

ITEM FOR FINANCE COMMITTEE

HEAD 55 – GOVERNMENT SECRETARIAT :
COMMERCE AND ECONOMIC DEVELOPMENT BUREAU
(COMMUNICATIONS AND TECHNOLOGY BRANCH)
Subhead 700 General non-recurrent
Item 866 CreateSmart Initiative

Members are invited to approve an increase in the commitment from \$300 million to \$600 million for the CreateSmart Initiative.

PROBLEM

The approved commitment of the CreateSmart Initiative (CSI) is expected to be exhausted within the second half of 2013. We need to increase the commitment to sustain the operation of the CSI for providing continued support for the development of creative industries. We also need to provide continued funding for the existing Design-Business Collaboration Scheme (DBCS).

PROPOSAL

2. The Secretary for Commerce and Economic Development (SCED) proposes to increase the current commitment for the CSI from \$300 million to \$600 million.

JUSTIFICATION

3. Since its inception in 2009, the CSI has been funding a range of non-profit making programmes initiated by local creative industries with the objectives of developing and promoting creative industries as well as fostering creative atmosphere. Of the \$300 million total commitment approved by the

/Finance

Finance Committee (FC) of the Legislative Council (LegCo) vide FCR(2009-10)15 on 22 May 2009, \$256 million has been committed for supporting 131 projects as at end March 2013. Based on the current projections, we expect that the balance of the approved commitment will be exhausted within the second half of 2013. To step up the Government's efforts in supporting creative industries, as announced by the Chief Executive in the 2013 Policy Address, we propose to inject an additional funding of \$300 million into the CSI. Taking into account the past spending pattern, we expect that the increased commitment will be able to sustain the operation of the CSI until 2016-17. We will review and consider the way forward for the CSI nearer the time.

Evaluation of the CSI

Contribution to creative industries

4. The CSI supports programmes conducive to the development of the creative industries mainly in the following three areas –

- (a) **Nurturing talents and facilitating start-ups** – The CSI has so far committed some \$79.2 million (31% of the total funding amount) for 58 approved projects (44% of total number of projects) which aim at nurturing creative talents and start-ups at the early stage of development. The talent nurturing projects include internship and graduate trainee programmes, talent award schemes, competitions, educational programmes, knowledge sharing events (such as forums and workshops), programmes that support local creative talents in participating in international competitions, etc. Projects supporting start-ups include programmes that develop the capabilities of start-ups, provide an online business matching platform, and organise business matching functions to explore cross industry collaborations with small and medium sized enterprises (SMEs). These programmes have provided over 15 000 nurturing opportunities for creative talents and start-ups. To enhance local participants' international exposure, some programmes featured world-class creative talents from places outside Hong Kong. Elements of international exchange were also introduced in some CSI-sponsored programmes in which local students or practitioners participated in overseas creative events or vice-versa;
- (b) **Exploring markets** – The CSI has so far committed nearly \$89.5 million (35% of the total funding amount) for 44 approved projects (34% of total number of projects) which help creative industries explore markets. These programmes include large-scale promotional and business matching activities organised by the Hong

Kong Trade Development Council, trade fairs, business matching functions, participation in major international exhibitions and book fairs, etc. Over 1 780 companies, including some 230 SMEs, and approximately 1 500 practitioners of creative industries have participated, making or receiving at least 1 140 business contacts or enquiries¹; and

- (c) **Promoting Hong Kong as Asia’s creative capital, fostering creative atmosphere and developing creative clusters** - The CSI has so far committed \$87.3 million (34% of the total funding amount) for 29 approved projects (22% of total number of projects) which involve mega creative events, regional forums and conferences, music festivals, fashion show, etc. These programmes help raise the profile of Hong Kong’s creative industries locally, in the region and overseas.

5. Since July 2011, it has been a standard requirement for all CSI-funded projects to collect feedback of the participants of the programmes through a standard questionnaire survey. Based on the survey findings, the participants in general have positive feedback. 98% of those who responded rated the programmes as “Satisfactory”, “Very Satisfactory” or “Excellent”. 92% of the respondents considered the programmes “Useful”, “Very Useful” or “Definitely Useful” (positive usefulness ratings) in general. Specifically, 79% of the respondents gave positive usefulness ratings in terms of exploring new business opportunities, 84% in terms of expanding network, 86% in terms of enhancing understanding of the industry’s position in the global market, 91% in terms of broadening scope about the industry, and 92% in terms of enhancing knowledge.

6. The CSI-funded programmes have generated significant publicity impact for the local creative industries and Hong Kong. The programmes have reached out to over 3.1 million participants/visitors (including some 2.5 million participants/visitors participating in local events); as well as over 160 million TV and radio audience across different parts of the world, particularly Asia, for promotional programmes. In terms of job creation, some 4 100 job opportunities were directly or indirectly created as a result of the projects. Most of these jobs were related to project and event management, publicity and marketing, etc.

7. It is not possible to quantify the economic benefits attributable to the participation of individual companies or practitioners in the CSI-sponsored programmes. However, the parties concerned will benefit from participating in the

/programmes

¹ Since most funding recipients are unwilling to disclose details of the business deals reached as a result of the programmes for exploring markets, information on business deals reached is not available.

programmes in terms of, for instance, business support, promotion and marketing, or training and development. Moreover, individual companies or practitioners have gained recognition and exposure, thereby raising their profiles. The CSI-funded programmes have also raised international awareness of our creative talents. A total of 43 international awards have been won by Hong Kong representatives with funding support from the CSI.

Review on effectiveness and mode of operation

8. We conducted a review in late 2012 to evaluate the effectiveness and mode of operation of the CSI. Questionnaires were sent to successful project applicants which had completed the funded projects, relevant industry and trade associations (ITOs), and members of the CSI Vetting Committee. A total of 85 replies were received, representing an overall response rate of 70%.

9. 72% of the successful project applicants with projects completed indicated that their projects would not have been carried out if not for the funding support from the CSI. 74% of the ITOs indicated that they had sought funding from the CSI before; 62% of the ITOs were aware of their members' participation in the CSI-sponsored programmes or events. The ITOs in general agreed that the CSI had been effective in helping their members, in particular the SMEs, to know more about innovation and creativity. A majority of the respondents from the CSI Vetting Committee agreed that the existing set of assessment criteria is useful. As regards the publicity of the CSI, a majority of the respondents considered it to be "Quite Sufficient" or "Very Sufficient". All parties concerned are in general satisfied with the present mode of operation of the CSI.

10. To conclude, the experience in the past three years indicates that the CSI enables the creative sectors to organise projects that address the needs of the industries and match the Government's strategy to promote the local creative sectors. Responses from both the industries and the participants have been very positive. The partnership approach whereby the industry draws up and drives the support programmes while the Government provides funding support through the CSI proves to be working well, and the CSI has been operating on the right track. The number of talent and start-up nurturing opportunities provided as well as business development opportunities for SMEs which benefitted from the CSI programmes demonstrate that the CSI is important in driving the development of the creative economy. We see a need to continue the operation of the CSI so as to further sustain our support for the development of our creative industries.

/Expected

Expected benefits

11. The CSI projects are market-driven. The existing system allows for the greatest extent of flexibility for different creative sectors to seek funding for organisation of programmes that best suit their needs. No pre-set quota has been set. The CSI-funded projects will continue to be non-profit making by nature and the projects must be beneficial to the overall development of individual creative sectors or the entire creative industries. Under this approach, the project proponents cannot derive financial benefits from the project per se and no direct subsidies will be made available to support the production activities and business operation of individual companies or practitioners.

12. We expect that ITOs, professional associations, supporting organisations of creative industries and academic institutions will continue to constitute the majority of project proponents. SMEs and start-ups are more likely to participate in and benefit from the programmes funded by the CSI. This however does not preclude the participation of established companies or those up-and-coming ones. The CSI will continue to support projects that provide exposure opportunities for practitioners of creative industries at the international scene. These could help broaden their horizon and widen their networks.

13. With the proposed funding injection, we expect that more individual companies or practitioners can benefit through participation in the CSI-funded programmes, and that more job opportunities would be directly or indirectly created with the implementation of an increasing number of CSI projects. The actual economic benefits which can be derived from the funded programmes in future depend on the merits of individual projects. We will continue to encourage the trade to make greater use of the CSI in order to propel the development of creative industries. Create Hong Kong Office (CreateHK) will also closely liaise with the trade, identify specific needs of individual sectors, and encourage the ITOs or relevant stakeholders to develop suitable programmes. Applications are open throughout the year. If necessary, we will prescribe theme-specific topics to solicit applications targeting specific needs of certain creative sectors. We will constantly review the situation and collect feedback from the trade.

Placing the DBCS under the CSI

14. The FC approved vide FCR(2004-05)16 the setting up of the DBCS under the DesignSmart Initiative (DSI)² to encourage SMEs to engage design services in improving their products and services and enhancing competitiveness.

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² The FC approved vide FCR(2004-05)16 the setting up of the DSI to strengthen support for design and innovation, and to promote the wider use of design and innovation in industries to help them move up the value chain. The DBCS is one of the schemes set up under and funded by the DSI.

The DBCS provides a matching grant of up to 50% of the cost of the design project, subject to an aggregate funding cap of \$100,000 for each SME for a maximum of four projects. The DBCS has up to end March 2013 funded 381 projects involving 114 design companies and 324 SMEs, with total approved funding amounting to some \$24 million. The DBCS has all along been supported by the funding of the DSI. Notwithstanding the consolidation of the CSI and DSI in June 2011³, the DBCS remains to be funded by the residual DSI funding. Such residual funding stood at less than \$2 million at the end of March 2013.

15. The response of the industries to the DBCS has been positive and our review of the DBCS shows that there is a strong case to continue its operation. To sustain its operation, we consider it appropriate to place the DBCS under the CSI so that funding for this design initiative can be drawn from the same pool as other design or creative projects. This is also in line with our objective of rationalising and consolidating Government's funding support for creative industries by merging the CSI and the DSI.

16. Taking into account the spending situation of the past three years since 2010, we estimate that the DBCS will require \$7 million until 2016-17 subject to actual market demand. Having regard to such projected requirement and the fact that the CSI should remain predominantly a funding scheme for supporting non-profit-making programmes that benefit a creative industry and/or the whole creative sector, we intend to earmark specifically a maximum of \$10 million for the DBCS under the CSI. This would ensure that the non-profit making programmes to be funded by the CSI will not be crowded out.

Control mechanism

17. A CSI Vetting Committee consisting entirely of non-officials appointed by SCED from creative industries, academia and relevant professions has been set up to assess funding applications, monitor the implementation of approved projects and make recommendations to the Controlling Officer (i.e. the Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCT)). This arrangement allows stakeholders and experts to participate in the funding approval process and increases transparency. Likewise, DBCS applications are assessed by the DBCS Assessment Panel, which is chaired by a government official and comprises members who are design professionals, industrialists and academics with experience in design projects. The current membership lists of the CSI Vetting Committee and the DBCS Assessment Panel are at Enclosure 1.

Encl. 1

/18.

³ We informed the LegCo Panel on Information Technology and Broadcasting vide LC Paper No. CB(1)2134/10-11(01) of the consolidation exercise.

Encls. 2&3 18. The current operation and control measures of the CSI and the DBCS have proved to be effective and satisfactory. Hence, we propose that the respective general eligibility and assessment criteria as well as modus operandi of the CSI and the DBCS will remain basically the same as before. Details are set out in Enclosures 2 and 3 respectively. PSCT has been and will continue to be the Controlling Officer of the CSI after consolidation and approves funding applications and disbursement of funding having regard to the recommendations of the CSI Vetting Committee or the DBCS Assessment Panel, as the case may be. Projects requiring funding of more than \$10 million each will separately be submitted to the FC for specific approval.

19. Currently, Government bureaux/departments (b/ds), including CreateHK, are eligible for seeking funding support from the CSI so long as those projects have not been or will not be funded by other government sources. So far, only three Government-initiated projects have been approved. CreateHK has not sought any funding support from the CSI. All funding applications are duly considered by the CSI Vetting Committee, which comprises only non-officials, based on individual merits so that impartial recommendation is made to PSCT. Government-initiated projects do not receive more preferential treatment than those initiated by the non-governmental parties in that the former are also subject to the same level of vigorous vetting by the CSI Vetting Committee, and, if approved, would have to comply with the same terms and conditions which apply to all projects. We consider it appropriate for Government b/ds to remain eligible for seeking funding support from the CSI. We need to retain flexibility under the CSI in the event that there is a need for Government b/ds to implement programmes cutting across different creative sectors, which no non-governmental party is ready to take up. We will continue exercising caution to ensure that those Government programmes will not crowd out the programmes championed by the non-governmental sector.

20. After the consolidation, the DBCS will be the only scheme under the CSI that is applicable to profit-making activities (versus programmes which are non-profit-making by nature under the CSI proper) and benefits individual companies (versus benefiting individual creative sectors or creative industries as a whole under the CSI proper). Projects approved under the DBCS before its consolidation with the CSI (i.e. existing DBCS projects) will continue to be funded by the residual funding under the DSI until their completion. Upon approval by the FC for the increase in the commitment of the CSI, the applications under the DBCS received on or after the date of the approval will be funded under the CSI.

/FINANCIAL

FINANCIAL IMPLICATIONS

21. If the proposed injection of \$300 million is approved by the FC, the approved commitment for the CSI will increase from \$300 million to \$600 million. The actual expenditure of the CSI will depend on the number of applications received and the disbursement schedule for successful applications. The workload and cost of administering the CSI will continue to be absorbed by CreateHK from within its own resources. The indicative breakdown of the financial implications based on the past spending pattern is as follows –

	2013-14	2014-15	2015-16	2016-17	Total
	\$ million	\$ million	\$ million	\$ million	\$ million
(a) Nurturing talents and facilitating start-ups	16.1	31.5	31.5	23.5	102.6
(b) Exploring markets	16.1	31.5	31.5	23.5	102.6
(c) Promoting Hong Kong as Asia's creative capital, fostering creative atmosphere and developing creative clusters	13.8	27.0	27.0	20.0	87.8
(d) DBCS projects	1.5	1.5	2.0	2.0	7.0
	47.5	91.5	92.0	69.0	300.0

The actual cashflow within the period and among the categories of activities may vary according to actual applications approved in the future.

PUBLIC CONSULTATION

22. We consulted the LegCo Panel on Information Technology and Broadcasting Panel on 11 March 2013 on the proposals to inject an additional \$300 million into the CSI so as to provide sustained support for programmes and to bring the DBCS under the ambit of the CSI. Members generally supported the proposals.

23. Members requested the Administration to advise whether the DBCS projects would bring about production activities and employment opportunities in Hong Kong, and requested the Administration to consider including in the assessment criteria for the DBCS the requirement of “local production”. Although the DBCS does not have the requirement for “local production”, it requires the SME beneficiaries and the design companies/academic institutions providing the design services to be locally established companies/bodies. Such requirement entails a certain degree of local employment opportunities. We also understand that in commercialising the project deliverables, most SME beneficiaries carried out production in the Mainland owing to cost considerations and difficulties in finding a suitable manufacturer in Hong Kong. While we will in future consider giving more favourable consideration to DBCS applications which will involve eventual production activities based in Hong Kong, we do not consider it appropriate to make “local production” a prerequisite for DBCS applications, lest the SMEs would find such requirement too onerous and be dissuaded to submit their applications.

BACKGROUND

24. The FC approved vide FCR(2009-10)15 the creation of the CSI with a commitment of \$300 million to fund initiatives which are conducive to the development of creative industries, with the exception of those which are separately funded by other government sources such as the Film Development Fund. The CSI has supported a range of programmes to nurture creative talents and facilitate start-ups; explore markets; and promote Hong Kong as Asia’s creative capital, foster creative atmosphere and develop creative clusters. Programmes which have been sponsored by the CSI include those which sponsor local creative talents to participate in international competitions, internship programmes, educational programmes, business and networking events, signature events to raise the profile of Hong Kong’s creative industries, etc.

25. The Chief Executive announced in the 2013 Policy Address that the Government will step up efforts to facilitate the development of creative industries and will inject \$300 million into the CSI.

Membership of the CreateSmart Initiative Vetting Committee

Name	Profession/Background ^(Note 1)
Dr Victor LO Chung-wing, G.B.S., J.P. (Chairman)	- Businessman
Mrs Selina CHOW LIANG Shuk-ye, G.B.S., J.P. (Vice-chairman)	- Company director - Liberal Party
Mrs Yvonne LAW SHING Mo-han (Vice-chairman)	- Certified Public Accountant
Hon Andrew LEUNG Kwan-yuen, G.B.S., J.P. (Vice-chairman)	- Member of the Legislative Council - Business and Professionals Alliance for Hong Kong
Dr Samson TAM Wai-ho, J.P. (Vice-chairman)	- Businessman
Prof Raymond AU Wai-man	- Academic
Prof Kara CHAN Ka-wah	- Academic
Miss Mabel CHAN Mei-bo	- Accountant
Mr Sunny CHAN Cho-shing	- Businessman
Mrs CHENG CHUNG Yau-ling	- Academic
Miss Janet CHEUNG	- Design consultant/Director
Mr Tom CHEUNG Ka-lung	Executive of media/film company
Mr Dewitt CHIK Koon-yin	- Designer
Ms Gillian Ann CHOA	- Academic
Mr Ricky FUNG Tim-chee, B.B.S.	- Executive of industry support organisation
Dr HO Siu-kee	- Academic
Mr Raymond HO Wai-wing	- Executive of telecommunications company
Mr Stephen HO Kin-wai	- Architect
Mr James HONG, Akio	- Executive of games company
Mr Bernard HUI Man-bock, J.P.	- Architect
Dr Desmond HUI Cheuk-kuen	- Consultant/academic
Mr Leo KAN Kin-leung	- Businessman
Prof Reggie KWAN Ching-ping	- Academic
Ms Miranda KWAN Ching-yi	- Professional
Dr Linda LAI Chiu-han	- Academic

Name	Profession/Background ^(Note 1)
Mr Peter LAM Yuk-wah	- Executive of media company
Ms Grace LAU Kwan-bick	- Academic
Mr Anthony LEE	- Academic
Mr James LEE Tak-wing, M.H.	- Advisor of industry support organisation
Dr Kaman LEE	- Academic
Miss Stella LEE Wai-fun	- Financial services
Ms LEONG May-seey	- Former executive of industry support organisation
Mr Paul LEUNG Sai-wah, S.B.S.	- Executive of industry support organisation
Hon Charles Peter MOK	- Member of the Legislative Council/IT professional - The Professional Commons
Mr PANG Chor-fu	- Executive of industry support organisation
Mr Gabriel PANG Tsz-kit	- Businessman
Mr Winnif PANG Chi-kong	- Designer
Mr Benson PAU Kit-kwan	- Businessman
Mr John Paul ROWAN	- Executive of academic institution
Mr SZE Yan-ngai	- Businessman
Mr Kelly SZE Ka-lai	- Designer
Ms Candy TAM Lai-chuen	- Social Service
Mr Ivan TING Tien-li	- Exporter
Mr Gabriel TONG Yui-lung	- Design innovator/industrialist/ design theorist
Dr Carrie WILLIS YAU Sheung-mui, S.B.S., J.P.	- Former executive director of the Vocational Training Council
Mr Dennis WONG Yuk-pui	- Designer
Mr Elton YEUNG	- Executive of industry support organisation
Mr Johnny YU Wah-yung	- Executive of industry support organisation
Miss Shirley YUEN	- Executive of industry support organisation

Note 1: Information is provided by members of the CreateSmart Initiative Vetting Committee on a voluntary basis.

**Membership of the Design-Business Collaboration Scheme
Assessment Panel**

Name	Profession/Background ^(Note 2)
Head or Assistant Head of Create Hong Kong (Chairman)	- Government official
Dr Bobby CHAN Yum-kit	- Businessman
Mr Daniel CHAN Kwong-yiu	- Academic
Mr Eric CHAN	- Designer
Mr Francis CHENG Man-piu	- Businessman
Miss Meiyi CHEUNG	- Designer
Dr Raymond CHOY	- Businessman
Mr Arthur LEE Kam-hung	- Businessman - Business and Professionals Alliance for Hong Kong
Mr Beam LEUNG Pak-yuen	- Academic
Dr Wingco LO Kam-wing	- Businessman
Mr Walter MA Wai-ming	- Designer
Mr Ben MAU Kim-fai	- Academic
Mr Thinex SHEK	- Executive of industry support organisation
Prof Michael SIU Kin-wai	- Academic
Mr Bernie TING Wai-cheung	- Businessman

Note 2: Information is provided by members of the Design-Business Collaboration Scheme Assessment Panel on a voluntary basis.

**Revised General Eligibility and Assessment Criteria
of the CreateSmart Initiative**

- (I) For CreateSmart Initiative (CSI) Projects other than those under the Design-Business Collaboration Scheme (DBCS)
1. An applicant should normally be a locally registered institution/organisation. Create Hong Kong Office and other Government departments can also apply for the funding.
 2. Project elements which are covered under the scope of the Film Development Fund and the Film Guarantee Fund and those which will receive or have received funding from other government sources are not eligible to apply for funding under the CSI.
 3. Projects under application must be beneficial to the overall development of individual creative industry sectors or the entire creative industries.
 4. Benefits accrued from the projects must serve the interests of individual creative industry sectors or the entire creative industries, and not just an individual private company or a consortium of private companies.
 5. Projects should mainly be non-profit making by nature. Special consideration could be given for projects that can ultimately be self-financing.
 6. In general, funds approved can only be used for non-recurrent expenditure. Under exceptional circumstances where the projects under application consist of a recurrent item (e.g. staff cost), the funds approved can only be of a one-off nature.
 7. Funds approved cannot be used to create any civil service posts.
 8. In examining an application, the following must be taken into consideration –
 - (a) the benefits that a project may bring to local creative industries, either to individual sectors or the industries as a whole;
 - (b) the need of such project;

- (c) the technical and project management capabilities of the applicant institution/organisation;
- (d) whether the implementation schedule of the proposed project is well planned and whether the time required for implementation is reasonable;
- (e) whether the proposed budget is reasonable and realistic;
- (f) whether the project has been funded or should be funded by other government sources;
- (g) whether there is/will be any duplication in terms of the work carried out by other institutions;
- (h) whether the project can be self-financing after a certain period of time; and
- (i) any other special factors which are relevant and contribute towards the objective of the CSI.

(II) For CSI Projects under the DBCS

1. Application under the DBCS should be a collaboration project between a small-and-medium-sized enterprise (SME) requiring assistance in design and a design company/academic institution which will provide that assistance. Either the design company/academic institution or the SME may act as the applicant of the project.
2. The applicant design company/academic institution and the applicant SME have to be bodies or companies established or incorporated in Hong Kong under the Hong Kong Laws including Companies Ordinance (Cap.32), with on-going business in Hong Kong.
3. In general, funds approved can only be expended by the applicant design company/academic institution in carrying out the project in accordance with the budget set out in the project proposal.
4. In examining an application, the following must be taken into consideration –
 - (a) to what extent the project can help integrate design into the business process;

/(b)

- (b) to what extent the project can help transform design activity into tradable deliverables, be it product or service, that manifests exploitation and deployment in the form of intellectual property, which may comprise patent, copyright, know-how or industrial design;
- (c) to what extent the project can add value to the products or services concerned and increase their competitiveness;
- (d) to what extent the project can help commercialise new products or services and find pathways to market;
- (e) whether the applicant design company/ academic institution or the applicant SME has been funded by the DBCS before and the amount of funding already granted for such previous projects;
- (f) the overall planning and organisational structure of the project and capability of the project team i.e. the project team members' expertise, experience, qualifications, track record, and the resources available for the project;
- (g) whether the project is cost-effective and the proposed budget is reasonable and realistic, and whether the project has been funded or should be funded by other sources;
- (h) to what extent the products will be produced or the services provided in Hong Kong; and
- (i) any other special factors which are relevant and contribute towards the aim of the DBCS and the objective of the CSI to support initiatives which are conducive to the development and promotion of creative industries in Hong Kong.

**General Modus Operandi
of the CreateSmart Initiative**

- (I) For CreateSmart Initiative (CSI) Projects other than those under the Design-Business Collaboration Scheme (DBCS)
1. Applications will be open throughout the year. Create Hong Kong Office may also from time to time prescribe theme-specific topics to solicit applications.
 2. Successful applicants will be required to comply with the conditions of the grant. They will also be required to submit a final report with accounts certified by a qualified accountant (or audited accounts if necessary) after the project is completed. Depending on the nature and duration of the project, the applicants may be required to submit progress reports on a regular basis.
 3. Only cost directly related to the project will be covered. Industrial/commercial sponsorship can be in kind or in cash.
 4. A vetting committee comprising officials, professionals, industrialists, businessmen, academics and other relevant members of the public will be set up to assess the applications, monitor progress and review the quality of each funded project. If necessary, comments and advice will be sought from outside experts on specific applications. The Independent Commission Against Corruption's advice will be sought on the vetting procedures as and when necessary.
 5. For transparency purpose, any individual project requiring more than \$10 million funding will be submitted to the Finance Committee for approval.
 6. Projects should mainly be non-profit making by nature. Interest income derived from grants disbursed to successful project applicants will be kept by the applicants for use in the projects concerned during the project period. Any unused balance upon the completion of the project will be returned to the Government.
 7. Funds for projects will be disbursed to successful applicants by installments, tying with appropriate milestones or any other conditions offered when the grant is approved. Final installment of the disbursement of the fund will only be released upon the completion of the project and that the Government is satisfied with the final report as mentioned in (2) above.

8. Successful applicants will be required to carry out the projects as approved. The Government will reserve the right, inter alia, to terminate funding, demand immediate return of all the disbursed funds with interest, and hold the successful applicants liable for any loss or damages the Government may sustain if the successful applicants are in breach of any of the terms and conditions of funding or undertakings made for the approved projects.
9. Any intellectual property rights derived from the project will be owned by the project applicant (or be co-owned by the project applicant and the sponsor and partner as agreed among themselves). If necessary (such as when public interests are involved or in order to fulfill the objective of providing support to the community and the industries/businesses), the project applicant will be required to grant unconditionally to Government a non-exclusive perpetual royalty-free licence to exploit or dispose of the relevant intellectual property rights.

(II) For CSI Projects under the DBCS

1. Applications will be open throughout the year.
2. The funding is given by way of a grant to a maximum of 50% of the total approved project cost or \$100,000, whichever is the lower, and the applicant small-and-medium-sized enterprise (SME) is required to contribute at least 50% of the approved project cost in cash as a matching fund.
3. Each SME is subject to an aggregate funding cap of \$100,000, for four projects at most, as may be reviewed from time to time.
4. Successful applicants will be required to comply with the conditions of the grant. They will also be required to submit a completion report with accounts certified by a qualified accountant (or audited accounts if necessary) and evidence showing the contribution of the matching fund by the applicant SME in cash after the project is completed.
5. An Assessment Panel comprising officials, professionals, industrialists, businessmen, academics and other relevant members of the public will be set up to assess the applications, monitor progress and review the quality of each funded project. If necessary, comments and advice will be sought from outside experts on specific applications. ICAC's advice will be sought on the vetting procedures as and when necessary.

6. Funds for projects will only be disbursed to the applicant design company/academic institution, which is responsible for carrying out the project, upon the completion of the project and Government's acceptance of the completion report and audited accounts.
7. Successful applicants will be required to carry out the projects as approved. The Government will reserve the right, inter alia, to terminate funding, demand immediate return of all the disbursed funds with interest, and hold the successful applicants liable for any loss or damages the Government may sustain if the successful applicants are in breach of any of the terms and conditions of funding or undertakings made for the approved projects.
8. Details of the project achievements, if any, including creation of intellectual property in which intellectual property rights subsist, successful marketing and commercialisation of the project deliverables and awards shall be provided by the applicants. The Government may from time to time disclose to the public details of such project achievements including announcing them on the web or through publications or by showcasing at exhibitions for publicity and reference. The Government may also publicise the details of approved project and contact information of the project applicant on the web for public information.
9. Project duration is expected to be less than one year in general.
