

R&D Programs

Project Funding Guide



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Chapter I INTRODUCTION

1.1. Nano and Advanced Materials Institute Limited (NAMI)

1.1.1. Nano and Advanced Materials Institute Limited (NAMI) is one of the five R&D centers created under the Hong Kong R&D Center Program established by the Innovation and Technology Commission (ITC) of the Government of the Hong Kong Special Administrative Region in 2006.

The program aims to harness Hong Kong's advantages in applied research, intellectual property protection, business-friendly environment and proximity to the manufacturing base in the Pearl River Delta region, to thrive as a regional technology service hub. NAMI is the R&D Center for Nanotechnology and Advanced Materials.

1.1.2. NAMI was incorporated in April 2006 as a not-for-profit company in Hong Kong. It is hosted by the Hong Kong University of Science and Technology.

1.1.3. In partnership with local industries, NAMI conducts market-driven, demand-led R&D projects on nanotechnology and advanced materials. These will contribute to the sustainable development of Hong Kong as a knowledge-based economy.

1.2. Focused Technology Areas

1.2.1. NAMI focuses on 5 technology areas in nanotechnology and advanced materials as follows:-

- (a) nanomaterials functionalisation and applications;
- (b) nanotechnology enabled nano opto-electronics;
- (c) nano-structured/textured material applications;
- (d) advanced materials for electronic packaging and other applications; and
- (e) forming of advanced materials.

1.3. R&D Programs Tailoring to Different Purposes

1.3.1. Three different types of R&D programs are offered by NAMI for different purposes with an overview as follows:-

(a) **Platform Research Scheme**

Projects under this program are primarily aimed to benefit the industry or certain sector(s) of an industry in a general manner. Applicants are confined to local non-

profit distributing organizations including local public research institutes, industry support organizations, trade and industry associations and professional bodies.

(b) Collaborative Research Scheme

Projects under this program are those having an R&D objective consistent with NAMI's focused technology areas in paragraph 1.2 above. This scheme covers proprietary projects whose applicants are private sector companies with local public research institutes as partners.

(c) Contract Research Scheme

Projects under this program are specifically designed for a participating organisation or company in meeting its unique needs. They do not need to benefit the industry or certain sector(s) of the industry nor be consistent with NAMI's focused technology areas.

1.3.2. The project duration is different from project to project depending on its unique requirement. Generally, the range can start from 6 months to 2.5 years.

1.4. *ITC Funding Through NAMI*

1.4.1. Funding support from the Innovation and Technology Commission (ITC) is available through NAMI (hereafter called "NAMI Grants") for Platform Research Scheme and Collaborative Research Scheme. The maximum amount of NAMI Grants ranges from 70% to 90% depending on the types of the projects. For Contract Research Scheme the participating organisation or company pays the full costs. There is no funding support from ITC through NAMI.

1.5. *NAMI's Project Funding Guide*

1.5.1. At the time of preparation of this Project Funding Guide, NAMI's Platform Research Scheme and Collaborative Research Scheme are governed by the following guidelines from ITC:-

- (a)** Guidelines on the Administration of Funding from the Innovation and Technology Fund (ITF) for (b) the R&D Projects Undertaken by an R&D Center, May 2006; and
- (b)** Guide to the Innovation and Technology Fund, Volume I, Innovation and Technology Support Programme (the latest as at June 2010).

These 2 guidelines from ITC are collectively referred to as "**the ITF Guidelines**" in this Project Funding Guide. These guidelines may be updated by ITC from time to time without prior notice. Chapter II to Chapter IX are prepared primarily based on the ITF guidelines.

When project proposal is approved and project agreements are signed, the ITF Guidelines will become parts of the binding agreements.

- 1.5.2. This Project Funding Guide includes information on the eligibility criteria, application procedures, vetting and assessment procedures, intellectual property rights, and the rules to be followed if an application is approved for projects in Platform Research Scheme and Collaborative Research Scheme. It also provides general information on Contract Research Scheme.

Chapter II GENERAL FEATURES OF R&D PROGRAMS

2.1. *Types of Programs*

(a) **Platform Research Scheme**

Projects under this program are primarily aimed to benefit the industry or certain sector(s) of an industry in a general manner.

There should be at least two industry partners making cash and/or in-kind contribution to the project. The aggregate amount should constitute at least 10% of the total project costs. In-kind contribution can be in form of equipment and consumables. In-kind contribution in the form of manpower is welcome but will not be counted as industry contribution. Such contribution should be made available at the commencement of the project. The maximum amount for NAMI Grants is 90% of the total approved project costs. The total approved project costs is the sum of all approved expenditure and the approved institution overheads¹, if applicable.

Generally, the project duration ranges from six months to two and a half year years. This type of project follows the vetting procedures in paragraph 3.1 of Chapter III.

All new intellectual property rights generated should vest in NAMI. The industry partners who have made cash contribution within the first ~~six to~~ nine months after the commencement of the project may retain the rights to use the new intellectual property rights for commercial exploitation. For details, please refer to paragraph 8.2.2 (a) of Chapter VIII.

(b) **Collaborative Research Program**

i) **General Project Category**

Projects under this program are those having an R&D objective consistent with NAMI's focused technology areas in paragraph 1.2 of Chapter I.

Only one industry partner is required. The cash and/or in-kind contribution of at least 30% of the total project costs. The maximum amount for NAMI Grants is 70% of the total approved project costs. In-kind contribution can be in form of equipment and consumables. In-kind contribution in the form of manpower is welcome but will not

¹ A local university, the Hong Kong Institute of Vocational Education (IVE) and the R&D Centers (except the R&D Center on ICT hosted by ASTRI) are allowed to include the institution administrative overheads for undertaking R&D projects from ITC with NAMI. Please refer to paragraphs 9.1.1 of Chapter IX for details.

be counted as industry contribution. The total approved project costs is the sum of all approved expenditure and the approved institution overheads², if applicable.

Generally, the project duration ranges from one year to two and a half year years. This type of project follows the vetting procedures in paragraph 3.1 (b) of Chapter III.

All new intellectual property rights generated shall vest with NAMI. The industry partner will automatically be granted an exclusive license to use the new intellectual property rights free of charge for a defined period. For details, please refer to paragraph 8.2.2 (b) of Chapter VIII.

ii) **Special Project Category**

For all projects in this Special Project Category, special vetting process has been adopted. Please refer to paragraph 3.1(b)ii) of Chapter III for details. All new intellectual property rights generated will belong to the industry partner if the industry partner's contribution is not less than 51% of the total project costs. For details, please refer to paragraph 8.2.2 (b) of Chapter VIII.

- **Project with Industry Partner's Contribution Not Less Than 51% of Total Project Costs**

When the contribution from the industry partner is not less than 51% of the total project costs, the vetting process may be shorter. Generally, the project duration ranges from one year to two and a half year years.

- **Pilot Line Project**

This is a special type of project available under this program. It aims for production oriented project requiring a large sum of investment on manufacturing equipment and facilities. The total project costs may go up to HK\$150 million and the required contribution from an industry partner should be not be less than 67% of the total project costs inclusive of institution administrative overheads. The vetting procedures may be shorter. Generally, the project duration ranges from one year to two and a half year years.

- **Fast Track Project**

Fast Track Project refers to project of duration not more than one year and the total project costs is not more than HK\$2 million. The vetting procedures may be shorter on the recommendation of the CEO of NAMI or his designated representative.

(c) **Contract Research Program**

² A local university, the Hong Kong Institute of Vocational Education (IVE) and the R&D Centers (except the R&D Center on ICT hosted by ASTRI) are allowed to include the institution administrative overheads for undertaking R&D projects from ITC with NAMI. Please refer to paragraphs 9.1.1 and 9.1.2 of Chapter IX for details.

Projects under this program are specifically designed for a participating organisation or company in meeting its unique needs. They do not need to benefit the industry or certain sector(s) of the industry nor be consistent with NAMI's focused technology areas. The participating organisation or company pays for its full costs.

Generally, the project duration ranges from one year to two and a half year years. All intellectual property rights generated from the project belong to the participating organisation or company. NAMI will not claim any intellectual property rights except the right to use them for research purposes.

2.2. *Who are Eligible to Apply?*

(a) **Platform Research Program**

The principal applicant organisation will be NAMI being the one of the R&D centers funded by ITC.

Universities, industry support organisations, trade and industry associations, professional bodies, research institutes and local companies (either locally incorporated or established under the statute of the Hong Kong Special Administrative Region) are eligible to apply with NAMI as the co-applicant organisation. The principal co-applicant organisation should be a company incorporated in Hong Kong under the Companies Ordinance (Cap. 32) and have substantial connection³ to Hong Kong or a body corporate incorporated in Hong Kong under other ordinances of the Hong Kong Special Administrative Region.

At least 2 industry partners making cash and/or in-kind contribution of at least 10% of the total project costs are required.

(b) **Collaborative Research Program**

The eligibility criteria is the same as that for Platform Research Program described in paragraph 2.2 (a) above except that only one industry partner making cash and/or in-kind contribution of at least 30% of the total projects costs is required. Industry may apply together with local public research institutes as partners. Substantial contribution to a project is expected from the research institute, and the research institute's researchers should be the core project team members and should conduct a major part of the R & D work of the project. 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 shares. Furthermore, the project team members and the steering committee members representing the

³ 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.

research institute should not be directors/shareholders/management team members of the company.

(c) **Contract Research Program**

Any organisation or company which wishes to conduct R&D projects relating to nanotechnology and advanced materials can contact NAMI for more information. The organisation or company pays full costs of the project.

2.3. *Form of Funding Support from NAMI*

- 2.3.1. Funding support is available from ITC through NAMI (thereafter called “NAMI Grants”) for R&D projects under Platform Research Program and Collaborative Research Program. Such funding support is normally given as a grant at a maximum 90% and 70% of the total approved project costs for projects under Platform Research Program and Collaborative Research Program respectively. No funding support is available for Contract Research Program as the participating organisation or company pays its full costs.

The net amount requested from NAMI represents the total of all approved expenditures 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. The total approved project costs is the sum of all approved expenditures and the approved institution administrative overheads⁴, if applicable. All NAMI Grants will be disbursed by instalments to the approved projects upon meeting specific requirements such as satisfactory progress of the project, acceptance of progress report, evidence that industry partner has already contributed, etc.

NAMI 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 co-applicant organisation 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. 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. The minimum sponsorship from industry partner(s) is 10% and 30% of the total project costs for projects under Platform Research Program and Collaborative Research Program respectively.

⁴ Please refer to paragraphs 9.1.1 of Chapter IX for details.

The industrial sponsorship can be in cash and/or in-kind contribution in form of equipment and consumables. In-kind contribution in the form of manpower is welcomed but will not be counted as industry contribution.

Funding priority for NAMI Grants will be given to applications that contribute to the general upgrading and future development of one or more sections in the industry, contribute to the innovation and technology upgrading of the economy, broadening of the scientific and technical knowledge base of the economy, etc.

- 2.4.2. If an application is successful, all sponsorship must be paid according to the agreed schedules. For details on vetting criteria, please refer to paragraph 3.2.1 of Chapter III.

2.5. Commercialization

- 2.5.1. The outcomes or deliverables of the projects under Platform Research Program should be relevant to and benefit the industrial or certain sector(s) of an industry in a general manner. Those under the Collaborative Research Program should be consistent with NAMI technology areas. In developing the project proposal, the co-applicant organisation should have in mind that the results of the project are to be commercialized through different arrangements, e.g., licensing of the technology developed. Please also refer to paragraph 8.2 of Chapter VIII on Intellectual Property Rights and Use of Project Results.

2.6. Application Procedures

- 2.6.1. The application process consists of the preparation and completion of 2 application forms available from NAMI and ITC at different stages as follows:-

(a) Indication of Intention for Proposal Submission

This is an application form required by NAMI and is downloadable at NAMI's website. This application form provides the basic information such as project objectives, deliverables, project type, focused technology areas, total project costs, project co-ordinator, etc. This is used to assist NAMI in determining if the proposed project can be supported by NAMI

NAMI may make suggestions to the co-applicant organisation after reviewing the application form with the aim to help the co-applicant organisation in preparing a full project proposal to be submitted at ITC's online system as described in paragraph 2.6.1(b) below.

(b) Full Project Proposal

The full project proposal should be completed and submitted electronically through ITC's online system, Innovation and Technology Commission Funding Administrative System (ITCFAS) at the ITC's website <https://www3.itf.gov.hk>.

Before that, the co-applicant should register for a new user account associated with NAMI. This can be done by going to <https://www3.itf.gov.hk> and select “Register Project Co-ordinator”. Please fill in NAMI’s full name Nano and Advanced Materials Institute Limited in the “Organisation Name” field. This new registration process is required regardless of whether the co-applicant has already had a user account at ITCFAS or not.

After this, the co-applicant should log in to the system using the new account name and password to prepare the full project proposal. All sections of the online application form have to be completed with supporting documents wherever required. Before submission, the co-applicant should read the latest applicable ITF Guidelines governing R&D projects through NAMI (please refer to paragraph 1.5.1 of Chapter I of this Guide for more information on the ITF Guidelines) and the explanatory notes in the application form carefully.

Each co-applicant can submit more than one application for different projects. No application fee will be charged. Unless on the request of NAMI, supplementary information on an application provided after submission of the application will **not** be accepted and will **not** form part of the application.

Chapter III

VETTING AND ASSESSMENT PROCEDURES

3.1. Vetting Procedures

(a) **Platform Research Program**

Upon receipt of the full proposal of an application submitted through the ITCFAS, NAMI will conduct a preliminary screening and may seek clarification or supplementary information from the co-applicant organisation. The proposal will be reviewed by the Project Managers and Chief Technology Officers. An application may be subject to external peer review by experts in the relevant field. If the application passes these stages, the proposal will be submitted to NAMI's Technology Committee⁵ for vetting. Once the vetting results are positive, the projects will be sent to NAMI Board of Directors for consideration and endorsement before submitting to CIT for consideration and final approval for NAMI Grants not more than HK\$21 million. Approval from the Finance Committee of the Legislative Council is required for a project requesting more than HK\$21 million of NAMI Grants.

Project team members, as well as representative from industrial partner(s) may be required to attend assessment meetings to present their projects to and answer queries from the assessors.

(b) **Collaborative Research Program**

i) **General Project Category**

The vetting procedures are the same as those for Platform Research Program in paragraph 3.1 (a) above.

ii) **Special Project Category**

Special vetting procedures have been adopted for the following projects in the Special Project Category to enable a shorter vetting time and/or to maintain a higher level of confidentiality.

- **Project With Industry Partner's Contribution Not Less Than 51% of Total Project Costs**

⁵ NAMI's Technology Committee comprises of members from NAMI's Board of Directors. One of the functions of the Technology Committee is to assess and endorse individual R&D projects. This pool comprises of members from different sectors ranging from senior business executives, technologists, academia and Government officials. They provide the necessary commercial, technical and policy input in the assessment and monitoring processes. The list of assessors is available at NAMI's website.

The proposal is assessed by NAMI CEO or his representative(s). If the outcome is positive, NAMI CEO will make recommendation to the Chairman of NAMI Technology Committee for consideration and vetting/endorsement without the involvement of full NAMI Technology Committee members.

Please refer to paragraph 2.1(b) ii) of Chapter II for a description of this type or project.

- **Pilot Line Project**

Since the percentage of contribution by the industry partner is not less than 67% (i.e., not less than 51%), the vetting process will be the same as those in **Project With Industry Partner's Contribution Not Less Than 51% of Total Project Costs** described above.

Please refer to paragraph 2.1(b) ii) of Chapter II for a description of this type or project.

- **Fast Track Project**

NAMI CEO or his designated representative(s) will evaluate the proposals. They may consult NAMI Board of Directors, NAMI Technology Committee members, Chief Technology Officers, and external reviewers, if necessary. If the results are positive, NAMI CEO will make recommendations to the Chairman of NAMI Technology Committee and the entire NAMI Technology Committee (at NAMI CEO's discretion) for endorsement. If the proposal is endorsed, it will be recommended to CIT for consideration and final approval. Revisions to the proposals may be required during the process.

Please refer to paragraph 2.1(b) ii) of Chapter II for a description of this type or project.

3.2. Vetting Criteria

3.2.1. In considering a proposal, due consideration will be given to, inter alia, the following wherever applicable:-

- (a) the potential of general upgrading and future development of one or more sectors in industry; contribute to innovation and technology upgrading of the economy, and broaden the scientific and technical knowledge base of the economy;
- (b) technical viability;
- (c) whether there is demonstrated need for the proposed project such as support from government departments/bureaux;

- (d) opportunity for intellectual property creation and whether project will duplicate work of other institutions or products and technologies from project are already available in the market;
- (e) potential commercial value and marketability;
- (f) funding from industry partner(s);
- (g) business opportunities;
- (h) manufacturability (including the use of OEM in and around Hong Kong); and
- (i) quality of industry partner(s)/project management capability.

3.3. *Avoidance of Conflict of Interests and Confidentiality*

- 3.3.1. To avoid conflict of interests, assessors 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 during the vetting meeting by NAMI's Technology Committee. This will apply to assessors who are part of the project team, chairman/president, vice-chairman/vice president, director, advisor and secretary, whether paid or unpaid, or a paid staff of the co-applicant organisation, co-applicant organisation with contribution, an implementing organisation, a collaborating organisation or a sponsoring organisation.

Project coordinators, Board of Directors, Technology Committee members and NAMI's staff have to maintain confidentiality of all project information accessible to them. They will also need to declare the conflict of interest, if any, *by filling and signing the declaration of interest form*

3.4. *Notification of Result*

- 3.4.1. For projects for which NAMI Grants are recommended, the co-applicant organisation may be required to submit a revised application proposal, taking into account the comments from NAMI, NAMI Technology Committee, and the ITF Secretariat. The co-applicant organisation is required to prepare project cashflow and other documents. Subject to further vetting, the revised application proposal, together with other necessary documents such as the cashflow, will be formally approved and appended to the project agreement.

Once the project is formally approved, formal project agreements have to be signed between ITC and NAMI, NAMI and the co-applicant organisation, and NAMI and the industry partner for each project under the Collaborative Research Program. For an approved project under the Platform Research Program, formal project agreements have to be signed between ITC and NAMI, and NAMI and the co-applicant organization.

3.5. *Withdrawal*

- 3.5.1. The co-applicant organisation can write to NAMI to withdraw an application at any time before an agreement is signed.

3.6. *Resubmission*

- 3.6.1. A rejected application may be resubmitted in a new round of application only if it has been revised substantially or if it has been able to produce additional information to address the comments made by NAMI, NAMI Technology Committee, and the ITF Secretariat in its earlier review. In completing the application form for a resubmitted application, the co-applicant organisation 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. *Return*

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

Chapter IV

PROJECT AGREEMENT AND PROJECT ACCOUNT

4.1. *Contractual Requirement*

For each project that NAMI Grants have been approved, the co-applicant organisation(s) become(s) the recipient organisation(s) and the implementing organization, which is often a local public research Institute.

For a project under the Collaborative Research Program, NAMI has to sign a formal project agreement with ITC. The recipient organisation has to sign a formal project agreement with NAMI. The industry partner has to sign an agreement with NAMI. All contractual parties has to comply with all the terms and conditions laid down in the project agreements, and/or the ITF Guidelines (please refer to paragraph 1.5.1 of Chapter I for more information) and all instructions and correspondences issued by CIT from time to time in respect of the project.

For a project under the Platform Research Program, the requirements are the same as that for a project under the Collaborative Research Program except that no agreement is to be signed between NAMI and the industry sponsors.

4.2. *Separate Account and Interest*

4.2.1. The recipient organisation is required to open a separate risk-free interest-bearing bank account (project bank account) with a licensed bank registered under the Banking Ordinance Banking Ordinance (Cap. 155) specifically for processing all receipts and payments of each project. The recipient organization may be exempted from this requirement 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 recipient organisation, 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 recipient organisation's funds for all positive fund balances of the R&D projects from project commencement date up to the date of payment to NAMI in accordance with the following formula:-

$$\frac{\text{Average positive ledger balance (i.e., the simple average of the opening and closing balances) of each project for the month, adjusted for disallowed expenses, unrecorded income, if any, and accrued interest}^{6 \text{ and } 7}}{\text{Average bank balance (extracted from bank statements/bank passbooks) for the month of the funds of the recipient organisation placed in bank deposits (fixed deposits and savings accounts only)}^8} \times \text{Total actual monthly interest income generated from total bank deposits (fixed deposits and savings accounts only) for the month included in the funds of the recipient organisation}$$

The NAMI 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 NAMI Grants, all other receipts and interest income) should be kept in the project bank account by the recipient organisation who should, until such funds are spent (paid) in accordance with the compliance requirements as specified in paragraph 4.1 above/returned to NAMI by the recipient organisation, hold the same as trustee for NAMI.

- 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 NAMI 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 organisation is not entitled to charge to the project account any interest expenses or claim any compensation or relief of whatsoever nature against NAMI in the event of any late or withholding of payment of NAMI for any whatsoever reason.

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

4.3. *Books and Records*

- 4.3.1. The recipient/implementing organisation(s) , if any, are 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 and Balance Sheet in respect of the project. All income and expenditure of a

⁶ Negative interest is not allowed to be charged on any negative projects' fund balances.

⁷ As the amount of un-presented cheques would have been transferred to the current account, therefore the effect of the un-presented cheques is contra with the current account. In turn, a proportionate share of the average bank balance of the fund of the recipient organisation 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 projects' funds balances are placed in bank deposits (fixed deposits and savings accounts only).

⁸ same as footnote 7.

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. The recipient/implementing organization(s), if any, can prepare financial statements for progress reports and annual accounts of each project on *cash* basis. However, the financial statements for the final report and the final accounts of each project have to be prepared on *accrual* basis.

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, the ITF Guidelines (please refer to paragraph 1.5.1 of Chapter I of this Guide for more information) 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. All income arising from NAMI Grants including licensing income, budgeted or unbudgeted, 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, the ITF Guidelines (please refer to paragraph 1.5.1 of Chapter I for more information) and any other instructions laid down for the project.

- 4.3.3. The books and records of the project should be kept by the recipient/implementing organization(s), if any, for at least two years after completion of the project or termination of the project agreement, or as otherwise specified by NAMI CEO within that two-year period. In this connection, NAMI CEO and/or his authorized representative(s), CIT and the Director of Audit will have unhindered access to the books of accounts and records when conducting financial audit and inspection of such books and records at any time when such books and records are kept and have rights to obtain photocopies of such records, if necessary.

NAMI CEO and/or his authorized representative(s), CIT and the Director of Audit may at their absolute discretion request the recipient organisation and/or the implementing organisation(s) to make available and/or deliver photocopies of such records to NAMI at the recipient organisation's sole costs and expenses. When so requested in this connection, the recipient organisation and/or the implementing organisation(s) will be obliged to make available all project books of accounts and records and explain to NAMI CEO and/or his authorized representative(s), CIT and the Director of Audit any matters relating to the income, expenditure or custody of any money derived from the project.

NAMI CEO and/or his authorized representative(s), CIT and the Director of Audit may carry out value for money studies on any organisation in receipt of NAMI Grants. NAMI CEO and CIT reserve the right to require the recipient organisations to return mis-spent amount together with interest income accrued to NAMI.

- 4.3.4. The institution administrative overheads thus calculated (details are in paragraphs 9.1.1 of Chapter IX) should be included as receivable and payable in the financial statements for the final report and the final audited accounts of each project.

4.4. Reporting Requirements

4.4.1. The recipient organisation has to submit to NAMI 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. The financial statements for progress reports and annual accounts of each project can be prepared on either accrual or cash accounting basis. However, the financial statements for the final report and the final accounts must be prepared on accrual basis of accounting for each project. The accounts should comprise Statement of Income and Expenditure, Balance Sheet and Notes to the Accounts.

(a) Annual accounts made up to 31 March each year should be submitted on or before 1 June of that particular year. The first annual accounts may cover more than 12 months but not more than 18 months. The last annual accounts can be waived if it covers not more than 18 months.

(b) Final accounts covering the period from project commencement date to project completion date or termination date of the project agreement should be submitted within two months from the completion date of the project or termination date of the project agreement if the total approved project costs involved is HK\$1 million or above, and within 15 days if it is below HK\$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, the ITF Guidelines (please refer to paragraph 1.5.1 of Chapter I for more information) and all instructions and correspondences issued by CIT 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 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 accounts for that reporting period(s)/year(s) have been submitted to NAMI except the correction of arithmetic errors or adjustments as requested by NAMI. Arithmetic errors should be rectified within the first two 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 NAMI will take into account in considering future applications from the same organisation or the same project team members.

4.5. Auditing Requirements

- 4.5.1. The requirement to submit annual/final accounts is to assure NAMI 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 organisation complied with the funding terms and conditions in the administration, management and usage of the NAMI project.

NAMI should appoint independent auditors to perform audits for the books and records kept by the recipient organisation. The annual/final audited accounts should be reported by independent auditors who will be Certified Public Accountants holding a practising 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 Organisations (the Notes) issued by the ITF Secretariat.

- 4.5.2. NAMI would specify in the engagement letter for the employment of the Auditors that they should strictly follow the requirements stipulated in the latest version of the Notes in conducting a reasonable assurance engagement and preparing auditors' report for each annual/final accounts of each project. The engagement letter should also specify that NAMI CEO and/or his authorised representative(s), CIT and the Director of Audit should have the right to communicate with the Auditors on matters concerning the annual/final accounts and the supporting statements. In addition, NAMI would ensure that each of the auditors' reports strictly follows the specimen as attached to the latest version of the Notes.
- 4.5.3. The recipient organisation is required to make available to the Auditors all information, documents and explanations relating to the project. The information and documents mainly comprise project agreement, the ITF Guidelines (please refer to paragraph 1.5.1 of Chapter I for more information), any instructions and correspondences issued by CIT 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 accounts of a project with project costs less than HK\$1 million, between HK\$1 million and HK\$5 million, and more than HK\$5 million should not be more than HK\$5,000, HK\$10,000 and HK\$20,000 respectively. In this context, the project costs refer to the amount inclusive of the approved institution administrative overheads, if any.
- 4.5.5. The administrative overheads calculated (please refer to paragraph 9.1 of Chapter IX for more information) should be included as receivable and payable in the financial statements for the final report and final audited accounts of each projects.
- 4.5.6. The annual and final audited accounts of each project has to be vetted and endorsed by the NAMI Technology Committee before submission to CIT. In addition, the auditors' report must strictly follow the specimen as attached to the latest version of the Notes, and NAMI has full discretion to decline accepting such report.

Chapter V

CHANGE REQUESTS AND UNALLOWABLE COSTS

5.1. *Change Requests*

5.1.1. An approved project is required to be carried out strictly in accordance with its proposal appended to the project agreement. Any modification, amendment or addition to the project or the agreement, including change of the project commencement or completion dates⁹, key project staff (including project coordinator, deputy project coordinator, principal investigator, investigator, etc.) or key equipment¹⁰, scope, methodology, budget (other than circumstances set out in paragraphs 5.1.2 to 5.1.5 below) or cashflow projection, will require prior specific written approval by NAMI, NAMI Technology Committee and/or CIT. The project coordinator should inform the NAMI 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, the ITF Guidelines (please refer to paragraph 1.5.1 of Chapter I for more information) and other instructions set for the projects; liaising with and answering all enquiries/requests raised by NAMI, NAMI Technology Committee and CIT 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 ITF grants requested and that all expenditure follows the relevant requirements set out in this Guide, and ITF Guides. Notwithstanding this, prior written approval is required to be sought from NAMI if budgeted expenditure is to be transferred to any unbudgeted expenditure item (e.g new/alternative equipment item, new project staff, revised number/rank of the project staff, new/alternative consumable item). The final decision on whether certain items of income and /or expenditure should be/can be included/charged to a project should vest with NAMI or CIT. An accumulative 30% virement into/out of the categories of manpower, equipment and other direct costs (administrative and operating expenses) of originally approved project budget is allowed and will not require prior approval of NAMI, NAMI Technology Committee and CIT.

5.1.3. Any single additional deviation (upward or downward) exceeding 30% of the originally approved project budget will require the prior approval of NAMI, NAMI Technology Committee and CIT.

5.1.4. The virements made would be governed by the following basic rules:-

⁹ The commencement and completion date are specified in the project agreement. They could not be varied unless there has been a mutual agreement in writing between the contractual parties.

¹⁰ Key project staff and key equipment are identified in the project proposal appended to the project agreement.

- (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 NAMI Grants is required;
- (d) changes do not involve any unallowable cost items as defined in the ITF Guidelines;
- (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 report(s)/final report of the project;
- (g) if necessary, NAMI would also examine the details contained in the progress report(s)/final report through project visits, meetings or inspections;
- (h) NAMI reserves the right to require the recipient organisation to return the mis-spent amount together with interest income accrued to NAMI, including mis-spent amount on items which do not require prior approval and are reported in the progress report(s)/final report; and
- (i) CIT is the final authority. If there are very major irregularities involved, NAMI and CIT may terminate the funding support to the project in question.

5.1.5. The detailed operation is set out below:-

Manpower

- 5.1.5.1. Any change in key project staff would require prior approval of NAMI and CIT 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 NAMI, NAMI Technology Committee and CIT before the project is approved.
- 5.1.5.2. Inclusion of any new item(s) exceeding HK\$500,000 (cumulative) would require prior approval of NAMI, NAMI Technology Committee and CIT; and
- 5.1.5.3. Budgetary changes exceeding \$500,000.- (cumulative) to any manpower item(s), new or existing, would require prior approval of NAMI, NAMI Technology Committee and CIT.

Equipment

- 5.1.5.4. Any change in key equipment would require prior approval of NAMI, NAMI Technology Committee and CIT 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 NAMI, NAMI Technology Committee, CIT before the project is

approved. A piece of equipment whose acquisition cost exceeds \$500,000.- would automatically be counted as key equipment. Any key equipment would need to be approved by NAMI and CIT before it is procured. The recipient organisation is required to submit the following:-

- a) Any change in type (not model) or deletion of key equipment would require prior approval of NAMI, NAMI Technology Committee, CIT;
- b) Inclusion of any new item(s) exceeding HK\$500,000 (cumulative) would require prior approval of NAMI, NAMI Technology Committee, CIT;
- c) Budgetary changes exceeding HK\$500,000 (cumulative) to any equipment item(s) – new or existing, would require prior approval.
- d) An annual list of key equipment procured during each financial year to NAMI on or before 15 June following the end of that financial year, and
- e) a full list of key equipment procured during the entire project period within two months after project completion or termination of the project agreement. The list should be prepared in the form to be provided and subject to future amendments by NAMI and CIT.

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

Other Direct Costs

5.1.5.6. Budgetary changes exceeding \$100,000.- (cumulative) to any item(s), new or existing, would require prior approval of NAMI, NAMI Technology Committee and CIT.

5.1.5.7. Inclusion of any new item(s) exceeding HK\$100,000 (cumulative) would require prior approval of NAMI, NAMI Technology Committee and CIT

5.1.5.8. 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.

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

5.2. *Unallowable Costs*

General

5.2.1. All project funds (including NAMI Grants allocated to the recipient organisation, sponsorship and other income) are for the sole purpose of carrying out the project. 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 NAMI, NAMI Technology Committee and CIT.

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 NAMI, NAMI Technology Committee and CIT. They should **not** be included in the budget.

Manpower

5.2.3. Unless otherwise agreed by NAMI, NAMI Technology Committee and CIT, NAMI Grants will **not** be used to pay any emolument to a person who is already on the payroll of the 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.

The manpower cost of the staff at research assistant or equivalent rank of a local university, when being a collaborating organisation of the project, may be charged to the project in accordance with his 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.

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.

5.2.5. Notwithstanding paragraph 5.2.4 above, the co-applicant organisation 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 NAMI, NAMI Technology Committee and CIT'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:-

- (a) annual salary increment, except cost of living adjustment at a rate comparable with and applicable to civil service; and
- (b) gratuities, fringe benefits and allowances other than employer's contribution to the Mandatory Provident Fund (5% of the salary or HK\$1,000 per month, whichever is the less). Such fringe benefits and allowances include expenses on housing (including nominal rental for quarters), education, training, passage and travelling¹¹, 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 co-applicant organisation is required to maintain a record on the usage of the equipment by the concerned projects for cost allocation purpose. The co-applicant organisation is required to specify in detail in the application and project budget if such incident will happen. Co-applicant organisations are encouraged to share the use of existing equipment within their organisations or from other organisations.

Maintenance cost of the existing equipment can be charged against the project account on a pro-rata basis if the co-applicant organisation 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".

5.2.8. Any piece of equipment for the project purchased using ITF funds may be installed in the facilities of a collaborating organization located outside Hong Kong subject to the following general principles:

- a) the equipment is under the ownership of the local university/research institute applicant organisation throughout the project period and for at least two additional years thereafter. In this connection, para 7.3 of this Guide and the section of "Title to Equipment" are applicable;
- b) the equipment is relevant and essential for the project research;
- c) the collaborating organization at which the equipment is to be installed should be a university or a public research institute (but not a private company); and

¹¹ Local/overseas training, study/trade mission and field trip are normally not allowed unless otherwise fully justified. These should be itemised and put under the category of "Other Direct Costs" in the budget of the application proposal for approval by NAMI, NAMI Technology Committee and CIT. 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 organisations or the implementing organisations. Any travelling expenses incurred for such purposes should account for no more than 5% of the amount NAMI Grants and cover the cost of economy class fares (if any) incurred by project team members.

- d) the cost of the equipment concerned should not account for a dominant part of the equipment budget(in general, the total cost of all equipment to be installed outside Hong Kong should be less than 25 %of the total equipment budget, as a substantial part of the R & D activities is required to be conducted in Hong Kong.

Equipment installation arrangement not meeting the above conditions would be unacceptable as a general rule, except with the prior approval of NAMI and CIT for rare cases warranting special considerations.

5.2.9. Specifically, project funds **cannot** be used to cover:-

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

5.2.10. For general office and IT equipment specifically required for the project, they have to be either included in the approved budget with justifications given or the funding of which has been specifically approved by NAMI, NAMI Technology Committee and CIT, or otherwise the costs of such items **cannot** be charged to the project account.

Other Direct Costs

5.2.11. Project funds **cannot** be used to cover:-

- (a) building facilities (including office, laboratory, accommodation) - rates, rental, renovation, operation, repair and maintenance expenses;
- (b) costs of setting up office or forming association/consortium;
- (c) utilities - charges for electricity, gas, water, telephone and fax;
- (d) transport - shuttle bus services and home to workplace travelling 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 NAMI, NAMI Technology Committee and CIT);

- (i) organisation of trade missions and participation fees at study/trade missions for individuals/ companies¹²;
- (j) charges for non R & D services provided by the recipient organisations 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)¹³; and
- (l) capital financing expenses, e.g., mortgage and interest on loans/overdrafts.

5.2.12. The unallowable cost items set out in paragraphs 5.2.1 to 5.2.11 above are **not** exhaustive. The recipient organisation should consult NAMI and ITC if they have any doubts about whether an item could be charged to a project account.

¹² Please also see footnote 11 on page 23.

¹³ 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 CIT with the support of NAMI, NAMI Technology Committee and the ITF Secretariat. Recipient organisations or the participating company and its public 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 NAMI and CIT and submitted through the ITCFAS. In-depth technical details should be provided to facilitate assessment. For projects under the Collaborating Research Scheme, 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 NAMI, recipient organisations are required to provide timely clarification and/or additional information to substantiate the contents of the progress reports. Each progress report will then be submitted to NAMI, NAMI Technology Committee and the ITF Secretariat for consideration and comments.

Details of the commercialisation plan of project results will be required to be reported in the last progress report which is the final report. The final report covers the entire project period from the commencement date to the completion date or termination date of the project whichever is applicable. NAMI may organise visits or progress review meetings to examine the progress of a project.

The progress reports and the final report have to be vetted and endorsed by NAMI Technology Committee, the ITF Secretariat before their final submission to CIT for assessment and approval.

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 NAMI Grants

- 6.2.1. Disbursement of NAMI Grants will be done by instalments. The instalments will only be effected when all the required documents have been submitted and/or the evidence that the industry partner has paid, if applicable.

Unless circumstances justify otherwise, other instalments of NAMI Grants, if any, will be disbursed only if the project is able to meet the prescribed milestones and NAMI, NAMI Technology Committee and CIT are satisfied with its progress and that there is evidence

showing due contribution by the industry partner(s), if any, to the project. All committed contribution should be received according to the agreed schedules if not upfront.

NAMI 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(s).

- 6.2.2. For some projects, NAMI may consider it necessary to withhold a sum of retention money of 5% of the approved NAMI Grants, until all the prescribed milestones have been completed satisfactorily and all the requirements set down by NAMI and the ITF Secretariat have been accomplished and 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 one month from project completion date or termination date of the project agreement, the recipient organisation has to submit a final report covering the period from project commencement date to project completion 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 commercialisation of the project results have to be set out.

The final report should be prepared in the standard format stipulated by NAMI and CIT and submitted through ITCFAS. In-depth technical details should be provided to facilitate assessment.

- 6.3.2. Upon receipt of the final report of a project, NAMI, NAMI Technology Committee and the ITF Secretariat 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 NAMI, recipient organisations are required to provide timely clarification and/or additional information to substantiate the contents of the final report.
- 6.3.3. Where appropriate, the final report will then be submitted to NAMI Technology Committee for consideration, comments and endorsement, and finally to CIT for consideration of approval. The project coordinator and/or other project team members may be invited to a meeting to present the project results.

6.4. *Suspension or Termination of Funding Support*

- 6.4.1. NAMI and CIT may terminate a project or suspend NAMI Grants 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 being no longer relevant to the needs of the industry as a result of material change in the circumstances, objectives and relevance of the project having been overtaken by events, or NAMI and CIT see fit to terminate the project in public interest.

6.5. *Return of Residual Funds*

- 6.5.1. The recipient organisation should return to NAMI 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 60 days after such completion or termination. NAMI may take such action as may be deemed necessary in case of unreasonable delay in the return of residual funds and interest income to NAMI.

6.6. *Post-Project Evaluation Report*

- 6.6.1. The recipient organisation may be required to submit a post-project evaluation report for its project to report on the efforts in publicising 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 NAMI and should be submitted within two months from the completion date of the project or the termination date of the project agreement..

Chapter VII

PROCUREMENT AND RECRUITMENT

7.1. Procurement Procedures

- 7.1.1. The recipient organisation should ensure that all procurements for goods and services are carried out in an unbiased and fair manner.

The recipient organisation shall exercise the utmost financial prudence in the procurement of the equipment, other goods or services for the purpose of the project and shall, unless otherwise agreed in writing by NAMI, adhere to the procurement procedures set out below:-

- (a) for every procurement of the equipment, other goods or services the aggregate value of which amounts to more than HK\$5,000.- but below HK\$10,000.-, written quotations of price from at least two suppliers or service providers shall be obtained. The procurement contract should, unless otherwise agreed by NAMI, be awarded to the supplier or service provider submitting the lowest quotation;
- (b) for every procurement of the equipment, other goods or services the aggregate value of which amounts to HK\$10,000.- or more but below HK\$500,000.-, written quotations of price from at least three suppliers or service providers shall be obtained. The procurement contract should, unless otherwise agreed by NAMI, be awarded to the supplier or service provider submitting the lowest quotation; and
- (c) for every procurement of the equipment, other goods or services the aggregate value of which amounts to HK\$500,000.- or more, there shall be open tendering. The procurement contract should be awarded to the supplier or service provider in accordance with the terms of the tender.

If the recipient organisation is a local university, the university may also adhere to its established/current procurement procedures instead of the procurement procedures listed in paragraphs 7.1.1(a) to 7.1.1(c) above.

- 7.1.2. In case a co-applicant organisation (as defined under para. 4.1 above) intends to procure goods or services from one company/organisation/individual, it has to provide details, justifications and its relationship with the company/organisation/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 NAMI will not be required. Where goods or services are procured from a collaborating party, details should be given in Section C4 (Collaborations with Other Organisations) of the proposal.

- 7.1.3. All quotations and tendering documents should be kept by the recipient organisation for NAMI's inspection. 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 NAMI within that two-year period.

7.2. *Hiring of Project Staff*

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

7.3. *Title to Equipment*

- 7.3.1. The title to the equipment shall vest in and remain with NAMI as and when it passes upon procurement of the equipment by the recipient organisation and/or the implementing organisation. NAMI will retain the title to all equipment throughout the scheduled project period and for at least 2 years after project completion or termination of the project. The recipient organisation should make such equipment available for the inspection or removal by NAMI, CIT and the Director of Audit upon request.
- 7.3.2. However, the recipient organisation and/or the implementing organisation will have the right to use the equipment to carry out the project.
- 7.3.3. The recipient organisation and/or the implementing organisation should, on a reasonable notice by CIT, hand over to CIT, if required, at any time within 2 years from project completion or termination of the project agreement any piece of equipment whose acquisition cost exceeds HK\$500,000.- and which was acquired by using the NAMI Grants. Upon service of such notice, title and ownership to and in that piece of equipment should vest in the Government absolutely.

Chapter VIII PUBLICITY AND INTELLECTUAL PROPERTY RIGHTS

8.1. *Publicity and Acknowledgement*

- 8.1.1. The recipient organisation should try to publicise the project results or any events related to the project through publications, seminars, workshops, conferences, exhibitions, etc. after the relevant IP protection processes have been completed.

Where appropriate, the recipient organisation should try to generate income by charging fees for project deliverables so as to recoup wholly or partly the cost of the deliverables. It should also provide NAMI with information about the events and the project results so that NAMI may put it on the web.

- 8.1.2. Acknowledgement of NAMI Grants sourced from ITF must appear on all equipment, facilities, publicity, media events related to the project, as well as in publications arising from the project. The following disclaimer should also be included in any publications and media events:-

"Any opinions, findings, conclusions or recommendations expressed in this material/event (or by members of the project team) do not reflect the views of the Government of the Hong Kong Special Administrative Region, the Innovation and Technology Commission or the Panel of Assessors for the Innovation and Technology Support Programme of the Innovation and Technology Fund, Nano and Advanced Materials Institute Limited (NAMI) or NAMI Technology Committee."

8.2. *Intellectual Property Rights (IPRs) and Use of Project Results*

- 8.2.1. Intellectual property rights mean all intellectual property rights arising from the project including designs, inventions, patents, copyrights, rights in goodwill, trade secrets and trade marks, whether registered or unregistered. In this regard, patent registration fee for functional inventions directly relating to the project may be included in the budget. The patent registration fee charged to the project account should **not** be more than HK\$150,000.- or 90% of the total direct costs involved in patent registrations, whichever is lower.
- 8.2.2. Ownership of intellectual property rights generated from the R&D projects differ depending on project types and the contribution percentage. Please refer to separate guidelines issued by NAMI on Intellectual Property Policies and Arrangements downloadable at NAMI's website. Below is an overview:-

(a) **Platform Research Program**

- i) The title of all new IPRs generated from the project (foreground IP) should vest in NAMI. The industry partners who have made cash contribution within the first six to nine months after the commencement of the project may retain the rights to use the new IPRs for commercial exploitation. NAMI shall grant non-exclusive

license to the concerned industry partners on a need-to-use basis and on fair terms to be agreed between NAMI and the industry partners.

ii) In addition, an industry partner who has contributed an amount over a threshold (to be determined by NAMI Board of Directors) may be eligible to share the benefits obtained from the commercialisation of new IPRs from the projects in proportion to their respective contributions to the project. The specific IP benefit sharing arrangements for each project should be clearly set out in the project proposal. In this context, the benefits refer to the sales revenue generated from the commercialisation of the foreground IP.

iii) For industry partners that do not fall in the above category, NAMI may grant non-exclusive licences for them to use the the foreground IP but the licencing fee should be set by the Board at a higher level compared with the licencing fee in paragraph 8.2.2 (a) (i) above.. Such industry partners will not be eligible to share the benefits of commercialisation of new IPRs from the project unless the NAMI Board of Directors decides otherwise.

(b) Collaborative Research Program

For projects in which the contribution by the industry partner is between 30% to less than 51%, the title of all new IPRs generated shall vest in NAMI. The industry partner will automatically be granted an exclusive licence to use the new IPRs free-of-charge for a defined period (to be determined by NAMI Board of Directors). During this period, the industry partner may request to buy-out the corresponding IPRs. However, if the industry partner does not choose to exercise the buy-out option, NAMI will continue to hold the title of the project IPRs, and may grant licence to other parties to use such IPRs after the aforementioned exclusive licence expires.

For projects in which the contribution by the industry partner is not less than 51%, all new IPRs generated may rest with the industry partner subject to the following conditions.

- i) NAMI shall enjoy the beneficiary rights of IPs generated, i.e., NAMI shall have the right to share the benefits from commercialization of the project IPs (including royalty fees), with the sharing ratio subject to negotiation between NAMI and the industry partner having regard to the respective proportion of their contributions to the project. NAMI shall also have the right to take appropriate actions against the industry partner if the latter does anything that may jeopardize NAMI's beneficiary rights of the concerned IPs;
- ii) The industry partner shall return the title of the project IPs to NAMI if the industry partner fails to commercialise the IPs within a certain period of time (to be agreed by both parties);
- iii) NAMI shall have the first right of refusal in case the industry sponsor decides to dispose of or sell to others the project IPs;
- iv) NAMI shall have the right to collect from the industry partner a certain amount of guaranteed income for the commercialization of the project IPs; and
- v) NAMI shall retain a perpetual royalty-free right to use any IPs generated from the project

for further research purposes.

The industry partner has the right to share the benefits generated from commercialisation of IPs generated from the project (including royalty fees) with the sharing ratio subject to negotiation between NAMI, other participating R & D partners and the industry partner having regard to the respective proportion of their contributions to the total project costs. In this context, the benefits refer to the sales revenue generated from commercialisation of the project IPs.

(c) **Contract Research Program**

The IPRs generated and the benefits generated from such IPRs shall rest with the participating organization or company. NAMI will not claim any IPRs generated except the right to use the IPRs for research purposes only.

- 8.2.3. The recipient organisation should comply with the guidelines on IP arrangement referred to in the project agreement in dealing with IPR issues of the project.

8.3 *Patent Applications*

- 8.3.1 All claims for patent applications would be considered by the Patent Assessment Committee of NAMI before determining the countries to which the applications should be filed.
- 8.3.2 Applications should be made by completing the Inventions Disclosure Forms designed by NAMI which would be updated from time to time.

Chapter IX

INSTITUTION ADMINISTRATIVE OVERHEADS

9.1. Eligibility Criteria

- 9.1.1. A local university, the Hong Kong Institute of Vocational Education (IVE) and the R&D Centers (except the R&D Center on Information and Communications Technology (ICT) hosted by ASTRI) are allowed to include an institution administrative overheads as part of the project cost when participating in an R&D project as a collaborating organisation and undertaking a substantial portion of the R&D work.
- 9.1.2. The institution administrative overheads would be disbursed to the collaborating public research Institute upon request, and after receipt of the final audited accounts. Subject to the ceiling of NAMI funding approved for a project, the institution administrative overheads would be capped at no more than 15% of the NAMI Grants utilized for the project, i.e., total disbursed NAMI Grants less the residual funds remaining in the project account (excluding interest income).

9.2. Expenses Covered

- 9.2.1. Such institution 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; and
 - (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.

As the institution 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 project.