

4 December 2002

Clerk to Subcommittee
(Attn.: Ms Doris Chan)
Subcommittee on Chinese Medicine (Fees) Regulation
Chinese Medicines Regulation and
Chinese Medicines Traders (Regulatory) Regulation
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms Chan,

**Subcommittee on Chinese Medicines (Fees) Regulation,
Chinese Medicines Regulation and
Chinese Medicines Traders (Regulatory) Regulation)**

Thank you for your fax of 29 November 2002.

2. On Members' request for information on funding schemes to which the Chinese medicines trade are eligible, please find attached brief notes on the following funding schemes administered by the Innovation and Technology Commission and the Department of Trade and Industry:

Innovation and Technology Commission

- Small Entrepreneur Research Assistance Programme (SERAP)
- The Applied Research Fund
- Patent Application Grant

- Teaching Company Scheme
- Matching Grant for Joint Research
- Industrial Research Chair Scheme
- The New Technology Training Scheme (NTTS)

Department of Trade and Industry

- Small and Medium Enterprises (SME) Business and Equipment Loan Guarantee Scheme (BIG)
- SME Development Fund (SDF)
- SME Training Fund (STF)
- SME Export Marketing Fund (EMF)

3. The attendance list of the Administration for the meeting on 5 December 2002 is at the Annex for your information and necessary action.

Yours sincerely,

(Peter Kwok)

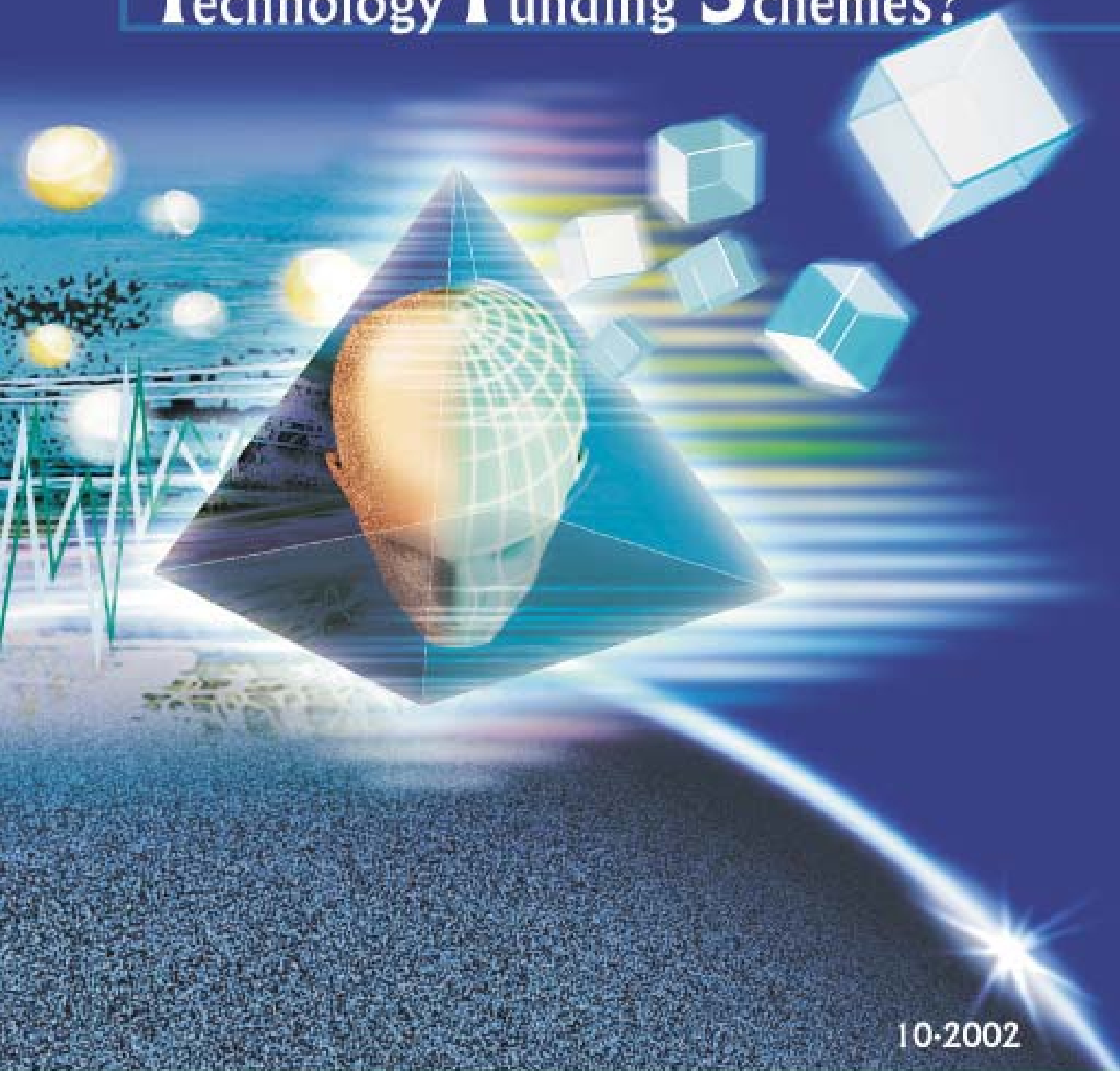
for Secretary for Health, Welfare and Food

c.c. Director of Health (Attn.: Dr T H Leung)

Department of Justice (Attn.: Miss Miranda Ng, Miss Betty Cheung,
Ms Stella Chan)

How can your company
benefit from the Government's

Technology Funding Schemes?



10-2002



**Innovation and
Technology Commission**

The Government of the Hong Kong Special Administrative Region

INTRODUCTION

The Government and its agencies operate several funding schemes to assist Hong Kong companies to develop innovative ideas and technology businesses. This booklet provides a brief introduction of these schemes.

Important Notes:

- a** In this booklet, "Hong Kong companies" and "local companies" mean companies that are incorporated in Hong Kong and have substantial connection to Hong Kong. This means that a substantial part of their production, research, development, management or general business activities must be located in Hong Kong.
- b** No application fees will be charged under any of the schemes.
- c** Except for the agents mentioned in the booklet, the Government has not appointed any other intermediaries or agents to prepare or handle applications.
- d** Apart from the schemes listed in this booklet, local companies can also become sponsors to R & D projects carried out by local universities, research institutes, industry support organisations, professional bodies or trade associations. Similarly, they can become sponsors to special events or activities, such as conferences, seminars, promotional programmes etc. The financial commitment of a sponsor will be much smaller, but the intellectual property rights arising from the project will rest with the applicant organisation.

SERAP - A TECHNOPRENEUR FUND

SMALL ENTREPRENEUR RESEARCH ASSISTANCE PROGRAMME

What is SERAP?

- SERAP aims to help small, technology based and entrepreneur driven companies carry out business-oriented researches at the pre-venture capital stage.
- For a selected project, the company will be given a funding of not more than HK\$2 million on a *dollar for dollar* matching basis. The funding will be recovered if the project is able to attract follow-on investment or generate revenue.
- Projects should be carried out in two phases. Phase I is a trial period of no longer than six months. Subject to satisfactory progress being demonstrated during the course of Phase I, Phase II, which should not last for longer than 18 months, may be funded to take the project up to the pre-market launch stage.
- The company will hold all intellectual property rights arising from the project.
- SERAP will not take any equity from your company.

Will my company be eligible to apply?

Your company will be eligible if it is a local company and has less than 20 employees.

What kind of projects will be supported?

SERAP will support projects that have

- innovative, technological content; and
- reasonable chance of successful commercialisation of a new product, process or service.

Investment in new equipment or staff training for an existing business will not be supported. Business proposals that have no technology content will also not be supported.

Who should I contact?

You should contact:

Innovation and Technology Commission
14/F, Ocean Centre, 5 Canton Road, Kowloon
Tel: (852) 2737 2409 Fax: (852) 2199 7004
Website: <http://www.info.gov.hk/itc/itf>

THE APPLIED RESEARCH FUND

What is the Applied Research Fund?

The Applied Research Fund is a venture capital fund to support technology ventures undertaken by local companies. Key features include:

- The Fund is managed by private sector venture capital firms. The fund managers will assess the technical and commercial viability of proposed technology ventures. They will also determine the terms of the Fund's investment in a company.
- The company will hold all intellectual property rights arising from the project.

Will my company be eligible to apply?

Your company will be eligible if it is a local company.

What kind of projects will be supported?

Technology businesses that have commercial potential will be considered.

Who should I contact?

You should contact:

Walden Technology Management (H.K.) Ltd.

Suites 1203-1211, 12/F., Two Pacific Place, 88 Queensway, Hong Kong

Tel: (852) 2523 0615 Fax: (852) 2521 5778

Website: <http://www.wiig.com>

Softech Investment Management Co. Ltd.

26/F., Cosco Tower, 183 Queen's Road Central, Hong Kong

Tel: (852) 2169 2800 Fax: (852) 2169 0008

Website: <http://www.softech-arf.com>

PATENT APPLICATION GRANT

What is the Patent Application Grant?

The Patent Application Grant assists local companies and individuals to apply for patents for their inventions. Patents obtained through funding from this Grant will be held by the companies/individuals.

Will my company / invention be eligible to apply?

- All local companies, Hong Kong permanent residents or Hong Kong residents permitted to remain in Hong Kong for not less than 7 years who have never owned any patents before will be eligible.
- All functional inventions (except cosmetic designs) are eligible. They should first go through a patent search-cum-technical appraisal by the implementation agent to ensure that there is no infringement on existing patents and there is a reasonable chance of success.

What form of support will be given?

A grant of not more than HK\$100,000 or 90% of the total cost of patent application, whichever is the lower, will be provided. Funds are only released to the implementation agent through which the patent application is processed. The grant would be used to cover the direct costs involved in the patent application process, such as pre-application technical appraisal, attorney fees, consultant fees and filing of patent applications.

Which is the implementation agent?

The implementation agent is Hong Kong Productivity Council. Companies or individuals seeking funding support will need to provide the institution with details of their inventions. All information received will be treated in the strictest confidence.

Who should I contact?

You should contact:

Innovation and Technology Commission

14/F, Ocean Centre, 5 Canton Road, Kowloon
Tel: (852) 2737 2278 Fax: (852) 2957 8726
Website: <http://www.info.gov.hk/itc/pag>

Hong Kong Productivity Council

78 Tat Chee Avenue, Kowloon Tong, Kowloon
Tel: (852) 2788 5957 Fax: (852) 2788 6045
Website: <http://www.ipsc.org.hk>

TEACHING COMPANY SCHEME

What is the Teaching Company Scheme?

The Teaching Company Scheme aims to foster university-industry partnership. It supports local companies to take on graduate students from local universities to assist in proprietary R & D work. Key features include:

- The Scheme will cover a maximum of HK\$7,500 of the monthly studentship of the student.
- The university will provide teaching guidance to the student in handling the project.
- The student's performance in the project will be counted towards his/her degree programme.
- The company will own all the intellectual property rights arising from the project.
- The project should not last more than two years.

Through this arrangement, the company will benefit from the research results. Students will benefit from their practical research experience in a genuine business environment. The university will have closer links with industry and a better understanding of its needs.

Will my company be eligible to apply?

Yes, if your company is a local company. Your company will be the applicant, but you must first find a university as the partner.

What form of support will be given?

The Scheme will cover half of the studentship of the graduate students. The maximum contribution from the ITF to the monthly studentship for each graduate student amounts to HK\$7,500. As the project should last no more than two years, the maximum ITF funding for the studentship for each student would be HK\$180,000.

How can my company apply for funding?

Your company should first agree with a local university on the project details, the selection of student, the expected deliverables, and if necessary, the royalty arrangements. Your company and your partner university will then need to submit a joint application to the Innovation and Technology Commission. For enquiries, please contact:

Innovation and Technology Commission

14/F, Ocean Centre, 5 Canton Road, Kowloon
Tel: (852) 2737 2229 Fax: (852) 2957 8726
Website: <http://www.info.gov.hk/itc/itf>

MATCHING GRANT FOR JOINT RESEARCH

What is the Matching Grant for Joint Research?

This Matching Grant for Joint Research aims to foster university-industry collaboration in R & D projects. Key features include:

- The Grant will cover half of the project cost. The other half will be covered by the company.
- The company's contribution must be in cash.
- The company will own all the intellectual property rights arising from the project.

Will my company be eligible to apply?

Yes, if your company is a local company. Your company will be the applicant, but you must first find a university as the partner.

What kind of projects will be supported?

An R & D project carried out jointly by a local company and a university will be eligible. Projects that focus on routine applications of existing technologies or on the provision of bureau services will not be funded.

How can my company apply for funding?

Your company should first agree with a local university on the project details, the expected deliverables, and if necessary, the royalty arrangements. Your company and your partner university will then need to submit a joint application to the Innovation and Technology Commission. For enquiries, please contact:

Innovation and Technology Commission

14/F, Ocean Centre, 5 Canton Road, Kowloon

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INDUSTRIAL RESEARCH CHAIR SCHEME

What is the Industrial Research Chair Scheme?

The Industrial Research Chair Scheme supports research efforts of universities and industry in technology fields that are not yet developed in Hong Kong but for which there would be good development potential. Key features of the Scheme are:

- A distinguished researcher in the university will be invited to be the chairholder to lead the project for a finite duration. The chairholder should mainly conduct research and accept a light teaching load.
- The project should be in the natural science or engineering field that responds to industrial needs.
- The Scheme and the company will each sponsor half of the project cost.
- The company will own all the intellectual property rights arising from the project.
- The grant could cover the salary of the chairholder, as well as other manpower, equipment and other direct expenditure related to the project.

Will my company be eligible to apply?

Yes, if your company is a local company. Your company will be the applicant, but you must first find a university as the partner.

How can my company apply for funding?

Your company should first agree with a local university on the project details, the expected deliverables and, if necessary, the royalty arrangements. Your company and your partner university will then need to submit a joint application to the Innovation and Technology Commission. For enquiries, please contact:

Innovation and Technology Commission
14/F, Ocean Centre, 5 Canton Road, Kowloon
Tel: (852) 2737 2229 Fax: (852) 2957 8726
Website: <http://www.info.gov.hk/itc/itf>

THE NEW TECHNOLOGY TRAINING SCHEME

What is the New Technology Training Scheme (NTTS) ?

The NTTS is intended to provide financial assistance to companies in Hong Kong wishing to have their staff trained, locally or overseas, in a new technology that would be useful to their businesses. New technologies are those which are either new or not widely applied in Hong Kong, and the absorption and application of which would significantly benefit Hong Kong. The financial assistance, in the form of a training grant, is given to the company to cover up to 75% of the total training cost. The NTTS is administered by the Vocational Training Council (VTC).

Will my company be eligible to apply?

Yes, if your company is a local company.

Will my staff be eligible to apply?

To be eligible for the training grant, the staff:

- Must be a Hong Kong permanent resident.
- Must have the necessary educational background / experience to benefit from the new technology concerned.
- Must be sponsored by the company.
- Must be from a non-government/non-subsidised organisation.

What types of training will be supported?

The following three types of training will be supported:

Type A - Overseas training courses or working attachments.

Type B - Local training courses, including those pre-approved local training courses.

Type C - Tailor-made local training courses for individual companies.

Who should I contact?

You should contact:

Technologist Training Unit, Vocational Training Council
16th Floor, VTC Tower, 27 Wood Road, Wanchai, Hong Kong
Tel: (852) 2836 1715 Fax: (852) 2574 3759
Website: <http://www.vtc.edu.hk/it/2-20.htm> or <http://ntts.edu.vtc.hk>

Summary of SME (Small and Medium Enterprises) Funding Schemes

I) SME Business Installations and Equipment Loan Guarantee Scheme (BIG)

The BIG helps SMEs secure loans from banks and financial institutions for procuring business installations and equipment¹ by providing government guarantee of up to 50% of the loan amount, or \$1 million per SME, whichever is less. The maximum period of guarantee is three years. The scheme will help generate a pool of \$13.2 billion in the market specially for installations and equipment financing and benefit at least 6 600 SMEs.

Objective	Through the provision of Government guarantee, the fund aims to help SMEs secure loans from banks and financial institutions to acquire the necessary business installations and equipment for enhancing productivity and competitiveness.
Scope	The loans should be for acquiring installations and equipment relating to the applicants' business operations, which could include machinery, computer software and hardware, communication system, office equipment, transport vehicles, tools and furniture and fixtures (such as air-conditioning system, built-in cabinets and lighting system, but exclude decoration works).
Amount of guarantee	The maximum amount of guarantee offered to each SME is 50% of the approved loan or \$1 million (whichever is the less). The maximum guarantee period is three years.
Anticipated effective-ness of the funding scheme	With a capital amount of \$1 billion and through leverage, the Government will be able to commit a total of \$6.6 billion as the maximum amount of guarantees for the Scheme. Under this scenario, it is estimated that the Scheme will help SMEs raise at least \$13.2 billion in the market, benefiting at least 6 600 SMEs.

¹ Business installations and equipment may include machinery, tools, computer software and hardware, communication system, office equipment, transport facilities, furniture and fixtures (e.g. air-conditioning system, built-in cabinets and lighting system, but exclude decoration works).

II) SME Development Fund (SDF)

The SDF provides financial assistance to non-profit distributing support organisations, trade and industrial organisations, professional bodies and research institutes to carry out projects that would help enhance the competitiveness of SMEs in general or SMEs in specific sectors. The maximum financial assistance for each funded project is \$2 million, or 90% of the total project cost, whichever is less. Applications will normally be invited twice a year. It is estimated that at least 100 projects will be funded. On the assumption that a funded project would on average benefit 200 SMEs, 20 000 SMEs will benefit from the scheme.

Objective and scope	To subsidise projects proposed and carried out by eligible support organisations, trade and industrial organisations, professional bodies and research institutes which aim at enhancing the competitiveness of SMEs in general or SMEs in specific sectors.
Amount of subsidy	The maximum amount of grant for each project is \$2 million, or 90% of the total project expenditure (whichever is the less).
Anticipated effectiveness of the funding scheme	A minimum of 100 projects will be funded. On the assumption that a funded project would on average benefit 200 SMEs, 20 000 SMEs will benefit from the Scheme.

III) SME Training Fund (STF)

The STF provides financial assistance, on a dollar-to-dollar matching basis, to SME employers and employees to attend training courses relevant to their business operation. The maximum cumulative amount of financial support that an SME can obtain from the scheme is \$10,000 for employees' training, and \$5,000 for employers' training respectively. Employees of at least 30 000 SMEs and employers of at least 20 000 SMEs will benefit.

Objective and scope	To subsidise training activities for employers and salaried employees of SMEs, which are relevant to their business operation. Eligible training courses include training courses provided by professional local or overseas training organisations; and training courses commissioned by SMEs to suit their particular needs and conducted by experienced and professional local or overseas training organisations or instructors.
Amount of subsidy	For employees' training, the maximum amount of subsidy that each SME can obtain, on a cumulative basis, is \$10,000. For employers' training, the maximum amount of subsidy that each SME can obtain, on a cumulative basis, is \$5,000.
Anticipated effectiveness of the funding scheme	It is estimated that, through the Scheme, about \$800 million will be spent on SMEs' training initiatives, and that employees of at least 30 000 SMEs and employers of at least 20 000 SMEs will benefit.

IV) SME Export Marketing Fund (EMF)

The EMF provides financial assistance to SMEs to participate in export promotion activities, including trade fairs held overseas or locally, and overseas study missions. The maximum amount of financial support that an SME can obtain is 50% of the expenditures on fundable items, or \$10,000, whichever is less. An SME can only receive financial assistance once under the scheme. The scheme is expected to benefit at least 30 000 SMEs.

Objective and scope	To subsidise SMEs' participation in export promotion activities held locally or outside Hong Kong (including trade fairs and study missions).
Amount of subsidy	For each successful application, the subsidy will cover 50% of the fundable items of the approved export promotion activity, or \$10,000 (whichever is the less). Each SME can only receive subsidy once under the Scheme.
Anticipated effectiveness of the funding scheme	It is estimated that, through this Scheme, about \$600 million will be spent on export promotion activities, benefiting at least 30 000 SMEs.

All locally registered SMEs² are eligible to apply for BIG, STF and EMF. Applications will be accepted all year round. All the four funding schemes are administered by the Trade and Industry Department. The BIG, EMF and SDF have started accepting applications since 14 December 2001, whereas the STF has started accepting applications since 16 January 2002.

² The Government defines 'SMEs' as any manufacturing businesses which employ fewer than 100 persons in Hong Kong; or any non-manufacturing businesses which employ fewer than 50 persons in Hong Kong.

Application forms and leaflets introducing the funding schemes are available at the Trade and Industry Department, District Offices and major SME support organisations. Interested parties may visit the homepage of the SME Funding Schemes at www.smefund.tid.gov.hk or call the Department's hotline at 2398 5125 for further information.