



***Guide to R & D Project Applications
from the Hong Kong Research Institute
of Textiles and Apparel***

***The Hong Kong Research Institute of Textiles and Apparel
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Chapter I

Introduction

- 1.1 The Hong Kong Research Institute for Textiles and Apparel (HKRITA) is established under the funding of the HKSAR Government's Innovation and Technology Commission and hosted by the Hong Kong Polytechnic University. HKRITA aims to provide a one-stop service for applied research, technology transfer and commercialization and to help facilitate textile and clothing industries to move up high value-added manufacturing and servicing activities.
- 1.2 Funding from HKRITA is to support projects that contribute innovation and technology upgrading in textiles and clothing industry. It aims to increase the added value, productivity and competitiveness. HKRITA hopes that, through funding support, local textile and clothing companies could be encouraged and assisted to upgrade their technological level and introduce innovative ideas to their business.
- 1.3 HKRITA is located at R906-907, Shirley Chan Building, the Hong Kong Polytechnic University, Kowloon. (Tel.: (852) 2627 0180; Fax: (852) 2364 2727). Applications that meet the objective and eligibility criteria of HKRITA's R & D programmes can to be submitted to HKRITA electronically through the Innovation and Technology Commission Funding Administrative System (ITCFAS). For details, please visit <http://www.itf.gov.hk>.

1.4 R & D Projects implemented by HKRITA

- 1.4.1 In considering applications, weighting will be given to:
 - (a) Focus – to identify key technology focus areas where the local textiles and clothing industry has competitive advantages for optimal use of resources to create greater impact;
 - (b) Market relevance – to adopt a demand-led, market-driven approach in driving the innovation and technology programme to ensure that our investments are relevant to industry and market needs;
 - (c) Industry participation – to close involve the industry in defining the focus areas and in other stages of innovation and technology development;

- (d) Leverage on the Mainland – to capitalize on the opportunities presented by the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and to utilize the production base in the Greater Pearl River Delta as the platform for developing our applied R & D and commercialization of applied R & D deliverables;
- (e) Better coordination – to strengthen coordination among various technology related institutions and the industry for enhanced synergy and impact; and
- (f) Benefit sharing - to encourage participation by the industry and other research/technology partners in R & D projects, the Intellectual Property (IP) arrangements should be made to allow participants to enjoy IP rights, and the form of the arrangements should be commensurate with the level of contributions.

Chapter II

General Features of R & D Programmes

2.1 *Who are eligible to Apply?*

- 2.1.1 Universities, industry support organizations, trade and industry associations, professional bodies, research institutes and companies locally incorporated are eligible to apply. The principal applicant organization should be a company incorporated in Hong Kong under Companies Ordinance (Cap.32) and have substantial connection¹ to Hong Kong or a body corporate incorporated in Hong Kong under other ordinances of the Hong Kong Special Administrative Region.
- 2.1.2 For the Collaborative Research Programme, an application can also be submitted with a private company engaging in commercial activities as the applicant and a local public-funded research institute² as the partner. The company has to be a company incorporated in Hong Kong under the Companies Ordinance and have substantial connection to Hong Kong, or a locally incorporated company with industry operations in the Mainland or overseas. To avoid conflict of interest, the research institute and the company have to be operated at arm's length in terms of ownership or assistance by the research institute to the company. In general, the research institute cannot own more than 50% of the company's shares. Furthermore, the project team members and the steering committee members representing the research institute should not be directors/shareholders/management team members of the company.

¹ A company which has substantial connection to Hong Kong means that it must have a significant proportion of its research, design, development, production, management or general business activities located in Hong Kong.

² Local public-funded research institutes include universities, Hong Kong Productivity Council, etc.

2.2. The Two R & D Programmes

2.2.1 There are two R & D programmes are as follows:

1. Platform Research Programme – Applications are open to universities, industry support organizations, trade and industry associations, professional bodies, and research institutes. This requires support from at least two industry sponsors who should make a cash contribution of at least 10% of the total project cost.
2. Collaborative Research Programme – Applications are open to private companies who must collaborate with a local public-funded research institute (e.g. a university or Hong Kong Productivity Council) and which require either:
 - (a) Collaborative Research with Industry – a cash contribution of no less than 50% of the total project cost at the start of the project; or
 - (b) Collaborative Research with Research/Technology Partners - a combination of cash contribution³ and the monetary value of background intellectual property right⁴ which equates to no less than 50% of the total project cost at the start of the project.

³ Cash contribution from private companies

⁴ The background Intellectual Property contributed from a local public-funded research institute is utilized for developing new IP. The valuation of the background IP should be conducted by an independent agent accepted by both institute and HKRITA.

2.3 Form of Funding Support

2.3.1 For Projects under the Platform Research Programme:

Funding support from HKRITA is normally given as a grant (up to a maximum of 90% of the total approved project cost). The net amount requested from the funding presents the net approved project cost after deducting the expected income (excluding interest income) during the project period, the amount of sponsorship and/or funding from other sources for the project. All funding grants will be disbursed by half-yearly instalments to the approved projects. Funding grants may be used for meeting the manpower, equipment and other direct costs specifically required for the conduct of the project. For projects involving recurrent expenditures, the applicant organization has to demonstrate that such expenses will be of a specified finite duration or that the project will become self-financing after the completion of the project.

2.3.2 For Projects under the Collaborating Research Programme:

(a) For Projects under the Collaborating Research with Industry:

The local public-funded research institute will be the recipient organization, and it is expected that most of the project cost is to cover the research institute's project related expenses. Funding support from HKRITA is given as a grant, subject to cash contribution by the company amounting to no less than 50% of the cost of a project at the start of the project. Funding grants will be disbursed by half-yearly instalments against satisfactory progress of the project. The net amount requested from the funding represents the net approved project cost after deducting the company's contribution to the project and other expected incomes, if any (excluding interest income) during the project period.

(b) For projects under the Collaborative Research with Research/Technology Partners:

The local public-funded research institute will be the recipient organization, and it is expected that most of the project cost is to cover the research institute's project related expenses. Funding support from HKRITA is given as a grant, subject to cash contribution and the monetary value of background IP by the company and research institute amounting to no less than 50% of the cost of a project at the start of the project. The assumed monetary value of the Background IP should normally not exceed 50% of the total project cost. Funding grants will be disbursed by half-yearly instalments against satisfactory progress of the project. The net amount requested from the funding represents the net approved project cost after deducting the company's contribution and the monetary value of the background IP to the project and other expected incomes, if any (excluding interest income) during the project period.

2.3.4 A list of unallowable cost items which cannot be charged to the project account is set out in paragraph 5.2 of Chapter V.

2.4 *Industrial Sponsorship*

2.4.1 All projects under the Platform Research Programme would require cash sponsorship from at least two private firms and not related to the applicant organization in terms of ownership or management. The aggregate industry cash contributions should constitute at least 10% of the total project costs, and cash contributions should be made available within the first six to nine months after the project has started. In-kind sponsorship would not be counted as individual support as such, and should not be included in the project account, though it could be included in the project proposal as supplementary information. Funding priority will be given to applications that have more sponsorship in particular in the form of cash.

2.5 *Steering Committee of R & D Projects*

2.5.1 A steering committee shall be established to monitor the project progress, endorse progress reports/final report, and financial statements and audited accounts of the project before their submission to HKRITA. The committee should comprise representatives of the institute and the participating company/companies and should meet at least once every three months. The institute and the participating company/companies have to jointly submit to HKRITA regular half-yearly progress reports and a final report, together with copies of the minutes of the committee meeting, on the project. Please refer to Chapter VI on submission of reports.

2.6 *Commercialization and Intellectual Property Rights of R & D Projects under the Platform Research Programme and Collaborative Research Programme*

2.6.1 The recipient organization is required to collaborate with the HKRITA, to disseminate/transfer the project results to industries through workshops or seminars. The guideline on IP arrangements of the project results for the captioned research programmes is at Annex.

2.7 *Application Procedures*

2.7.1 Application should be submitted electronically through ITCFAS at the ITF website <http://www.itf.gov.hk>. The application form contains eight parts, all sections of which have to be completed with supporting documents wherever required. Before submission, please read this Guide and the Notes embedded in the application form. No application fee will be charged. Unless requested by HKRITA, supplementary information on an application submitted after the deadline for submission will not be considered and will not form part of the application.

Chapter III

Vetting and Assessment Procedures

3.1 *Vetting procedures*

- 3.1.1 Upon receipt of an application, HKRITA will conduct a preliminary screening and may seek clarification or supplementary information from the applicant. Where necessary, individual application may be subject to external peer review. HKRITA's assessment, together with the results of any external peer review, will be submitted to the Technology Committee of HKRITA constituted from a pool of assessors: businessmen, academics and Government officials. They provide the necessary commercial, technical and policy input in the assessment and monitoring processes.
- 3.1.2 Project team members may be required to attend assessment meetings to present their projects to and answer queries from the Technology Committee of HKRITA.
- 3.1.3 HKRITA's recommendations will be submitted to the Government for approval for the release of grants for projects requesting not more than \$15 million. Approval from the Finance Committee of the Legislative Council is required for projects requesting more than \$15 million each from the Government fund.

3.2 *Vetting Criteria*

3.2.1 *Platform Research Programme* - in considering a proposal, due consideration will be given to, inter alia, the following wherever applicable:

- (a) Whether the project complies with one of the technology focus areas for research;
- (b) Whether the products, technologies or systems (even though these may be available overseas) will meet the needs of the local textiles and clothing industry;
- (c) The technical feasibility/economical potential of the project;
- (d) The capabilities and experience of key research personnel;
- (e) Whether the project programme has clear research milestones and deliverables;
- (f) Whether the proposed budget is reasonable and realistic and/or whether the project can be funded by other sources; and
- (g) Whether the project will benefit at least a certain sector of the industry.

3.2.2 Collaborative Research Programmes - in considering a proposal, due consideration will be given to, inter alia, the following wherever applicable:

- (a) Whether the project complies with one of the technology focus areas for research;
- (b) Whether the products, technologies or systems (even though these may be available overseas) will meet the needs of the local textiles and clothing industry;
- (c) The technical feasibility/economical potential of the project;
- (d) The capabilities and experience of key research personnel;
- (e) Whether the project programme has clear research milestones and deliverables;
- (f) Whether the proposed budget is reasonable and realistic and/or whether the project can be funded by other sources; and
- (g) Whether the R & D content will merit the participation of a public-funded research institutes, and will result in the innovation and technology upgrading product, technology and system of the applicant company.

3.3 Avoidance of Conflict of Interest

- 3.3.1 To avoid conflict of interests, Technology Committee members of HKRITA who are directly or indirectly related to an application will be required to leave the conference room and refrain from the discussion of that application. This will apply to members who are part of the project team, and chairman/president, vice-chairman/vice president, director, advisor and secretary, whether paid or unpaid, or a paid staff of the applicant organization, and implementing organization, a collaboration organization or a sponsoring organization.

3.4 Notification of Results

- 3.4.1 For projects for which funding support is recommended by the Technology Committee, the applicant organization may be required to submit a revised application proposal, taking into account the comments of the Technology Committee, and HKRITA will issue an approval-in-principal letter to the applicant organization for preparation of project cashflow etc. Subject to further vetting by HKRITA, the revised application proposal, together with other necessary documents like the cashflow for the project, will be formally approved and appended to the project agreement. If an application is declined, reasons will be provided.

3.5 *Withdrawal*

3.5.1 The applicant organization can write to HKRITA to withdraw an application at any time before an agreement is signed between the Government and HKRITA.

3.6 *Resubmission*

3.6.1 A declined application may be resubmitted only if it has been revised substantially or if it has been able to produce additional information to address the comments made by the Technology Committee of HKRITA in its earlier review. In completing the application form for a resubmitted application, the applicant should set out clearly the differences of the resubmitted application vis-à-vis the previous one. The revised application will be treated as a new application, and will be subject to the same assessment procedures.

3.7 *Returns*

3.7.1 Applications will be returned if they are submitted by ineligible organizations or if they have been declined previously but have not been revised in accordance with paragraph 3.6 above.

Chapter IV

Project Agreement and Project Account

4.1 *Contractual requirement*

4.1.1 For each project for which grants have been approved, the recipient organization has to sign an agreement with HKRITA and comply with all the terms and conditions laid down in the project agreement, this Guide and all instructions and correspondences issued by HKRITA from time to time in respect of the project.

4.2 *Separate Account and Interest*⁵

4.2.1 For projects under the Platform Research Programme and Collaborative Research Programme, the recipient organization is required to open a separate risk-free interest-bearing bank account (project bank account) with a licensed bank registered under the Banking Ordinance (Cap. 155) specifically for processing all receipts and payments of each project. The grants and all other receipts (including cash sponsorship and funding from other sources) arising from the project should be deposited into the project bank account and all payments exclusively applied to the project for which they were paid should be paid out from the project bank account. All project funds (including the grants, all other receipts and interest income) should be kept in the project bank account by the recipient organization who should, until such funds are spent (paid) in accordance with the compliance requirements as specified in paragraph 4.1.1 above/returned to HKRITA by the recipient organization, hold the same as trustee for HKRITA.

4.2.2 All interest income generated in the project bank account should be credited back to the project account, should not be used and should be returned to HKRITA on completion of the project or termination of the project agreement. (Please also see paragraph 6.5 of Chapter VI for details on Return of Residual Funds). The recipient organizations are not entitled to charge to the project account any interest expenses or claim any compensation or relief of whatsoever nature against HKRITA in the event of any late or withholding of payment of the fund for any whatsoever reason.

4.2.3 The recipient organization may be required to compensate HKRITA for loss of interest income if the project fund is not properly handled in accordance with paragraphs 4.2.1 and 4.2.2 above. In this regard, HKRITA will take such action as may be deemed necessary.

⁵ For Universities, please also refer to the Supplementary Note attached to this Guide

4.3 Books and Records

- 4.3.1 The recipient organization is also required to keep a proper and separate set of books and records (project account) for each project. The project account should be maintained in such a manner as to enable the production of Statement of Income and Expenditure (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 the project. All income and expenditure of a project should be properly and timely recorded in the books of accounts.
- 4.3.2 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 income and all other income, budgeted or not, should form part of the income of the project and should be used solely for the project and their usage should follow the approved project budget, this Guide and instructions laid down for the projects. All the income and expenditure of a project must be received/accrued and expended (paid)/accrued respectively in accordance with the basis of each budget line item as set out in the approved project budget.
- 4.3.3 The books and records of the project should be kept by recipient organization for at least two years after completion of the project or termination of the project agreement, or as otherwise specified by HKRITA within that two-year period. In this connection, HKRITA, Commissioner for Innovation and Technology (CIT) and 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 have rights to obtain photocopies of such records, if necessary. HKRITA, CIT and Director of Audit may at its absolute discretion request the recipient organization to make available and/or deliver photocopies of such records to HKRITA, CIT and Director of Audit at its sole cost and expenses. When so requested in this connection, the organization will be obliged to make available all project books of accounts and records and explain to HKRITA 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 organization in receipt of the grants. HKRITA also reserves the right to require recipient organizations to return mis-spent amount together with interest income accrued.

4.4 Reporting Requirements⁶

- 4.4.1 The recipient organization has to submit to HKRITA half-yearly/final accounts of all income and expenditure (together with its half-yearly progress reports/final report) as well as annual and final audited accounts prepared on accrual basis of accounting for each project. The audited accounts should comprise Statement of Income and Expenditure, Balance Sheet, Notes to the Accounts and Auditor's Report.
- (a) Annual audited account made up to 31 March each year should be submitted on or before 31 May of that particular year. The first annual audited accounts may cover more than 12 months but not more than 18 months. The last annual audited accounts can be waived if it covers not more than 18 months.
 - (b) Final audited accounts covering the period from project commencement date to project completion date or termination date of the project agreement should be submitted within three months from the completion date of project or termination date of the project agreement if the total project cost involved is \$1 million or above, and within one month if it is below \$1 million.
- 4.4.2 All income received/receivable and expenditure incurred (paid or payable) for the project during the reporting period should be fully and properly accounted for in accordance with the project agreement, this Guide and all instructions and correspondences issued by HKRITA in respect of the project and should be the same as recorded in the books of accounts for that reporting period. The annual/final accounts of a project should be properly prepared from and in agreement with the books of accounts of the project. The financial position reported in each half-yearly progress reports/final report and annual/final audited accounts should tie in with the technical progress/results of that reporting period(s)/year(s). No adjustments relating to prior and/or the subsequent period(s)/year(s) are allowed once the progress report(s)/final report and/or annual/final audited accounts for that reporting period(s)/year(s) have been submitted to HKRITA except the correction of arithmetic errors or adjustments as requested by HKRITA. Arithmetic errors should be rectified within first three months of the period covered by the ensuing progress report.
- 4.4.3 Any record of mishandling of public funds or lack of discipline in financial management or non-compliance with the terms and conditions of the project agreement is a factor which the HKRITA will take into account in considering future applications from the same organization or the same project team members.

⁶ For Universities, please also refer to the Supplementary Note attached to this Guide

4.5 *Auditing Requirements*

- 4.5.1 The requirement to submit annual/final audited accounts is to assure HKRITA that the project funds were fully and properly applied to the projects for which they were paid, and received and expended in accordance with the approved project budget; and that the recipient organization complied with the funding terms and conditions in the administration, management and usage of the project. The annual/final audited accounts should be reported by independent auditors who must be Certified Public Accountants holding a practicing certificate registered under the Professional Accountants Ordinance (Cap. 50) (the Auditors) and conducted in accordance with the latest version of the Notes for Auditors of Recipient Organizations (the Notes) issued by Innovation and Technology Commission.
- 4.5.2 The recipient organization should specify in the engagement letter for the employment of the Auditors that they should strictly follow the requirements stipulated in the latest version of the Notes in conducting a high level assurance engagement and preparing auditors' report for each annual/final account of each project. The engagement letter should also specify that HKRITA, CIT and Director of Audit and their authorized representatives should have the right to communicate with the Auditors on matters concerning the annual/final accounts and the supporting statements. In addition, the recipient organization should ensure that each of the auditors' reports must strictly follow the specimen as attached to the latest version of the Notes.
- 4.5.3 Recipient organizations are required to make available to the Auditors all information, documents and explanations relating to the project. The information and documents mainly comprise project agreement, this Guide, any instructions and correspondences issued by HKRITA in respect of the project, progress report(s)/final report and project accounts and records.
- 4.5.4 External audit fees relating to the project and arising from compliance with the provisions of the project agreement have to be included in the budget. The maximum funding support allowed for an annual/final audited account of a project costing less than \$1 million, between \$1 million and \$5 million and more than \$5 million should not be more than \$5,000, \$10,000 and \$20,000 respectively.

Chapter V

Change requests and Unallowable Costs

5.1 *Change Requests*⁷

- 5.1.1 An approved project is required to be carried out strictly in accordance with its proposal appended to the fund agreement. Any modification, amendment or addition to the project or the agreement, including change to the project or the agreement, including change of the project commencement or completion dates⁸, key project staff (including project coordinator, deputy project coordinator and project investigator) or key equipment⁹, scope, methodology, budget (other than circumstances set out in paragraph 5.1.2 below) or cashflow projection, will require prior specific written approval by HKRITA. The project coordinator should inform the HKRITA well in advance by submitting a change request electronically through ITCFAS. The project coordinator is responsible for overseeing the project generally; monitoring its expenditure and ensuring the proper usage of project funds in accordance with the approved project budget, this Guide and other instructions set for the projects; liaising with and answering all enquiries/requests raised by HKRITA and for information and clarification on all aspects of the project; and attending progress meetings on the project.
- 5.1.2 For budget control purpose, the actual expenditure for any individual item may exceed at most 10% of the original budgeted expenditure for that item if this does not result in any increase in the overall total approved project cost and the total amount of the grants requested and that all expenditure follows the relevant requirements set out in this Guide. Justification is required to be disclosed for any spending in excess of the budget items in the relevant half-yearly progress report(s) and/or final report. Notwithstanding this, prior written approval is required to be sought from HKRITA if budgeted expenditure is to be transferred to any **unbudgeted expenditure item** (e.g. new/alternate equipment item, new project staff, new/alternate consumable item). Such request should be made electronically through the ITCFAS. The final decision on whether certain items of income and/or expenditure should be/can be included/charged to a project should vest with HKRITA.

⁷ For universities, please also refer to the Supplementary Note attached to this Guide.

⁸ The commencement and completion dates are specified in the project agreement. They could not be varied unless there has been a mutual agreement in writing between the contractual parties

⁹ Key project staff and key equipment are identified in the project proposal appended to the project agreement.

5.2 Unallowable Costs

General

5.2.1 All project funds (including the grants allocated to recipient organizations, sponsorship and other income) are for the sole purpose of carrying out the projects. Project funds may be used for covering –

- (a) the costs of manpower specifically employed for carrying out the project;
- (b) new equipment procured specifically for carrying out the project; and
- (c) other direct costs which are specifically incurred for carrying out the project.

5.2.2 All expenditure to be covered by the project funds must be exclusively used for the project and incurred within the project period, except otherwise approved by HKRITA. When preparing the project budget contained in the application proposal, all expenditure items have to be grouped under the categories of manpower, equipment and other direct costs. Unspecified cost items such as miscellaneous, sundry and contingency etc. will not be accepted by HKRITA and should not be included in the budget.

*Manpower*¹⁰

5.2.3 Unless otherwise agreed by HKRITA, the fund will not pay any emolument to a person who is already on the payroll of Government or a Government sub-vented body/institution. This principle should apply irrespective of whether the relevant service/work is carried out within or outside normal working hours of the person concerned.

5.2.4 Subject to paragraph 5.2.3 above, project coordinators, deputy project coordinators and project team members may charge their efforts to the project on a full-time basis or a pro-rata/hourly basis provided that a monthly time sharing record of their working time devoted to the project is maintained.

¹⁰ For universities, please also refer to the Supplementary Note attached to this Guide.

5.2.5 Notwithstanding paragraph 5.2.4, an applicant organization must not charge the salary of its existing staff against the project unless this is a deployment absolutely necessary and essential for the project and HKRITA's prior approval has been obtained. In case only a certain percentage of the working time of the staff is deployed for the project, his/her salary can be charged on a pro-rata/hourly basis provided that a monthly time sharing record devoted by the staff to the project is maintained.

5.2.6 Specifically, project funds cannot be used to cover the following expenditure items:

- (a) annual salary increment, except cost of living adjustment at a rate comparable with and applicable to civil service.
- (b) gratuities, fringe benefits and allowances other than employer's contribution to the Mandatory Provident Fund. Such fringe benefits and allowances include expenses on housing (include nominal rental for quarters), education, training, passage and traveling¹¹, food, medical, dental, insurance, severance pay, overtime and untaken leave, etc.

Equipment

5.2.7 Cost of new equipment for implementing the project can be charged to the project account. In general, hire-purchase of equipment is not allowed. If the new equipment is to be shared among different projects with its cost charged on a pro-rata basis under each project, the applicant organization is required to maintain a record on the usage of the equipment by the concerned projects for cost allocation purpose. Please specify in detail in the application and project budget if such incident will happen. Applicants are encouraged to share the use of existing equipment within their organizations or from other organizations. Maintenance cost of the existing equipment can be charged against the project account on a pro-rata basis if the applicant organization maintains a record on the usage of the equipment. For the sake of clarity, such maintenance/rental cost (if any) should be placed under "Other Direct Costs".

¹¹ Local/overseas training, study/trade mission and field trip are normally not allowed unless otherwise fully justified. These should be itemized and put under the categorized of "Other Direct Costs" in the budget of the application proposal for HKRITA's approval. The number of participants should be limited to no more than one person from the project team, members of which shall be from the recipient or the implementing organization. Any traveling expenses incurred for such purposes should account for no more than 5% of the amount of funds requested from HKRITA and cover the cost of economy class fares (if any) incurred by the project team members.

5.2.8 Specifically, project funds cannot be used to cover –

- (a) rental/time cost of existing equipment owned by the recipient organization;
and
- (b) depreciation/amortization or provisions not representing actual expenses incurred.

5.2.9 For general office and IT equipment specifically required for the project, they have to be either included in the approved budget or the fund of which has been specifically approved by HKRITA, or otherwise the costs of such items cannot be charged to the project account.

*Other Direct Cost*¹²

5.2.10 Project funds cannot be used to cover:

- (a) building facilities (including office, laboratory, accommodation) – rates, rental, renovation, and operation, repair and maintenance expenses.
- (b) costs of setting up office or forming association.
- (c) utilities – charges for electricity, gas, water, telephone and fax.
- (d) transport - shuttle bus services and home to workplace traveling expenses.
- (e) general administration and office expenses.
- (f) staff-related costs – provident fund handling charges, staff training and development costs and staff facilities.
- (g) entertainment expenses, and any prizes, either in the form of cash or other types of souvenirs.
- (h) advertisement (except for disseminating project deliverables, or recruitment of staff listed in the approved budget or subsequently approved by HKRITA).
- (i) organization of trade missions and participation fees at study/trade missions for individuals/companies¹³.
- (j) charges for services provided by the recipient organization or their contractors/agents – accounting services, personnel services, procurement services, library services, security services, cleansing services, legal services, and central and departmental administrative services.
- (k) costs related to prior/subsequent year(s)/period(s) adjustment(s)¹⁴
- (l) capital financing expenses, e.g. mortgage and interest on loans/overdrafts.

5.2.11 The above list is not exhaustive. Recipient organizations should consult HKRITA if they have any doubts about whether the item could be charged to a project account.

¹² For universities, please also refer to the Supplementary Note attached to this Guide

¹³ Please also see note 11 on page 17

¹⁴ Please also see paragraph 4.4.2 of Chapter IV

Chapter VI

Submission of Reports and Disbursement of Funds

6.1 *Progress reports*

- 6.1.1 All projects are monitored against their stated milestones by HKRITA, experts outside and HKRITA and, where appropriate, through the peer review mechanism. Recipient organizations, or the participating company and its public-funded research institute partner where appropriate, have to submit half-yearly progress reports until project completion or termination of the project agreement for each of their projects for approval according to the schedule as set out in the project agreement. All progress reports should be prepared in the standard format stipulated by HKRITA. In-depth technical details should be provided to facilitate assessment. For projects under the Collaborative Research Programme, minutes of meetings of the steering committees of individual project held during the period covered by the progress report have to be submitted as Annexes to the report. When preparing the Statement of Income and Expenditure for the progress report, please refer to paragraphs 4.3 and 4.4 of Chapter IV for details. Upon request by HKRITA, recipient organizations are required to provide timely clarification and/or additional information to substantiate the content of progress reports. Details of the commercialization plan of project results will be required to be reported in the last progress report and final report. HKRITA may organize visits or progress review meetings to examine the progress of a project. The progress and final reports have to be vetted and endorsed by the Technology Committee of HKRITA.
- 6.1.2 For projects relating to technology development, particularly those seeking to develop new technology, there would be a mid-term evaluation during which the likelihood of success and the latest global developments in the same area should be re-examined in detail.

6.2 Disbursement of the Grants¹⁵

- 6.2.1 Disbursement of the grants will be done by instalments. For the Platform Research Programme, the first instalment will only be effected when all the required documents have been submitted. The second instalment will be effected when all cash sponsorship is in place. For the Collaborative Research Programme, the first instalment will only be effected when all the required documents have been submitted and all cash sponsorship (cum the monetary value of background IP in case of Collaborative Research Programme with Research/Technology Partners) is in place. Unless circumstances justify otherwise, other instalments of the grants, if any, will be disbursed only if the project is able to meet the prescribed milestones and HKRITA is satisfied with its progress and that there is evidence showing due contribution by the sponsor(s), if any, to the project. HKRITA reserves the right to withhold any further payment to the project if a large amount of funds remains unspent in the project account or if there is any delay in submission of progress report.
- 6.2.2 For some projects, HKRITA may consider it necessary to withhold a sum of retention money of 5% of the fund, until all the prescribed milestones have been completed satisfactorily and all the requirements set down by HKRITA have been accomplished.
- 6.2.3 In addition, HKRITA reserves the right to withhold a sum of retention money of 5% of the fund if there is any record of non-compliance with the terms and conditions of the project agreement.

6.3 Final report

- 6.3.1 Within two months from project completion date or termination date of the project agreement, the recipient organization has to submit a final report covering the period from project commencement date or termination date of the project agreement, in which, among other things, quantifiable results of the project (both technical and financial) as well as further details for the commercialization of the project results have to be set out. The final report should be prepared in the standard format stipulated by HKRITA and submitted through ITCFAS. In-depth technical details should be provided to facilitate assessment.

¹⁵ For disbursement of the grants to projects under the Collaborative Research Programme, please see paragraph 2.3.2 of Chapter 2.

- 6.3.2 Upon receipt of the final report of a project, HKRITA will assess the effectiveness of the project by comparing the project results against its original objectives and targets (both technical and financial) as set out in the project proposal. Feedback from the project teams, their partners/sponsors, the relevant business sector, and the experts that have assisted in the project assessment would be sought. Upon request by HKRITA, recipient organizations are required to provide timely clarification and/or additional information to substantiate the content of final report.
- 6.3.3 The final report will be considered by HKRITA. The project coordinator and/or other project team members may be invited to present the project results.

6.4 *Suspension or Termination of Funding Support*

- 6.4.1 HKRITA may terminate a project or suspend fund at any time for reasons which include, inter alia, lack of progress of the project in a material way, slim chance of completion of the project in accordance with the project proposal, the original objectives of project no longer relevant to the needs of the industry as a result of material change in the circumstances, objectives and relevance of the project have been overtaken by events, or HKRITA sees fit to terminate the project in public interest.

6.5 *Return of Residual Funds*

- 6.5.1 The recipient organization should return to HKRITA all residual funds remaining in the project account mentioned in paragraph 4.3 of Chapter IV (including interest income) upon completion of the project or termination of the project agreement and all actual interest income accrued from project completion date or termination date of the project agreement up to the date of payment, within 90 days after such completion or termination. HKRITA may take such action as may be deemed necessary in case of unreasonable delay in the return of residual funds and interest income to HKRITA.

6.6 *Post-Project Evaluation Report*

- 6.6.1 The recipient organization may be required to submit a post-project evaluation report for its project to report on the efforts in publicizing and technology transfer of the project deliverables, and to provide quantitative measurement on the adoption of the project results by the industry. The report can be in whatsoever form and format as specified by HKRITA.

Chapter VII

Procurement and Recruitment

7.1 Procurement Procedures¹⁶

- 7.1.1 The recipient organization should ensure that all procurements for goods and services are carried out in an unbiased and fair manner and must comply within the following procedures unless HKRITA agrees otherwise.
- (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 two suppliers should be obtained. The recipient organization 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 three suppliers should be obtained. The recipient organization 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.
- 7.1.2 In case an applicant organization intends to procure goods or services from one company/organization/individual, it has to provide details, justifications and its relationship with the company/organization/individual in the application form for not following the open procurement process set out at paragraph 7.1.1 above. If the application is approved, subsequent approval from HKRITA will not be required.
- 7.1.3 All quotation and tendering documents should be kept by the recipient organization for HKRITA, CIT and Director of Audit's inspection and the retention period of these documents should be at least two years after completion of the project or termination of the project agreement, or as otherwise specified by HKRITA within that two-year period.

¹⁶ For universities, please also refer to the Supplementary Note attached to this Guide

7.2 *Hiring of Project Staff*

- 7.2.1 The recipient organization is required to abide by the principle of openness and competitiveness in hiring staff for the approved project.

7.3 *Title to Equipment*¹⁷

- 7.3.1 For projects under the Platform Research Programme, the title to equipment costing over HK\$500,000 will remain with HKRITA throughout the scheduled project period and for two additional years thereafter. Upon completion of the project or termination of the project agreement, the recipient organization is required to make available for removal by HKRITA such equipment in which HKRITA retain title. However, the recipient organization will have the right to use the equipment to carry out the project and the risk in the equipment (e.g. loss, damages, liabilities, etc.) will vest and remain with the recipient organization upon procurement of the equipment.
- 7.3.2 For projects under the Platform Research Programme, unless otherwise agreed or specified by HKRITA, the recipient organization has to keep all equipment costing less than and equal to HK\$500,000 purchased for the project for at least two years after project completion or termination should make such equipment available for HKRITA, CIT and Director of Audit's inspection upon request.
- 7.3.3 For projects under the Collaborative Research with Industry, the title to all equipment procured will vest with the public-funded research institute that initiates the procurement of /procures the equipment. The participating company, however, has the right to use the equipment during the project period. The participating company and its partner research institute should make the equipment available for HKRITA, CIT and Director of Audit's inspection upon request within two years after project completion or termination of project agreement.
- 7.3.4 For projects under the Collaborative Research with Research/Technology Partners, the title to all equipment procured will vest with the research partners (i.e. universities) that initiates the procurement of /procures the equipment. The research partners should make the equipment available for HKRITA upon request with two years after project completion or termination of project agreement. For the technology partners (i.e. technology companies), the title to all equipment procured will vest with the company. The participating company should make the equipment available for HKRITA, CIT and Director of Audit's inspection upon request within two years after project completion or termination of project agreement.

¹⁷ For universities, please also refer to the Supplementary Note attached to this Guide

Chapter VIII

Publicity

8.1 *Publicity and Acknowledgement*

8.1.1 The recipient organization under the Platform Research Programme or Collaborative Research Programme, should try to publicize the project results or any events related to the project through publications, seminars, workshops, conferences and exhibitions, etc. It should also provide HKRITA with information about the events and the project results so that HKRITA may put it on the web.

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

“Any opinions, findings, conclusions or recommendations expressed in this material/event (or members of the project team) do not reflect the views of the Hong Kong Special Administrative Region, the Innovation and Technology Commission and the Hong Kong Research Institute of Textiles and Apparel”

Guidelines on IP Arrangements

Important Note:

These guidelines provide the broad framework of the Hong Kong Research Institute of Textiles and Apparel (HKRITA)'s intellectual property (IP) arrangements, but is subject to refinement and amendment by the Technology Committee and formal endorsement by the Board of Directors of HKRITA.

Successful applicants for R & D projects will have the opportunity to discuss and agree IP benefit-sharing terms with HKRITA.

1. Introduction

1.1 Intellectual property (IP) includes patent, design, trademark, copyright, trade secret, etc. HKRITA, through carrying out different types of research projects, is expected to generate some form of new IP. In generating such IP, different parties (industry partners, research/technology partners) involved in the research projects may make contribution, e.g. in the form of cash, background IP or other form, during the research process and they may expect to have a claim on the IP rights generated from the project. While each case will have to be considered on its own merits, it is also important that HKRITA adopt a broadly consistent approach in dealing with IP issues, including the IP rights¹ and management responsibilities². This set of guidelines aims to set out such a broadly consistent approach for HKRITA to adopt. The guidelines will be regularly reviewed and updated as appropriate.

¹ IP rights include the right to use, right to share benefits, and right to hold title of the IP.

² IP management responsibility includes disclosure of inventions, record keeping, maintenance and enforcement of IP.

2. Guiding Principles

2.1 HKRITA should follow these guiding principles when it develops its detailed IP arrangements -

- (a) operate the IP arrangements should be made to facilitate, but not prohibit, effective transfer of technologies developed by HKRITA;
- (b) to encourage participation by the industry and other research/technology partners in R&D projects, the IP arrangements should be made to allow participants to enjoy IP rights, and the form of the arrangements should be commensurate with the level of contribution;
- (c) the IP arrangements should facilitate an efficient and effective management of IP; and
- (d) the IP arrangements should contribute to building up the R&D Centre's core competence and sustainable ions.

3. General Guidelines for IP Arrangements for Platform Research Projects

3.1 Nature of “platform research projects”

3.1.1 “Platform research projects” refer to those that are primarily aimed to benefit the industry or a certain sector of industry in a general manner.

3.1.2 There should be at least two industry partners that should make cash contributions to the projects. The aggregate industry cash contributions should constitute at least 10% of the total project costs, and such contributions should be made available within the first six to nine months after the project has started.

3.3 Title of IP generated and sharing of benefits

3.3.1 As the primary objective of platform research projects is to benefit the industry as a whole, the title of the IP derived from such projects should vest in HKRITA concerned.

3.3.2 However, the industry will be able to enjoy the benefits of the IP generated in the following manners -

(a) **for industry partners who have made cash contributions to a platform project within the first six to nine months after the project has started**, such industry partners will enjoy –

- i. **the right to use the new IP for commercial exploitation** : HKRITA shall grant non-exclusive licences to the concerned industry partners on a need-to-use basis and on fair terms to be agreed by HKRITA and the industry partners; and

- ii. **the right to share benefits from commercialization of project IP** : an industry partner who has contributed an amount over a threshold (determined by the Board of Directors of HKRITA³) will be eligible to share the benefits obtained from the commercialisation of the project IP, according to the proportion of contribution individual partners have made in relation to the total project cost.

- (b) for companies which do not fall under 3.3.2(a) above, they may also be granted non-exclusive licences to use the project IP but the licensing fee should be set by the Board at a higher level as compared with the licensing fee in paragraph 3.3.2(a)(i) above. Such companies will however not be eligible to share the benefits of commercialisation of the project IP, unless the concerned Board of Directors decides otherwise.

3.4 Exclusive licence

3.4.1 Given the nature of “platform research projects”, no exclusive licence should be granted to individual industry partners. However, if the industry partners form a consortium after the start of the project, the Board may consider granting an exclusive licence to the consortium having regard to the guiding principles as well as meeting the following terms and conditions -

- (a) a company has contributed at least 50% of the project cost, with cash being the principal contribution; and

- (b) the exclusive licensee would have a significant presence of industry activities in Hong Kong; or

³ The reason for leaving the question of stipulating a threshold to the Board of Director of HKRITA is that while recognising industry partners’ expectations of benefit-sharing, the Board may also wish to take into account the costs of maintaining the benefit-sharing system.

- (c) the exclusive licensing arrangement was necessary to enable commercialisation of the IP to form industry cluster; or
- (d) the exclusive licensing arrangement could generate significant economic benefits to Hong Kong.

3.4.2 The specific terms and conditions for the assignment of exclusive licence is subject to negotiations between the industry partners and HKRITA, and an exclusive licence should only be granted to the intended licensee for a defined period. HKRITA should reserve the right to grant the licence to other interested parties if the licensee does not commercialize the IP within a certain period, thus converting the original exclusive licence to a non-exclusive licence.

3.4.3 HKRITA should also retain a royalty-free right to use, for future research purposes only, any project IP generated from a platform R&D project undertaken by HKRITA, regardless of whether the IP has been granted to a company exclusively or non-exclusively. If new IP is thus generated, HKRITA has the right to grant license of the new IP rights to third parties. If the exclusive licensee of the current IP rights so requests, HKRITA may consider granting the exclusive licensee a first right of refusal to use on either an exclusive or non-exclusive basis the new IP rights generated from further research on the current IP.

3.5 Buy-out arrangements

3.5.1 Buy-out arrangements for the IP generated are not encouraged for platform R&D projects because they may not be consistent with the objective of such projects. However, if the industry partners participating in the project could form a consortium and propose to buy-out the IP generated, the Board may consider approving such arrangements, subject to detailed negotiations on the terms and conditions, subject to the following considerations -

- (a) whether other interested industry players would be eligible to use the concerned IP through licensing arrangements;
- (b) whether the buy-out arrangement is in public interest and in the interest of the industry in the broader sense; and
- (c) whether the buy-out arrangement provides a better chance of successful commercialization.

4. Collaborative Research Projects with Industry

4.1 Nature of “collaborative research projects with industry”

4.1.1 “Collaborative research projects with industry” refer to those projects in which an industry partner makes a cash contribution that constitutes no less than 50% of the project cost at the start of the project.

4.2 Title of IP generated and Right to Use

4.2.1 The title of the IP generated will rest with HKRITA.

4.2.2 The industry partner will automatically be granted an exclusive licence to use the project IP free of charge for a defined period which is to be determined by the Board, having regard to the nature of the technology/technologies involved, and the actual level of contribution by the industry partner.

4.3 Buy-out option

4.3.1 The industry partner will have the right to buy out the IP generated by the project, including all the equipment, within the period of exclusive licence granted as per paragraph 4.2.2. above. The consideration for buying out should be at a premium over the total project cost. The level of premium should be determined by negotiation between HKRITA and the industry partner on a case-by-case basis before the project starts.

4.3.2 The buy-out arrangement should include retention of a royalty-free right for HKRITA to use, for future R&D purposes only, the IP generated from the project.

4.4 *Licensing of other parties*

4.4 If the industry partner does not choose to exercise the buy-out option after the period of exclusive licence it has enjoyed, HKRITA will continue to hold the title of the project IP, and may grant licence to other parties to use such IP after the exclusive licence expires.

5. Collaborative Research Projects with Research/Technology Partners

5.1. Nature of collaborative projects with research/technology partners

5.1.1. Such projects refer to collaborative research projects with research/technology partners (e.g. universities/technology companies) in which the latter allow HKRITA to use their IP through an assignment of such IP (likely to be in the form of a licence to HKRITA) and/or provide the necessary experts to carry out the R&D project. Such and other agreed forms of collaboration would be treated as a contribution to the R&D project. Nevertheless, the assumed monetary value of the total contribution of the research/technology partner should normally not exceed 50% of the total project cost, because otherwise there may not be justification for the participation of HKRITA.

5.2 Title of IP and sharing of benefits

5.2.1 The title of the background IP remains with the research/technology partner, but HKRITA retains the right to sub-licence (the background IP) to the industry on reasonable terms if the use of the background IP is necessary for the full exploitation of the new project IP generated. The background IP title owner is entitled to the full amount of the net income generated from the background IP.

5.2.2 The title of new IP generated from the project should normally rest with HKRITA. However, depending on the contribution of the research/technology partner, HKRITA may negotiate with the research/technology partner sharing of the legal title of the new IP, subject to a well-defined agreement setting out, inter alia, the rights and obligations of the respective parties.

5.2.3 In addition, the IP rights a research/technology partner may enjoy are -

- (a) right to use the new IP for commercial exploitation at a fee to be negotiated between HKRITA and the partner concerned; and
- (b) right to share benefits from the commercialization of the new project IP.

5.2.4 The fee to be charged and the amount of benefits in paragraph 5.2.3 above should be determined by the Board of HKRITA before the start of the project, having regard to the proportion of the research/technology partner's contribution to the project.

6. Board of Directors of HKRITA to decide case by case

6.1 The preceding paragraphs are intended to serve as general guidelines for HKRITA. The Board of Directors of HKRITA should, on this basis, develop their own IP guidelines, and decide on the IP arrangements for each individual case.

Supplementary Note (for Universities) to Guide to R & D Project Applications from the Hong Kong Research Institute of Textiles and Apparel

Introduction

- 1.1. In undertaking R & D projects of the Hong Kong Research Institute of Textiles and Apparel (HKRITA), universities shall comply with all the requirements and responsibilities as set out in the “Guide to R & D Project Applications from the Hong Kong Research Institute of Textiles and Apparel” (hereafter refer to as Guide), all the terms and conditions laid down in project agreements as well as all instructions and corresponding issues by HKRITA in respect of each project, except for the following specific items which the universities shall follow the requirements as set out in paragraphs 2.1 to 8.1 of this supplementary note.
- 1.2. In addition, universities are allowed to change administrative overheads to funded projects. Details are set out in paragraphs 8.1 and 8.2 of this supplementary note.

Separate Account and Interest – Paragraph 4.2, Chapter IV of the Guide

- 2.1 Universities may be exempted from opening a separate risk-free interest-bearing bank account (project bank account) with a licensed bank registered under the Banking Ordinance (Cap.155) specifically for processing all receipts and payments of each project provided that:
 - (a) all the project funds would not be put in any investment instrument other than risk-free interest-bearing bank accounts with a licensed bank registered under the Banking Ordinance (Cap.155); and
 - (b) if project funds are placed together with other funds of the university, the interest income for each project shall be apportioned equitably from all ACTUAL monthly bank interest income generated from total bank deposits (fixed deposits and savings accounts only) for the month included in the university funds for all positive projects’ fund balances from project commencement date up to the date of payment to HKRITA in accordance with the following formula:

Average positive ledger balance (i.e. the simple average of the opening and closing balances) of each project for the month, adjusted for disallowed expenses, unrecorded income, if any, any accrued interest (Note 1 & 2)

X

Total actual monthly interest income generated from total bank deposits (fixed deposits and savings accounts only) for the month included in the university funds

Average bank balance (extracted from bank statements/bank passbooks) for the month of university funds placed in bank deposits (fixed deposits and savings accounts only) (Note 2)

Important Notes:

- (1) Negative interest is not allowed to be charged on any negative project's fund balances.*
- (2) As the amount of unpresented cheques would have been transferred to the current account, therefore the effect of the unpresented cheques in contras with the current account. In turn, a proportionate share of the average bank balance of the university fund placed in the working capital (cash and current accounts) for the month is not provided for in the denominator. It is based on the assumption that all project's funds balances are placed in bank deposits (fixed deposits and savings accounts only.)*

Reporting requirements - Paragraph 4.4. Chapter IV of the Guide

- 3.1. Universities can prepare financial statements for progress reports and annual audited accounts of each project on cash basis. However, the financial statements for the final report and the final audited accounts of each project have to be prepared on accrual basis.
- 3.2. The administrative overheads thus calculated (refer to paragraphs 8.1 and 8.2 below) should be included as receivable and payable in the financial statements for the final report and the final audited accounts of each project.

Change Requests – Paragraph 5.1 Chapter V of the Guide

- 4.1 Universities, an accumulative 30% virement into/out of the categories of manpower, equipment and other direct costs of ORIGINALLY approved project budget would not require prior approval of HKRITA. The virements made, and the underlying reasons however, have to be reported in relevant progress reports to HKRITA. Any single additional deviation exceeding 30% of the ORIGINALLY approved project budget would require prior written approval from HKRITA.
- 4.2 The virement made would be governed by the following basic rules:
 - (a) changes have to be made within the overall approved project budget (excluding interest income);
 - (b) virements have to be made within the same budget category first;
 - (c) no additional grant is required;
 - (d) changes do not involve any unallowable cost items as defined in the Guide;
 - (e) all costs incurred for a project are used exclusively for that project;
 - (f) any virements made, and the underlying reasons, are reported in the relevant progress reports and final report of the project;
 - (g) if necessary, HKRITA would examine the details contained in the progress/final reports through project visits or inspection;
 - (h) HKRITA reserves to right to require universities to return the mis-spent amount together with interest income accrued to HKRITA, including mis-spent amount on items which do not require prior approval and reported in the progress/final reports; and
 - (i) if there are very major irregularities involved, HKRITA may terminate the funding support to the project in question.

4.3 The detailed operation is set out below.

Manpower

4.3.1 On manpower –

- (a) any change in key project staff would still require prior approval because of the need to ascertain that the changes would not affect the technical capability of the project team. The list of key project staff would need to be agreed with HKRITA before the project is approved.
- (b) inclusion of any new item(s) exceeding \$500,000 (cumulative) would require prior approval of HKRITA; and
- (c) budgetary changes exceeding \$500,000 (cumulative) to any manpower item(s) – new or existing, would require prior approval.

Equipment

4.3.2 On equipment –

- (a) any change in key equipment would still require prior approval because of the need to ascertain that the changes would not affect the conduct of the project. The list of key equipment would need to be agreed with HKRITA before the project is approved. A piece of equipment costing more than \$500,000 would automatically be counted as key equipment. Any key equipment would need to be approved by HKRITA before it is procured;
- (b) inclusion of any new item(s) exceeding \$500,000 (cumulative) would require prior approval of HKRITA;
- (c) budgetary changes exceeding \$500,000 (cumulative) to any equipment item(s) – new and existing, would require prior approval; and
- (d) any change in type (not model) or deletion of key equipment would require prior approval of HKRITA.

4.3.3 Any new items under the equipment category have to be R & D equipment purchased exclusively for use by the project (a small portion of time nevertheless can be used for educational/training purposes). Non-specific equipment item, such as miscellaneous equipment, would not be allowed for inclusion in the budget.

Other Direct Cost

4.3.4 On other direct costs –

- (a) inclusion of any new item(s) exceeding \$100,000 (cumulative) would require prior approval of HKRITA; and

(b) budgetary changes exceeding \$100,000 (cumulative) to any item(s) – new or existing, would require prior approval of HKRITA.

4.3.5 Items under this budgetary category need to be specific, e.g. chemical reagents for a certain experiment. Non-specific item, such as miscellaneous item, would not be allowed for inclusion in the budget.

4.3.6 Consultancy should be classified as an item under this budgetary category.

Manpower – Paragraph 5.2.3, Chapter V of the Guide

5.1 The manpower cost of the university staff at research assistant or equivalent rank may be charged to the project in accordance with his/her involvement on a full-time or part-time basis as appropriate provided that a monthly time-sharing record devoted by the staff to the project is maintained.

Procurement Procedures - Paragraph 7.1 Chapter VII of the Guide.

6.1 Universities may choose to comply with their established/current standard procurement procedures.

Title to Equipment – Paragraph 7.3, Chapter VII of the Guide

7.1 The title to equipment whose unit price exceeds HK\$500,000 shall be passed to the university but HKRITA reserves the right to require the university to release and make available for removal by HKRITA within two years from the completion of the project or upon termination of project agreement.

Administrative Overheads

8.1 A local university, when participating in an R&D project and undertaking a substantial portion of the R&D work, is allowed to include administrative overheads as part of the project cost in the project budget. The administrative overheads to be included in the project budget can be at most 15% of the fund requested (net of overhead). Such administrative overheads would cover expense items including, but not limiting to, the following:

- (a) rental/time cost of existing equipment of the university.
- (b) maintenance cost of existing equipment of the university.

- (c) depreciation/amortization or provisions not representing actual expenses incurred.
- (d) general office and IT equipment of the university.
- (e) building facilities (including office, laboratory, accommodation) of the university - rates, rental, renovation, and operation, repair and maintenance expenses.
- (f) utilities - charges for electricity, gas, water, telephone and fax.
- (g) general administration and office expenses of the university.
- (h) university staff-related costs - provident fund handling charges, staff training and development costs and staff facilities.
- (i) costs related to university staff recruitment.
- (j) charges for services provided by the university or its contractors/agents - accounting services, personnel services, procurement services, library services, security services, cleansing services, legal services, and central and departmental administrative services.

The administrative overheads would be disbursed to the university upon request, and after receipt of final audited accounts. Subject to the ceiling of the funding approved for an R&D project, HKRITA's share of the administrative overheads would be capped at 15% of the funding utilized for the project, i.e. total disbursed funding less the residual funds remaining in the project account (excluding interest income).

- 8.2 As the administrative overheads would have covered the relevant expenses as listed above, such expenses should not be separately included and charged in the project budget and/or account of the R&D project.

