

# Smart Traffic Fund (“Fund”)

## Frequently Asked Questions for Applicants

### 1. General

#### 1.1. What is the scope of the Fund?

The Fund aims to provide support for enterprises or organisations to conduct research and application on vehicle-related innovation and technology (“I&T”) with at least one of the following objectives –

- enhancing convenience of motorists;
- enhancing efficiency of the road network or road space; and
- improving driving safety.

The applicants should demonstrate that the proposed project is in line with the objectives of the Fund and relevant Government’s policies, including the ‘Smart City Blueprint for Hong Kong 2.0’ or ‘Smart Mobility Roadmap for Hong Kong’ for promoting smart mobility in Hong Kong.

Note:

- Smart mobility is one of the six major areas mentioned in the ‘Smart City Blueprint for Hong Kong 2.0’ published by the Government in December 2020.  
(<https://www.smartcity.gov.hk/>)
- The Transport Department published the ‘Smart Mobility Roadmap for Hong Kong’ in July 2019.  
([https://www.td.gov.hk/filemanager/en/publication/smr\\_roadmap\\_hk.pdf](https://www.td.gov.hk/filemanager/en/publication/smr_roadmap_hk.pdf))

#### 1.2. What kind of projects will be funded by the Fund?

The Fund provides funding support for (i) research and application projects, and (ii) pure research projects on vehicle-related innovation and technology.

### 1.3. Who are eligible to apply funding support from the Fund?

The Fund accepts applications from both public sector and corporate sector –

#### Public Sector

- (i) The following R&D Centres:
  - Automotive Platforms and Application Systems R&D Centre;
  - Hong Kong Applied Science and Technology Research Institute;
  - Hong Kong Research Institute of Textiles and Apparel;
  - Logistics and Supply Chain MultiTech R&D Centre; and
  - Nano and Advanced Materials Institute;
- (ii) Local Universities funded by the University Grants Committee (“UGC”);
- (iii) Institutions in List 1 of the Designated Local Research Institutions designated by the Commissioner for Innovation and Technology in accordance with Section 19 of Schedule 45 of the Inland Revenue Ordinance (Cap.112) except Local Universities funded by the UGC and R&D Centres; and
- (iv) Non-profit or charitable professional bodies, trade associations and non-government organisations.

#### Corporate Sector

- (v) Companies; and
- (vi) Institutions, professional bodies, trade associations and non-government organisations not covered by (i) to (iv) above.

Note:

- The R&D Centres and Local Universities identified in (i) and (ii) above are collectively known as the Public Sector Research Institutions.
- For institutions, companies, professional bodies, trade associations and non-government organisations applicants, they should be registered in Hong Kong under the Business Registration Ordinance (Cap. 310) or formed under the respective ordinances.
- For non-profit bodies, the applicants shall provide supplementary information, such as Constitution and Articles of Association to prove that the applicants are non-profit in nature.
- Charitable bodies refer to those exempted from tax under Section 88 of the Inland Revenue Ordinance (Cap. 112).

**1.4. Are companies that currently do not have substantive business operations in Hong Kong eligible for applying this funding support?**

Companies should be registered in Hong Kong under the Business Registration Ordinance (Cap. 310) for applying the Fund. The applicant must provide documentary evidence including a copy of the business registration certificate together with the application form proving its registration at the time of application.

**1.5. What is the maximum project duration for each project?**

The duration of the project should normally not exceed 24 months.

To encourage more quick-win solutions that can bring benefits to the community within a short time, projects with duration not more than 12 months with reasonable and realistic programme will score higher marks under the assessment, while those projects with duration exceeding 24 months will score lower marks.

**1.6. Can an applicant submit another funding application before the completion of an ongoing project funded by the Fund?**

The applicant can submit another funding application before the completion of an ongoing project funded by the Fund. The applicant is required to provide relevant information of the approved projects (including the project title, approved funding amount and project duration etc.) on the application form.

The applicant should note that the project progress or performance of the previously approved projects may affect the vetting results of their new applications. The Management Committee will also assess the applications case by case by considering the necessity and capability of the applicant in managing different projects simultaneously.

**1.7. Does the Fund only support research and application projects?**

The Fund provides funding support for both (i) research and application projects, and (ii) pure research projects. For pure research projects, the application will be vetted based on its plan and the long term potential of making use of the research results to develop products or technologies which can be launched, sold or adopted by either private or public parties.

**1.8. How many projects will the Fund approve each year? Is there any cap on the number of projects or the amount of funding to be approved by the Fund?**

The Fund has no specific limit on the number of projects or the amount of funding to be approved in each year. We will consider applications on individual merits subject to the balance of the Fund.

**2. Grant Details**

**2.1. What is the funding amount and principles for the Fund?**

The applicants shall contribute a certain percentage of the project cost as follows –

- (i) For applicants from the corporate sector, the Fund's contribution is capped by 50% of the project cost, i.e. the applicants should contribute at least 50% of the project cost; and
- (ii) For applicants from the public sector, the Fund's contribution is capped by 90% of the project cost, i.e. the applicants should contribute at least 10% of the project cost.

The funding ceilings for the two types of projects are set out below –

- (i) HK\$ 20 million for research and application projects; and
- (ii) HK\$ 8 million for pure research projects

For details of the eligible expenditure items, please refer to the Guide to Application.

**2.2. Funding will be provided on a matching basis and the applicant has to contribute no less than 50%/ 90% of the total approved project cost. Can the applicant make use of contribution in-kind to pay for its part?**

For all applicants except the Public Sector Research Institutions, the applicants' contribution shall be in cash. For Public Sector Research Institutions, the applicants' contribution can either be in cash or in-kind or a combination of both. In-kind contribution shall only be in the form of equipment, consumables or manpower.

**2.3. Is there any sponsorship requirement for the Fund?**

There is no limit on the number of sponsors and supporting parties. Relevant documents with company/organisation chop(s) showing the sponsorship and support shall be enclosed in the application.

Any organisations or individuals can be sponsors to the project. Due weighting will be given to a project with a larger amount of sponsorship and larger number of sponsors from related industries, which indicate the interests of the industries in the deliverables of the project and the potential for adoption by the industries.

**2.4. How to increase the success rate on each application?**

Based on the assessment criteria, the Management Committee will give marks according to the details and rationality of the project information and budgets as well as the past performance of the applicant. The applicant could consult the Secretariat before submitting application if necessary.

**2.5. Can expenditures for the proposed project be committed with the project funds before the application is approved?**

No. All project expenditures should be incurred within approved project period. Any expenditure incurred/committed before the approved project commencement date would have to be borne by the applicant.

**2.6. Can the R&D work of the project be conducted outside Hong Kong?**

At least 50% of the research activities of a project, in terms of project expenditures should be conducted within Hong Kong unless prior approval from the Management Committee has been sought. Nevertheless, the first application of technologies developed under a project of research and application category should be carried out in Hong Kong.

For activities conducted outside Hong Kong, it is the absolute responsibility of the applicant to ensure that the activities comply with the local regulations and laws. Under no circumstances will the Government be held liable for any breach of the local regulations or laws. The applicant is required to declare compliance upon the submission of the application.

**2.7. Can the cost of procuring equipment/ computer software be funded under the Fund?**

If the equipment/ computer software procured is essential for project implementation and has specialized use instead of general office and IT equipment, the cost can be funded under the Fund.

The applicant should exercise the utmost prudence in procuring equipment, goods or services for the project and must adhere to the procurement procedures as set out in the Guide to Application unless the Government agrees otherwise. Please refer to the Guide to Application for more details.

**2.8. Can the fund cover the salary of existing employees of the applicant for implementing project under this Fund?**

For all applicants other than the Public Sector Research Institutions, project funding can generally be used to cover the salary of project team members, whether or not existing employees, including the employer's mandatory contribution to the Mandatory Provident Fund (MPF). Variable pay and general fringe benefits and allowances such as expenses on housing (including nominal rental for quarters), education, training, passage and travelling (except travelling expenses directly related to the project approved by the Management Committee), food, medical, dental, insurance, severance pay, overtime and untaken leave, etc. are disallowed.

For the Public Sector Research Institutions, project funding can generally be used to cover the salary of project team members, whether or not existing employees, including employer's mandatory contribution to the MPF, contract gratuities, annual salary adjustment (excluding increments and promotion) and general fringe benefits (e.g. medical) in accordance with the established mechanism of the relevant Public Sector Research Institutions.

The Fund will not cover any emolument to a person whose salary is already paid by the Government, a Government subvented body/institution, a university or any government funding schemes.

**2.9. Can shareholders or directors of the applicant charge salary from the project funds?**

In general, company shareholders/directors shall NOT take salary from the project fund. Only in exceptional cases would company shareholders/directors who directly participate in the R&D work of the project be considered to receive nominal salary from the project funds. Prior approval from the Management Committee has to be sought.

**2.10. Do I need to return the interest income and residual funds to the Government upon completion of the approved project?**

All funding and contribution for the project and income derived from the project shall be deposited to the project account and used for offsetting project expenditures. After completion (or termination, as the case may be), the applicant shall return to the Government all unspent funding contributed by the Fund, and residual project income in the project account in proportion to the funding disbursed as set out in the funding agreement and all actual interest income accrued from the date of project completion or termination of the funding agreement up to the date of payment, within one month after the acceptance of the final report and audited accounts by Management Committee on the Fund.

**3. Application Submission**

**3.1. What is the application period of the Fund?**

Subject to the balance of the Fund, the Fund is open for application, from 31 March 2021 onwards, for a period of 5 years.

**3.2. How to apply for the Fund?**

An electronic copy of the completed Application Form together with the required supporting documents as set out in the Guide to Application shall be sent to the Secretariat by email (Email Address: [stf\\_sec@hkpc.org](mailto:stf_sec@hkpc.org))

**3.3. Can I apply for multiple projects at the same time?**

There is no limit on the number of projects each applicant may submit at the same time, provide that each project is distinct.

**3.4. Can I apply for the Fund for a project that is receiving other Government funding or pending application results from other Government funding schemes?**

If a particular project has been/ will be granted from other sources of funding support provided by the Government, the project will not be funded under the Fund.

If the applicant has applied other sources of funding support provided by the Government and the application was not approved or it is still under the vetting process, the applicant has to declare the relevant project information in the application form.

### **3.5. What is the application procedure?**

Upon receipt of an application, the Secretariat will seek clarification or supplementary information from the applicant if needed and conduct a preliminary screening to screen out applications which are out of the scope of the Fund. For applications which have passed the preliminary screening, the Secretariat will conduct detailed assessment and submit its recommendations to the Management Committee for approval. Where necessary, an application may be subject to external review. The applicant shall respond to any request from the Secretariat for clarification or supplementary information by the due date specified by the Secretariat; otherwise, the application will be considered as withdrawn with immediate effect unless the Secretariat's prior approval has been obtained.

The applicant will be notified of the result of the application in writing.

### **3.6. What documents are required for application?**

Applicants should submit the following supporting documents together with the application form:

- (a) Business Registration Certificate (if applicable);
- (b) Latest Annual Return (or the Incorporation Form for newly established company) (if applicable);
- (c) Notice of Change of Company Secretary and Director (Appointment/ Cessation) (if applicable);
- (d) Notice or Certificate of Change of Company Name (if applicable);
- (e) Consent / licence for use of IP rights of a third party (if applicable);
- (f) Constitution and Articles of Association (if applicable);
- (g) Consent from parties referred in this application form;
- (h) Organisation chart of the project team with elaborations on the roles and responsibilities of key project team members;
- (i) Manning schedule showing the time to be spent on the project by key project team members;
- (j) Curriculum vitae for key project team members showing their qualifications, experiences, and past achievements;
- (k) Programme of the project;
- (l) Supporting documents from organisations interested in carrying out further research or development based on the deliverables of the project (if applicable);
- (m) Documentary proof of the value of in-kind contribution (if applicable); and
- (n) Supporting documents on sponsorship (if applicable).



**3.7. In what ways can I demonstrate the technical and management capability of my proposed project?**

Applicants should provide in the application form details on whether their key project team members have sufficient capability to achieve results for the proposed projects and provide proof for such capability.

**3.8. How should I demonstrate the financial considerations of my proposed project?**

Applicants should list all expenditure items, with justifications on their necessity and reasonableness, and follow strictly the Government's procurement arrangements.

**3.9. Can I amend my application or provide supplementary information after submission?**

Applicants are not allowed to amend their applications. They may, however, upon the request of the Secretariat, provide supplementary information to their applications.

**3.10. How long will the application process take?**

In general, an applicant could be notified of the vetting result in around 3 months earliest upon submission of all the required information and documents. The actual processing time depends on whether the submitted information is complete and clear. The Secretariat will start vetting the application after receiving the application form, all required documents and supplementary information for clarification. The applicant will be informed of the result after completion of the vetting.

**4. Application Assessment**

**4.1. Who will assess my application?**

A Management Committee has been set up to vet and approve applications under the Fund. The Management Committee will comprise official members and non-official members from the academia, professionals, etc. to ensure an objective, fair and balanced assessment of applications.

**4.2. What are the assessment criteria?**

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

For Research and Application Projects

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

#### For Pure Research Projects

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

#### **4.3. What is the minimum score for an application to be approved of funding?**

To obtain approval and funding, an application needs to pass the passing mark, which is 50% of the full mark, of the assessment criteria “Innovation and Technology Components” and “Technical and Management Capability” for respective project.

#### **4.4. Would my application be considered unfavourably if the R&D is at its early stage?**

The Fund provides funding support for both (i) research and application projects, and (ii) pure research projects. For pure research projects, the application will be vetted based on its plan and the long term potential of making use of the research results to develop products or technologies which can be launched, sold or adopted by either private or public parties.

#### **4.5. Can I appeal for unsuccessful applications?**

Although there is no appeal mechanism for the Fund, a declined application may be resubmitted if it has been revised to fully address the Management Committee’s recommendations on the project or if it has been able to produce additional information to justify the resubmission.

In completing the application form for a resubmitted application, the applicant should set out clearly the differences between the resubmitted application and the previous one. The resubmission will be assessed by the Management Committee following the same assessment procedures.

### **5. Project Execution**

#### **5.1. What will happen next if my application is approved?**

If an application is approved by the Management Committee, the applicant shall enter into a funding agreement with the Secretariat with the terms and conditions covering the monitoring of project progress and expenditure, submission of reports and audited accounts, etc.

**5.2. Do I need to open a bank account for receiving funds from the Fund?**

The applicant, unless an exemption had been sought, is required to open and maintain a separate interest bearing bank account under its name with a licensed bank registered under the Banking Ordinance (Cap. 155) solely and exclusively for the purpose of processing all receipts and payments of the project. All project funds (including contribution by the Fund and applicant's matching fund) must be kept in the project account until such funds are spent (paid) in compliance with the funding agreement or returned to the Secretariat by the applicant in accordance with the funding agreement.

**5.3. If an applicant has successfully applied two or more funded projects, is it necessary to open a separate bank account for each of the projects instead of simply opening just one bank account for those funded projects?**

If the applicant has successfully applied two or more funded projects, it has to open an individual bank account for each project such that the accounts of receipts and expenditures for different funded projects are separated. The accounts are subject to individual financial audits.

**5.4. Do the approved projects have to be monitored? What are the monitoring measures?**

In order to ensure effective implementation of the funded project, the successful applicant has to comply with the requirements of the Fund during implementation of the project, including but not limited to:

- The applicant has to sign a designated agreement with the Secretariat.
- The applicant has to open a separate bank account for processing all receipts and payments of the project, and related statement of income and expenditure has to be audited by the third party.
- The applicant has to submit the progress/final report(s) and the audited accounts as required according to the project duration.
- The Secretariat will arrange on-site checking for the selected projects in order to monitor the project progress and results.
- The applicant may be required to produce evidence showing that he/ she has followed the required procurement procedures.

For the details of the monitoring measures, report(s) and audited accounts submission, and procurement procedures, please refer to the Guide to Application.

**5.5. What are the criteria for the Secretariat to arrange consultant(s) to conduct on-site checking for monitoring the progress and results of the funded projects?**

The Secretariat will carry out on-site checking to all projects within the first 6 months upon project commencement on the applicant's establishment and project progress. Based on the implementation status and nature of individual projects, the Secretariat will perform on-site checking, including random, surprise and routine inspections in order to monitor the project progress and results. The Secretariat will consider the following factors for on-site checking:

- The complexity and scale of the project implementation.
- The progress report(s)/ final report submitted by the applicant.
- The work/ results of the project implemented by the applicant and the deviation from the content of the approved project.
- The amendments made by the applicant during the project implementation.
- The past performance on the project implementation of the applicant or the service provider engaged.

**5.6. Can I make changes to the project proposal after the project is approved?**

An approved project is required to be carried out strictly in accordance with the proposal appended to the funding agreement. Any modification, amendment or alteration to the project or the agreement, including but not limited to a change of project commencement or completion dates, key project team members (including project director, project manager, team leaders and specialists), or key equipment, scope, methodology, budget or cashflow projection, will require prior approval by the Management Committee. Reasons with supporting documents for the changes shall be provided.

**5.7. In the course of conducting the approved project, I may need to make adjustments to the budget due to unforeseen circumstances. Will the Fund allow deviations from the budget set out in the funding agreement?**

In general, no adjustment can be made to the total budget approved for the project. Prior approval from the Management Committee is not required for virement of fund provided that—

- (a) the cumulative deviation of expenditure of a category does not exceed 30% of the original approved budget for that category and does not result in any increase in the Estimated Project Cost and the total amount of the grant approved; and
- (b) any virement and the underlying reasons are reported in the relevant Progress Report(s), Interim Reports(s) and Final Report.

**5.8. Will the amount of the grant be reduced/ withheld in case of slippage of the agreed project milestones?**

In case of slippage of the agreed project milestones, the Secretariat will review and propose remedial measures to assist the applicant in delivering the project, and send reminders and warnings to the applicant. To ensure that the public money would be used prudently, the Government may, on the recommendation of the Management Committee, consider to withhold or reduce the approved funding amount if the performance of the applicant is unsatisfactory or unable to attain the project milestones. The Secretariat will assess the fund to be withheld or reduced based on the project progress, milestones and deliverables already completed, for decision by the Management Committee. The withheld amount of fund will be released upon the applicant's implementation of mitigation measure(s) and improved performance to the satisfaction of the Management Committee.

**5.9. Under what situations and conditions will the Government suspend or terminate the disbursement of fund for the approved project?**

The Management Committee and the Government reserve the right to suspend or terminate the funding support under the following circumstances: –

- (a) lack of satisfactory progress;
- (b) slim chance of completion of project;
- (c) failure to submit Interim Report(s) / Progress Report(s) / Final Report or audited account(s) within the stipulated deadlines;
- (d) non-acceptance of the reports / accounts mentioned in (c) by the Management Committee;
- (e) breach of the terms and conditions of the funding agreement; or
- (f) situations warranting termination of the project to safeguard public interest.

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

## **6. Benefit Sharing and Intellectual Property (“IP”) Rights**

### **6.1. Do I need to share the project income with the Government?**

All funding and contribution for the project and income derived from the project shall be deposited to the project account and used for offsetting project expenditures. After completion (or termination, as the case may be) of the project, the applicant shall return to the Government all unspent funding contributed by the Fund, and residual project income in the project account in proportion to the funding disbursed as set out in the funding agreement and all actual interest income accrued from the date of project completion or termination of the funding agreement up to the date of payment, within one month after the acceptance of the final report and audited accounts by Management Committee on the Fund.

### **6.2. Who will own the IP rights developed under the project?**

The IP rights developed under the project will be vested with the applicant, but the applicant shall license the Government to use the IP rights in Government projects unconditionally. Despite the unconditional use of IP rights in Government projects, the applicants might still charge for any services and products they provide in the Government projects.