any modification, amendment or addition to the Project or the Agreement, including change of Project period, Project scope, budget or cashflow projection, or replacement of the Project Coordinator or Deputy Project Coordinator, shall require prior written approval by DGTI.

6.3 Suspension or termination of funding support

The funding support of SDF may be suspended or terminated if, for example, there is a lack of satisfactory progress, or a slim chance of completion after consultation with the SDF Secretariat and/or the vetting committee, or there is a breach of the terms and conditions of the Agreement, or DGTI sees fit to terminate the Project in public interest because of changing circumstances. The Applicant may have to return all/part of the grant.

6.4 Intellectual Property Rights (IPRs) and the use of Project Result

IPRs 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 IPRs of whatever nature and wheresoever arising, whether now known or hereafter created, and in each

case whether registered or unregistered and including applications for the grant of any such rights.

Project Result means any results and deliverables arising from the Project which may be, without limitation, in the form of conferences, exhibitions, seminars, promotional activities, facilities, reports of studies/surveys, training programmes, technical manuals or consultancy services.

All IPRs in the Project Result shall be and remained vested in the Applicant immediately upon creation. The Applicant shall be required to grant unconditionally to the Government, its authorised users, assigns and successors-in-title an irrevocable, non-exclusive, worldwide, perpetual, royalty-free and sub-licensable licence (i) to make copies of the Project Result, (ii) to issue copies thereof to the public, (iii) to make available copies thereof to the public (whether through the Internet or otherwise), (iv) to make adaptation thereof and (v) to broadcast, perform, show and play the same in public in whole or in part, and in any manner and forms, and for any purposes (and in relation to any works or materials supplied or used by the Applicant in the Project Result in respect of which the Applicant is not empowered to grant sub-licence(s) the Applicant shall procure at its sole expense the grant of such rights for the benefits of the Government, its authorised users, assigns and successors-in-title by the relevant third parties in respect of such works or materials to be granted on or before the incorporation of the relevant works or materials in the Project Result in accordance with the terms hereof).

The Applicant shall ensure that the general public will have equal access to the Project Result on equal terms. Exclusive use of the Project Result is not allowed unless otherwise approved in writing by DGTI. The sponsoring organisations if so approved in writing by DGTI may have priority use of the Project Result.

The Project Result should be made widely available to the general public through workshops, seminars, publications, etc.

6.5 Acknowledgement of support and disclaimer

Acknowledgement of the SDF support as approved in writing by DGTI must appear on all equipment, facilities, publicity or media events related to an SDF-funded Project or in publications arising from the Project.

The following disclaimer should also be included in any publications and media events related to an SDF-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, Trade and Industry Department or the Vetting Committee for the SME Development Fund.”

6.6 Disposal of Project

Prior written approval from DGTI is required if the Applicant transfers or disposes of the Project or equipment purchased by the SDF grant. The Government may require the Applicant to transfer or assign free of charge all the equipment purchased under the SDF grant, all the IPRs and all the Project Result arising from the Project to the Government. All residual funds shall be returned to the Government upon transfer, disposal or termination of the Project.

6.7 Handling of information

TID is committed to ensuring that all personal data submitted under various applications are handled in accordance with the relevant provisions of the Personal Data (Privacy) Ordinance. In this regard, the personal data provided in relation to applications made under SDF will be used by TID or its authorised agents for activities related to:

- (a) the processing and authentication of applications for grant, if any, payment of grants under SDF and any refund thereof; and
- (b) statistics and research.

The personal data that the Applicants provided in their applications will be kept in confidence. They may however be disclosed to other Government departments, or to third parties in Hong Kong or elsewhere, if such disclosure is necessary for the purposes mentioned in paragraph above, is authorised or required by law, or if explicit consent to such disclosure is given by the Applicant/data subject.

If necessary, TID will contact other Government departments and relevant parties to verify the personal data provided in the applications with those held by them for the purposes mentioned in paragraph above.

Applicants/data subjects whose personal data are collected by TID may request access to them under the Personal Data (Privacy) Ordinance. A charge will be made to cover the cost of photocopying the data supplied. In addition, if the data subject considers that the data supplied to TID is inaccurate, a request for correction of the personal data may be made in writing after a data access request has been complied with. Requests for access to personal data submitted under various applications can be made in writing on the Data Access Request Form (No. OPS003 issued by the Privacy Commissioner), which is available at the Information Counter on G/F of TID and at the homepage of TID (<http://www.tid.gov.hk/english/aboutus/form/publicform/others/index.html#ops003>), to the SDF Secretariat.

6.8 Applicant indemnity

The Applicant shall indemnify the Government against all loss, claims, demands, damages, costs, expenses and liabilities which may be brought or established against the Government arising out of the breach of any of the

terms and conditions of the Agreement by the Applicant. An Applicant, whether successful in this application or otherwise, shall not seek or claim any compensation, reimbursement, damages or indemnity from the Government in relation to the preparation and submission of this application.

7. Enquiries

Enquiries regarding the SDF can be addressed to the SDF Secretariat at:

Address	: 6/F, Trade and Industry Department Tower, 700 Nathan Road, Kowloon	
Telephone No.	: 2398 5128	
Email Address	: sdf_enquiry@tid.gov.hk sdf_apply@tid.gov.hk	
Homepage	: www.smefund.tid.gov.hk	
Opening Hours	: Monday to Friday	8: 45 a.m – 12:30 p.m., and 1:30 p.m. – 6.00 p.m.
	Saturday, Sunday and Public Holidays	Closed

March 2008

SME Development Fund General Guidelines on Staff Recruitment

[These guidelines should be read and adhered to by the Applicant, Project Coordinators and any other parties handling SDF Projects.]

Introduction

These guidelines deal with the adoption of a system of staff recruitment where staff is employed to carry out the SME Development Fund (SDF) Projects. They serve as a ready reference for the Applicant who is allocated with any grant from the SDF. The main issues are openness, fairness and competitiveness in staff recruitment.

Staff Recruitment

2. Normally, the Applicant should appoint a staff member from its organisation as the Project Coordinator to oversee and lead a Project. As a general rule, no award in the form of cash allowance to these staff is permitted. Project managers, consultants, engineers or other professionals and personnel outside the organisation may be recruited to help with the implementation of SDF Projects as stipulated in the Project proposals by adopting a credible recruitment procedure. To ensure fairness, staff should be recruited through an open and competitive system. A gist of the recruitment procedures is at the **Appendix** for reference.

Conflict of Interest

3. Any staff member taking part in a recruitment exercise (e.g. as a recruitment panel member) should be required to declare any conflict of interest and refrain from participating in the selection process if a candidate under consideration is his family member, relative or close personal friend. Please note that failure to avoid or properly handle conflict of interest situations may give rise to criticism of favouritism, abuse of authority and even allegations of corruption. The Government reserves the right to recall the grant in full should any irregularities or criminal elements are discovered after the disbursement of grant to an Applicant.

Reference Material

4. The Independent Commission Against Corruption (ICAC) has published a booklet "Staff Administration" providing organisations with information on good practices on staff recruitment procedures. Copies of the booklet are available free from the Advisory Services Group of ICAC (tel. 2526 6363). The Applicants are advised to obtain this booklet for reference.

SME Development Fund Secretariat
Trade and Industry Department
March 2008

Staff Recruitment Procedures

(Normally, project staff include research assistants, technicians, engineers, consultants and Project managers)

- Job vacancies should be widely advertised in local newspapers and/or other channels.
- The advertisement should set out clearly the job descriptions and requirements, and other essential information such as the application deadline and the contact point for enquiries.
- All applications received should be systematically recorded.
- Shortlisting for interview should be based on specified criteria.
- If practicable, a recruitment panel should be formed to conduct selection interviews and skill tests as necessary.
- A standard assessment form should be devised to record assessment by individual panel members.
- Assessment of candidates and recommendations of panel members should be properly documented.