

## **Transport Department**

### **Smart Traffic Fund**

#### **Guide to Application**

This Guide explains how to complete the application forms for the Smart Traffic Fund (the Fund).

Details of the Fund are available at <http://www.stf.hkpc.org>. In addition to this Guide, the Smart Traffic Fund Secretariat may issue supplementary information and guidelines from time to time. Please check the above website to see if there is any update before submission.

If you have any question on this Guide and the application forms, please contact:

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Smart Traffic Fund Secretariat  
March 2021

## General Notes

### **Background**

1. In the 2019 Policy Address Supplement, the Chief Executive announced the setup of the Fund to promote research and application of vehicle-related innovation and technology for enhancing the convenience and efficiency of motorists as well as improving their driving safety, etc. \$1 billion have been earmarked for the Fund which commences operation in 2020-21.
2. A Management Committee has been set up to vet and approve applications under the Fund and monitor the implementation of the Fund. The Hong Kong Productivity Council has been appointed as the Smart Traffic Fund Secretariat (the Secretariat) to provide secretariat support and technical advice to the Management Committee.

### **Scope of the Fund**

3. The Fund aims to provide support for enterprises or organisations to conduct research and application on vehicle-related innovation and technology with at least one of the following objectives:
  - enhancing convenience of motorists;
  - enhancing efficiency of the road network or road space; and
  - improving driving safety.
4. The Fund provides funding support for research and application projects as well as pure research projects.
5. The maximum funding support is up to 50% of the Estimated Project Cost, which is the sum of all estimated expenditures to be incurred (including items to be covered by the Applicant's contribution), for corporate sector Applicants; and up to 90% for public sector Applicants. Actual funding to be disbursed will depend on the actual project expenditure. For definitions of corporate and public sector Applicants, please refer to part A of this Guide.
6. For research and application projects, the maximum funding support is **HK\$20 million** per project. For pure research projects, the maximum funding support is **HK\$8 million** per project.
7. The duration of the project should normally not exceed 24 months.
8. Applications shall be submitted to the Secretariat electronically through ([stf\\_sec@hkpc.org](mailto:stf_sec@hkpc.org)).

9. Applications can be submitted all year round.
10. The Government reserves the right to require the Applicant to produce the originals of any supporting documents for verification and seek additional information where necessary. Unless on request of the Secretariat, supplementary information provided after submission of application will NOT be accepted and will NOT form part of the application. Supplementary information which is not specifically referred to in the application form will NOT be considered and will NOT form part of the application.
11. Projects which are or will be in receipt of other public funding support will not be considered.
12. It is the absolute responsibility of the successful Applicant to ensure that it complies with the intellectual property laws of Hong Kong. Under no circumstance will the Government be held liable for any infringement of intellectual property (IP) rights caused by or relating to the application for funding support or the implementation of the approved project.
13. The IP rights developed under the project will be vested with the Applicant, but the Applicant shall license the Government to use the IP rights in Government projects unconditionally. No royalty fee shall be charged on products/services which will be developed/to be sold directly/indirectly to the Government for Government projects.
14. If the project involves using IP rights of a third party, the Applicant shall indicate whether the consent/licence for use of such IPs has been obtained and include all relevant costs and fees in the application form. The Applicant shall indemnify and keep indemnified the Government against any and all claims, actions, investigations, demands and liabilities arising from the use of such IPs on the terms set out in the funding agreement.
15. The Applicant shall declare that the project will not infringe any IP rights. The Secretariat may request the Applicant to carry out patent search at the Applicant's own cost with a view to verifying non-infringement of IP rights. The Secretariat reserves the right to carry out patent search for checking Applicant's declaration and may require the Applicant to provide detailed specifications and descriptions of the IP rights adopted or to be developed in any stage of the application or within the project period.
16. The Secretariat and the Management Committee are committed to ensuring that all personal data submitted under the application are handled in accordance with the relevant provisions of the Personal Data (Privacy) Ordinance (Cap. 486) ("PDPO"). In this regard, the personal data provided in relation to the

application made under the Fund will be used by the Government, the Secretariat, the Management Committee or their authorised agents for activities relating to:

- (A) the processing and authentication of the application for funding support, payment of funding under the Fund and any refund thereof; and
- (B) compilation of statistics and research.

The personal data that the Applicant provides in the application will be kept in confidence provided that such obligations and restrictions shall not apply to any disclosure which is necessary for the purposes mentioned in the paragraph above, or any disclosure which is authorised or required by law, or any disclosure which is made by the Applicant/data subjects.

17. If necessary, the Secretariat will contact other Government departments and relevant parties to verify the personal data provided in the application with those held by them for the purposes mentioned in paragraph no. 16 above.
18. The Applicant/data subjects whose personal data are collected by the Secretariat may request access to them under the PDPO. 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 the Secretariat is inaccurate, a request for correction of the personal data may be made in writing after a data access request has been made. Requests for access to personal data can be made in writing to the Secretariat by submitting the completed Data Access Request Form (Form OPS003 issued by the Privacy Commissioner for Personal Data).
19. The Applicant may be required to share the experience gained in implementing the project approved under the Fund with the public and other organisations. They may need to participate in the publicity and promotional activities of the Fund when invited by the Secretariat or the Government. These activities may include seminars, workshops, conferences, exhibitions, and site visits. The Applicant will also need to contribute inputs/materials for publication via printed/electronic channels when requested by the Secretariat or the Government. The Applicant shall not charge any fees for participating in these activities or contributing such inputs/materials. The Secretariat may also publicise details of the project for public information.
20. The successful Applicant is not allowed to publicise the implementation of the project funded under the Fund and the project results on his own initiatives through publications, seminars, workshops, conferences, exhibitions, site visits, etc. from submission of the application to two years after project completion unless prior approval is granted by the Government. Acknowledgement of funding support shall be included in any publications and publicity/media events related to the project upon request of the Secretariat or the Government.

## **Part A The Applicant**

### **I. Information on the Applicant**

1. The Fund accepts applications from both the public and corporate sector:
  - (a) Public sector includes:
    - i. The following R&D Centres:
      - Automotive Platforms and Application Systems R&D Centre;
      - Hong Kong Applied Science and Technology Research Institute;
      - Hong Kong Research Institute of Textiles and Apparel;
      - Logistics and Supply Chain MultiTech R&D Centre; and
      - Nano and Advanced Materials Institute;
    - ii. Local Universities funded by University Grants Committee (UGC);
    - iii. Institutions in List 1 of the Designated Local Research Institutions designated by the Commissioner for Innovation and Technology in accordance with Section 19 of Schedule 45 of the Inland Revenue Ordinance (Cap. 112)<sup>1</sup> except Local Universities funded by UGC and R&D Centres; and
    - iv. Non-profit<sup>2</sup> or charitable professional bodies<sup>3</sup>, trade associations and non-government organisations.
  - (b) Corporate sector includes:
    - i. Companies;
    - ii. Institutions, professional bodies, trade associations and non-government organisations not covered by 1(a) above.
2. The R&D Centres and Local Universities funded by UGC identified in paragraphs 1(a)i and 1(a)ii above are collectively known as the Public Sector Research Institutions in this Guide.
3. For institutions, companies, professional bodies, trade associations and non-government organisations, they should be registered in Hong Kong under the Business Registration Ordinance (Cap 310) or formed by respective ordinances.
4. The Applicant should obtain prior consent of parties concerned if they are referred to in the application form.
5. For a project to be carried out jointly by Applicants from corporate and public sectors, the application will be treated as one from corporate sector.

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<sup>1</sup> [https://www.itc.gov.hk/en/fund\\_app/dlri/list.html](https://www.itc.gov.hk/en/fund_app/dlri/list.html)

<sup>2</sup> The Applicant shall provide supplementary information, such as Constitution and Articles of Association, to prove that the Applicant is non-profit in nature.

<sup>3</sup> Charitable bodies refer to those exempted from tax under section 88 of the Inland Revenue Ordinance.

6. The Applicant shall notify the Secretariat immediately should there be any changes to his eligibility during the project period.

## **Part B Project**

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

#### **a) Proposed Scope of the Project**

1. The scope of the project shall fall within the scope of the Fund as defined in paragraph 3 of the General Notes. Projects with only application of existing technologies and no research element will not be funded.

#### **b) Estimated Project Cost**

##### **For All Applicants Except the Public Sector Research Institutions**

1. The Applicant is required to provide details of the Estimated Project Cost under the 'Financial Considerations' section of the application form.

##### **For Public Sector Research Institutions**

2. The Applicant is required to provide details of the Estimated Project Cost (including administrative overheads) under the 'Financial Considerations' section of the application form.

#### **c) Payment Schedule and Amount**

1. A corporate sector Applicant shall contribute at least 50% of the Estimated Project Cost.
2. A public sector Applicant shall contribute at least 10% of the Estimated Project Cost.
3. There is no limitation on the numbers of sponsored organisations or individuals. Relevant documents with company/ organisations chops should be submitted together with the application form as proofs of the sponsorship and supports.

For All Applicants Except the Public Sector Research Institutions

4. An initial payment of up to 30% of the Fund's contribution will be made to Applicant on commencement of the project subject to:
  - (a) opening and maintaining a separate interest bearing bank account under the name of the Applicant ("project account") with a licensed bank registered under the Banking Ordinance (Cap. 155) solely and exclusively for the purpose of processing all receipts and payments of the project. The Applicant may apply to the Secretariat for an exemption from the above requirement and open a separate non-interest bearing account as the "project account" if an interest bearing account could not be opened, with supporting proof and justifications. All payments related to the project shall be paid from the project account. All project funds shall be kept in the project account by the Applicant until such funds are spent (paid) in compliance with the funding agreement or returned to the Secretariat by the Applicant in accordance with the funding agreement;
  - (b) the signing of the funding agreement; and
  - (c) the Applicant's production and the Secretariat's verification of the evidence showing the Applicant's contribution in proportion to the initial payment has been deposited in the project account
5. For a project with a duration of more than 12 months, interim payment(s) of cumulatively up to 70% of the Fund's contribution will be made to the Applicant on a reimbursement basis, subject to the project budget submitted by the Applicant and approved by the Government, upon the fulfilment of the following:
  - (a) all outstanding payments by the Applicant settled;
  - (b) the Applicant's production and the Secretariat's verification of the evidence showing the Applicant's contribution in proportion to the interim payment has been deposited in the project account and has been spent;
  - (c) satisfactory project progress against agreed milestones; and
  - (d) acceptance of the Progress Report(s) and annual audited account(s) by the Management Committee.

6. Final payment of cumulatively up to 100% of the Fund's contribution will be made to the Applicant on a reimbursement basis subject to:
  - (a) all outstanding payments by the Applicant are settled;
  - (b) the Applicant's production and the Secretariat's verification of the evidence showing the Applicant's contribution in proportion to the final payment has been deposited in the project account and has been spent;
  - (c) acceptance of all Progress Report(s), Interim Report(s), Final Report and deliverable(s) by the Management Committee;
  - (d) acceptance of all audited account(s) by the Management Committee; and
  - (e) completion of the project.
7. The Applicant shall ensure that all interest generated from the project account shall be reflected in the financial statements and audited accounts of the project, and has to be kept in the project account or spent for the project.
8. Subject to the final audited account, the Applicant should return to the Government residual funds remaining in the project account in proportion to the funding disbursed upon project completion or termination.
9. For a project with duration of 12 months or less, the interim payment(s) will be paid subject to the acceptance of a detailed Progress Report to be submitted at the 6<sup>th</sup> month.
10. Administrative overhead will not be funded by the Fund.
11. For avoidance of doubt, should the Applicant fail to comply with any of the conditions for payment, the concerned payment will be withheld until the Applicant fulfils such conditions.
12. The payment schedule for all Applicants except the Public Sector Research Institutions is summarised below:

<b>Project Duration</b>	<b>Instalment</b>	<b>Cumulative Cap (% of the Fund's contribution)</b>
All	Initial Payment	30%
	Interim Payment(s)	70%
	Final Payment	100%

### For the Public Sector Research Institutions

13. An initial payment of up to 40% of the Fund's contribution will be made to the Applicant on commencement of the project subject to:
  - (a) opening and maintaining a separate interest bearing bank account under the name of the Applicant ("project account") with a licensed bank registered under the Banking Ordinance (Cap. 155) solely and exclusively for the purpose of processing all receipts and payments of the project. The Applicant may apply to the Secretariat for an exemption from the above requirement and open a separate non-interest bearing account as the "project account" if an interest bearing account could not be opened, with supporting proof and justifications. All payments related to the project shall be paid from the project account. All project funds shall be kept in the project account by the Applicant until such funds are spent (paid) in compliance with the funding agreement or returned to the Secretariat by the Applicant in accordance with the funding agreement;
  - (b) the signing of the funding agreement; and
  - (c) the Applicant's production and the Secretariat's verification of the evidence showing availability of the Applicant's in-kind contribution and/ or deposit of the Applicant's cash contribution in the project account in proportion to the initial payment.
  
14. For a project with a duration of more than 12 months, the 1<sup>st</sup> interim payment of cumulatively up to 70% of the Fund's contribution will be made to the Applicant subject to:
  - (a) satisfactory project progress against agreed milestones;
  - (b) acceptance of the 1<sup>st</sup> Interim Report by the Management Committee; and
  - (c) the Applicant's production and the Secretariat's verification of the evidence showing availability of the Applicant's in-kind contribution and/ or deposit of the Applicant's cash contribution in the project account in proportion to the 1<sup>st</sup> interim payment.

15. For a project with a duration of more than 12 months, the 2<sup>nd</sup> interim payment of cumulatively up to 95% of the Fund's contribution will be made to the Applicant subject to:
  - (a) satisfactory project progress against agreed milestones;
  - (b) acceptance of the 1<sup>st</sup> Progress Report by the Management Committee; and
  - (c) the Applicant's production and the Secretariat's verification of the evidence showing availability of the Applicant's in-kind contribution and/ or deposit of the Applicant's cash contribution in the project account in proportion to the 2<sup>nd</sup> interim payment.
16. Final payment of up to 100% of the Fund's contribution will be made to the Applicant subject to:
  - (a) all outstanding payments by the Applicant are settled;
  - (b) the Applicant's production and the Secretariat's verification of the evidence showing the Applicant's in-kind contribution and/ or the Applicant's cash contribution deposited and spent in proportion to the final payment;
  - (c) acceptance of all deliverable(s) by the Management Committee and substantial completion of the project; and
  - (d) acceptance of all Progress Report(s), Interim Report(s) and Final Report by the Management Committee.
17. The 2<sup>nd</sup> interim payment will be included in the 1<sup>st</sup> interim payment for projects with duration of 12 months or less. Such interim payment will be paid subject to the acceptance of a detailed Progress Report to be submitted at the 6<sup>th</sup> month upon project commencement. The payment will be subject also to the Applicant's contribution in proportion to the corresponding amount of 1<sup>st</sup> interim payment and 2<sup>nd</sup> interim payment.
18. Fund for administrative overheads will only be released to the Applicant upon the Management Committee's acceptance of the final audited account.
19. The Applicant shall ensure that all interest generated from the project account shall be reflected in the financial statements and audited accounts of the project, and has to be kept in the project account or spent for the project.

20. Subject to the final audited account, the Applicant shall return to the Government residual funds remaining in the project account in proportion to the funding disbursed upon project completion or termination.
21. For avoidance of doubt, should the Applicant fail to fulfil any of the conditions for payment, the concerned payment will be withheld until the Applicant fulfils such conditions.
22. The payment schedule for the Public Sector Research Institutions is summarised below:

<b>Project Duration</b>	<b>Instalment</b>	<b>Cumulative Cap (% of the Fund's contribution)</b>
more than 12 months	Initial Payment	40%
	1 <sup>st</sup> Interim Payment	70%
	2 <sup>nd</sup> interim Payment	95%
	Final Payment	100%
12 months or below	Initial Payment	40%
	Interim Payment	95%
	Final Payment	100%

***d) Funding Ceilings***

1. The funding ceilings are as follows:
  - (a) For application and research projects, the funding ceiling is HK\$20 million per project.
  - (b) For pure research projects, the funding ceiling is HK\$8 million per project.
2. Applicants can apply for funding for multiple projects. However, each project should be distinct.

***e) Project Period***

1. The duration of the project from commencement to submission of all deliverables, except the final audited account, should generally not exceed 24 months.

***f) Financial Contribution***

For all Applicants Except the Public Sector Research Institutions

1. The Applicant's contribution shall be in cash.

For the Public Sector Research Institutions

2. The Applicant's contribution can either be in cash or in-kind or a combination of both. In-kind contribution shall only be in the form of equipment, consumables or manpower and will only be accepted if:
  - (a) the in-kind contribution is essential to the project and is contributed specifically to the project; and
  - (b) documentary proof of the value of contribution shall be provided to facilitate a fair assessment of the value of contribution, e.g. details of the valuation for new and used equipment, consumables and manpower. In general, the Applicant should provide two independent valuations for each item of in-kind contribution for equipment and consumables. Under special circumstances such as the supplier being the sole supplier of the item or the item is unique in terms of IP ownership or technology, in which case there are genuine difficulties in obtaining a second independent valuation, a single valuation might be accepted.

***g) Change Requests***

1. An approved project is required to be carried out strictly in accordance with the proposal appended to the funding agreement. Subject to subsections 2 to 3 below, any modification, amendment, deletion or addition to the project or the agreement, including change of the project commencement or completion date, key project team members, including project director, project manager, team leaders and specialists, or key equipment, scope, methodology, budget or cashflow projection, will require prior approval by the Management Committee. Reasons with supporting documents for the changes shall be provided.
2. Prior approval from the Management Committee is not required for virement of fund provided that—
  - (a) the cumulative deviation of expenditure of a category does not exceed 30% of the original approved budget for that category and does not result in any increase in the Estimated Project Cost and the total amount of the grant approved; and

- (b) any virement and the underlying reasons are reported in the relevant Progress Report(s), Interim Reports(s) and Final Report.
- 3. The virement shall not adversely affect the quantity and quality of any deliverables under the project.
- 4. As a general rule, transfer of budgeted expenditure for patent registration fee and external audit fees to other cost items is not allowed.
- 5. In the event that any modification or amendment to the project deemed by the Management Committee to be significantly deviated from the original objective of the project, the Management Committee may in its discretion terminate the project or request the Applicant to present the justifications for the modification or amendment to facilitate the Management Committee to determine whether the project should continue to be funded.

***h) Withhold, Reduction, Suspension and Termination***

- 1. In case of slippage of the agreed project milestones, the Secretariat will review and propose remedial measures to assist the Applicant in delivering the project, and send reminders and warnings to the Applicant. To ensure that the public money would be used prudently, the Government may, on the recommendation of the Management Committee, consider to withhold or reduce the approved funding amount if the performance of the Applicant is unsatisfactory or unable to attain the project milestones. The Secretariat will assess the fund to be withheld or reduced based on the project progress, milestones and deliverables already completed, for decision by the Management Committee. The withheld amount of fund will be released upon the Applicant's implementation of mitigation measure(s) and improved performance to the satisfaction of the Management Committee.
- 2. The Management Committee and the Government reserve the right to suspend or terminate the funding support under the following circumstances: –
  - (a) lack of satisfactory progress;
  - (b) slim chance of completion of project;
  - (c) failure to submit Interim Report(s) / Progress Report(s) / Final Report or audited account(s) within the stipulated deadlines;
  - (d) non-acceptance of the reports / accounts mentioned in (c) by the Management Committee;
  - (e) breach of the terms and conditions of the funding agreement; or
  - (f) situations warranting termination of the project to safeguard public interest.

3. In case of termination, the Applicant may have to return all / part of the funds disbursed by the Fund in respect of the project together with all administrative, legal and other costs and interest.

*i) **Related Information***

1. The provision of information on previous research work done (including projects funded by the Fund or not) is to enable the Management Committee to have a comprehensive understanding of the Applicant's capability to deliver the project.

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

### **(A) Location of Research Work**

1. At least 50% of the research activities of a project, in terms of project expenditures, shall be conducted within Hong Kong unless prior approval from the Management Committee has been sought. Nevertheless, the first application of technologies developed under a project of research and application category should be carried out in Hong Kong.
2. For activities conducted outside Hong Kong, it is the absolute responsibility of the Applicant to ensure that the activities comply with the local regulations and laws. Under no circumstances will the Government be held liable for any breach of the local regulations or laws. The Applicant is required to declare compliance upon the submission of the application.

### **(B) Project Milestones**

1. Once an application is approved, the Secretariat will monitor the project against the agreed project milestones and expenditure schedule. The Applicant is required to submit Progress Report(s) yearly for reporting progress and other reportable matters together with the Applicant's own evaluation of the achievements of the project in details until the submission of the final report (with the exception for projects with a duration of 12 months or less for which the Progress Report shall be submitted at the end of the 6<sup>th</sup> month instead). On the 6<sup>th</sup> month upon project commencement and thereafter every 12 months, the Applicant is required to submit Interim Report(s) in standard pro forma for updating the progress and other reportable matters. The Progress Reports and Interim Reports shall be submitted within 2 weeks after the end of the relevant periods. Explanations to the satisfaction of the Secretariat should be provided for any slippage of the milestones.

2. Upon the completion of the project, the Applicant is required to submit a Final Report. The Applicant is also required to submit annual audited accounts and a final audited account until project completion.
3. If the last Progress Report is due within 3 months before the target project completion date, the submission of the last Progress Report may be waived subject to the approval of the Secretariat. If the Applicant's application for waiving such last Progress Report is approved, the interim payment, if any, associated with the Progress Report will be combined with the final payment.
4. For Final Report, the Applicant should summarise the results of the project and effectiveness of the project with evaluation and reflection.
5. The Applicant shall set out in the application form the key performance indicators for assessing the effectiveness of the project.
6. The Secretariat will carry out on-site checking within the first 6 months upon project commencement on the Applicant's establishment and project progress. Any irregularities or non-compliance will be followed up by the Secretariat. Subsequent on-site checkings might be arranged within the project period, if considered necessary by the Secretariat.

**(C) Compliance of Laws of Hong Kong**

1. The Applicant should declare whether the project complies with laws and regulations of Hong Kong.

## **Part C Assessments**

### **(A) Vetting Procedure**

1. Upon receipt of an application, the Secretariat will seek clarification or supplementary information from the Applicant if needed and conduct a preliminary screening to screen out applications which are out of the scope of the Fund. For applications which have passed the preliminary screening, the Secretariat will conduct detailed assessment and submit its recommendations to the Management Committee for approval. Where necessary, an application may be subject to external review. The Applicant shall respond to any request from the Secretariat for clarification or supplementary information by the due date specified by the Secretariat; otherwise, the application will be considered as withdrawn with immediate effect unless the Secretariat's prior approval has been obtained.
2. The Applicant will be notified of the result of the application in writing. The Applicant may write to the Secretariat to withdraw an application any time before the funding agreement is signed.
3. If an application is approved by the Management Committee, the Applicant shall enter into a funding agreement with the Secretariat with the terms and conditions covering the monitoring of project progress and expenditure, submission of reports and audited accounts, etc.

### **(B) Assessment Criteria**

1. Applications are assessed according to the following criteria. Their weightings are as follows –

#### **For Research and Application Projects**

- (a) Relevance to the Scope of the Fund (10%);
- (b) Innovation and Technology Components (25%);
- (c) Technical and Management Capability (20%);
- (d) Financial Considerations (10%);
- (e) Commercial Viability of Project Deliverables in Hong Kong (25%); and
- (f) Project Duration / Programme (10%)

#### **For Pure Research Projects**

- (a) Relevance to the Scope of the Fund (10%);
- (b) Innovation and Technology Components (30%);
- (c) Technical and Management Capability (20%);
- (d) Financial Considerations (10%);
- (e) Potential Application of Research Results in Hong Kong (20%); and
- (f) Project Duration / Programme (10%)

2. To obtain approval and funding, an application needs to pass the passing mark, which is 50% of the full mark, of the above assessment criteria (b) and (c) for respective project.
3. In general, the assessment criteria aim to –
  - (a) promote projects which meet the objectives of the Fund; and
  - (b) promote projects with greater prospect of application, implementation or trial in the near future.
4. The Management Committee, comprising members from different sectors including academia, industry and the Government, may provide comments during the assessment and monitoring process. The Applicant may be required to attend meetings to present their project to and answer queries from the Management Committee / Secretariat. The membership of the Management Committee is available at <http://www.stf.hkpc.org>.
5. If a project is approved, the Estimated Project Cost may be adjusted by the Management Committee, and the amount of fund granted may be adjusted accordingly.
6. The Management Committee reserves the right to reject an application on the grounds including but not limited to:
  - (a) a petition is presented or a proceeding is commenced or an order is made or a resolution is passed for the winding up of the Applicant; or
  - (b) a false, inaccurate or incomplete statement or representation is contained in the application;
  - (c) the Applicant is in default of its obligation(s) under another funding agreement entered into with the Government whether or not in relation to the Fund; or
  - (d) other grounds determined by the Management Committee.
7. The Management Committee may review and revise the above assessment criteria from time to time as appropriate, which shall be applicable to applications received after the revision. The most updated assessment criteria would be made available at the website of the Fund.
8. Further details of the individual assessment criteria are provided in the subsequent sections.

## **I. Relevance to the Scope of the Fund**

1. The Applicant should demonstrate that the proposed project falls within the scope of the Fund set out in paragraph no. 3 of the General Notes and is in line with the objectives of the Fund and relevant Government's policies, including the 'Smart City Blueprint for Hong Kong 2.0'<sup>4</sup> or 'Smart Mobility Roadmap for Hong Kong'<sup>5</sup> for promoting smart mobility in Hong Kong.

## **II. Innovation and Technology Components**

1. The Applicant shall provide details on the viability of the proposal from the technical perspective, including R&D methodology to achieve each milestone, details of each milestone and the responsible parties, preliminary research results and supporting data, and the targeted results.
2. The Applicant shall highlight and explain the innovation and technological achievements brought about by the project, the improvements over existing products and technologies, and how such innovation and technological achievements are relevant to the scope of the Fund.
3. The Applicant shall identify any potential privacy issues arising from the adoption of the proposed innovations and technological achievements and propose mitigation measures. The Applicant may propose as part of the project to engage an independent party to carry out a privacy impact assessment. Subject to the ceiling stipulated in this Guide, the cost will be reimbursed by the Fund.
4. Where applicable, the Applicant should explain how to address cyber security issues arising from the adoption of the proposed innovations and technological achievements and state the relevant testing method, the industrial standard to be adopted and the expected results.

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<sup>4</sup> Smart mobility is one of the six major areas mentioned in the 'Smart City Blueprint for Hong Kong 2.0' published by the Government in December 2020 (<https://www.smartcity.gov.hk>).

<sup>5</sup> The Transport Department published the 'Smart Mobility Roadmap for Hong Kong' in July 2019 ([https://www.td.gov.hk/filemanager/en/publication/smr\\_roadmap\\_hk.pdf](https://www.td.gov.hk/filemanager/en/publication/smr_roadmap_hk.pdf)).

### **III. Technical and Management Capability**

1. The technical and management ability of the project team to deliver the project will be assessed under this criterion. In addition to the qualification, experience and past achievements of key project team members, the size and organization of the project team as well as the role and involvement of the key project team members in the project will be considered.
2. The application shall include the following for assessment under this criterion:
  - (a) Organization chart of the project team with elaborations on the roles and responsibilities of key project team members, and the efficiency and effectiveness of the organization;
  - (b) A manning schedule showing the time to be spent on the project by key project team members;
  - (c) Curriculum vitae of key project team members showing their qualifications, experiences, and past achievements; and
  - (d) Projects completed or on-going projects of the key project team members with brief descriptions, programme, hurdles resolved and key deliverables of the projects.
3. Where appropriate, the track record of the Applicant and the project team in previous funded projects under the Fund will be taken into consideration. The Applicant shall list his projects as well as others' projects with participation from the key project team members (whether or not such projects are completed or not) but need not provide any information on the assessment of the project.

### **IV. Financial Considerations**

The Applicant should ensure that all the necessary financial information is provided in this section and the basis of estimation is reasonable.

#### **(A) Project Expenditure**

1. The Applicants should provide the Estimated Project Cost with breakdown into manpower, equipment, other direct costs and, in the case of the Public Sector Research Institutions, administrative overheads

**a) Manpower**

- (i) For an Applicant other than the Public Sector Research Institutions, project funding can generally be used to cover the salary of project team members, including the employer's mandatory contribution to the Mandatory Provident Fund (MPF). Variable pay and general fringe benefits and allowances such as expenses on housing (including nominal rental for quarters), education, training, passage and travelling (except travelling expenses directly related to the project approved by the Management Committee), food, medical, dental, insurance, severance pay, overtime and untaken leave, etc. are disallowed.
- (ii) For the Public Sector Research Institutions, project funding can generally be used to cover the salary of project team members, including employer's mandatory contribution to the MPF, contract gratuities, annual salary adjustment (excluding increments and promotion) and general fringe benefits (e.g. medical) in accordance with the established mechanism of the relevant Public Sector Research Institutions.
- (iii) The Fund will not cover any emolument to a person whose salary is already paid by the Government, a Government subvented body/institution, a university or any government funding schemes. This principle shall apply irrespective of whether the relevant service/work is carried out within or outside normal working hours of the person concerned.
- (iv) The Applicant is required to seek prior consent from the Government for any change in key project team members.
- (v) For an application from the public sector, at least 30% of the proposed manpower, in terms of time to be spent on the project, shall be contributed by full-time staff directly employed by the Applicant.

**b) Equipment**

- (i) The Applicant should critically examine how the equipment required for the project can be obtained in the most economical manner –
  - 1. the Applicant should first make use of existing equipment;
  - 2. for new equipment, the Applicant should consider to rent if it is more economical than to purchase;
  - 3. new equipment can be procured if it is genuinely necessary, but the Applicant should supply information on the expected usage rate of the equipment, e.g. usage time vs. idle or down time and the use

- during idle time and disposal plan after project completion; and
4. the Management Committee will take into account the expected usage rate, mode of acquisition (purchase vs. rental), future use / divestment to ensure cost-effectiveness.
- (ii) Individual equipment or parts that will eventually form part of the project deliverables (e.g. the prototype) are regarded as consumables and the relevant cost should be grouped under ‘other direct costs’.
  - (iii) The Applicant is required to seek prior consent from the Government for any change in any equipment used or to be used in the project with an estimated cost of HK\$500,000 or above per item.
  - (iv) Project funding shall not be used to cover –
    1. depreciation / amortisation or provisions not representing actual expenses incurred; and
    2. general office and IT equipment.
  - (v) The Applicant should ensure that all procurements for goods and services are carried out in an open and fair manner and should generally comply with the following procedures –

<b>Aggregated value of each procurement</b>	<b>Requirement</b>
HK\$50,000 and below	Quotations from at least 2 suppliers
Above HK\$50,000 to HK\$1,400,000	Quotations from at least 5 suppliers
Above HK\$1,400,000	Open tender

- (vi) In case the Applicant intends to deviate from the procedures above, he has to provide details and justifications and the relationship with the proposed supplier(s) or tenderers, if any, in the application form.
- (vii) However, if the Applicant submit multiple applications and these applications require the use of the same equipment procured under the Fund, the equipment should be shared among these 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.

c) **Other Direct Costs**

- (i) Project funding can be used to cover –
1. external consultancy;
  2. purchase of consumables and licences for IP rights;
  3. promotion and marketing activities for disseminating project deliverables and technology transfer;
  4. advertisements for staff recruitment;
  5. patent registration fee up to HK\$250,000 per project;
  6. equipment or parts that will eventually form part of the project deliverables;
  7. external audit fees as required by the funding agreement. (The maximum provision allowed for each annual/final audited account of a project with an Estimated Project Cost of less than HK\$1 million, between HK\$1 million and HK\$5 million and more than HK\$5 million shall not exceed HK\$8,000, HK\$14,000 and HK\$20,000 respectively.); and
  8. reasonable travelling cost (e.g. economy class fare only if applicable) that are of direct relevance to the project and account for no more than 5% of the total amount of funds required from the Fund. The number of participant is not more than one person from project team.
- (ii) Unless otherwise specified in this Guide, project funding cannot be used to cover other costs like –
1. building facilities (including office, laboratory, accommodation) – rates, rental, renovation, operation, repair and maintenance expenses;
  2. costs of setting up office or forming association / consortium;
  3. utilities – charges for electricity, gas, water, telephone and fax;
  4. transport – shuttle bus services and travelling expenses between workplaces and homes;
  5. general administration and office expenses;
  6. staff-related costs – provident fund handling charges, staff training and development costs and staff facilities;
  7. entertainment expenses, and any prizes, in the form of cash or not;
  8. advertisements (except for disseminating project deliverables and technology transfer, or staff recruitment);
  9. organisation of trade missions and participation fees at study/trade missions;
  10. charges for non-R&D services (e.g. accounting, personnel, procurement, library, security, cleansing, legal, and central and departmental administrative support) provided by the Applicant or its contractors/agents; and

11. capital financing expenses (e.g. mortgage and interest on loans/overdrafts).

The list of disallowed cost items set out above is NOT exhaustive. The Applicant should consult the Secretariat if there is any doubt whether an item would be funded.

**d) Administrative Overheads**

- (i) Administrative overheads up to 15% of the funding requested (net of administrative overheads) can be included in the project budget for applications from the Public Sector Research Institutions. The actual administrative overheads to be reimbursed by the Fund will be capped at 15% of the funding approved (net of administrative overheads).
- (ii) The administrative overheads shall be included as part of the project expenditure in the financial information to be provided by the Public Sector Research Institutions.

**(B) Sponsorship**

1. Any organisations or individuals can be sponsors to the project. Due weighting will be given to a project with a larger amount of sponsorship and larger number of sponsors from related industries, which indicate the interests of the industries in the deliverables of the project and the potential for adoption by the industries.
2. The Applicant is required to provide details and supporting documents on the sponsors, the amounts of sponsorships and their main businesses.

**(C) Project Income and Residual Funds**

1. All funding and contribution for the project and income derived from the project shall be deposited to the project account and used for offsetting project expenditures. After completion (or termination, as the case may be) of the project, the Applicant shall return to the Government all unspent funding contributed by the Fund, and residual project income in the project account in proportion to the funding disbursed as set out in the funding agreement.

## **V. Commercial Viability of Project Deliverables in Hong Kong / Potential Application of Research Results in Hong Kong**

### **For Research and Application Projects**

1. In the context of the Fund, ‘commercialisation’ refers to the deliverables of the Project being launched, sold or adopted by either private or public parties.
2. To enhance the chance of commercialisation, the Applicant should provide the following information:
  - (a) the stages at which the project is positioned upon commencement and completion (e.g. research, development, testing);
  - (b) future positioning of the deliverables of the project in the market vis-a-vis existing products and technologies;
  - (c) whether further phase of research and application work is required prior to commercialisation;
  - (d) whether there are associated/complementary technology development projects which will contribute to the commercialisation of the deliverables of the project; and
  - (e) an analysis of the strengths / weaknesses / opportunities / threats of the deliverables of the project (i.e. SWOT analysis).
3. The Applicant should, where available, supply supporting documents from organisations interested in procuring a licence of the deliverables of the project for commercialization or further development.

### **For Pure Research Projects**

4. For pure research projects, the application will be vetted based on its plan and the long term potential of making use of the research results to develop products or technologies which can be launched, sold or adopted by either private or public parties.
5. The Applicant should provide the following information:
  - (a) the stages at which the research project is positioned upon commencement and completion (e.g. data analysis, modelling, analysis);

- (b) whether the Fund's funding will be required for a further phase of research work; and
  - (c) whether the project deliverables would likely lead to improvement of existing products or technologies or commercialisation of products or technologies under development.
6. The Applicant should where appropriate supply supporting documents from organisations interested in carrying out further research or development based on the deliverables of the project.

## **VI. Project Duration / Programme**

1. The Applicant should submit a programme with key milestone dates and dates for submission of the project deliverables.
2. To encourage more quick-win solutions that can bring benefits to the community within a short time, projects with duration not more than 12 months with reasonable and realistic programme will score higher marks while those projects with duration exceeding 24 months will score lower marks.