

**For discussion
on 11 March 2013**

**Legislative Council Panel on
Information Technology and Broadcasting**

Proposal to increase the commitment of the CreateSmart Initiative

PURPOSE

The Chief Executive announced in his 2013 Policy Address that the Government will step up efforts to facilitate the development of creative industries and will seek to inject \$300 million into the CreateSmart Initiative (CSI). This paper seeks Members' support to increase the commitment of the CSI and to expand the ambit of the CSI to cover the Design-Business Collaboration Scheme (DBCS).

PROPOSAL

2. We propose to –
 - (a) inject an additional \$300 million into the CSI so as to enable the funding scheme to provide sustained support for programmes; and
 - (b) bring the DBCS under the ambit of the CSI.

BACKGROUND

Support for creative industries

3. In June 2009, Create Hong Kong (CreateHK) was set up as a dedicated one-stop office to promote and support the development of the creative industries in which Hong Kong has an edge, including advertising, architecture, design, digital entertainment, film, printing and

publication, television and music. We adopt a “partnership approach” whereby the industry draws up and drives the support programmes while the Government provides funding support through the CSI. This approach ensures that the programmes can more effectively address the needs of the sectors concerned.

CSI

4. The CSI, set up in June 2009 with a commitment of \$300 million, supports those initiatives which are conducive to the development of creative industries, with the exception of those which are separately funded by other government sources such as the Film Development Fund. With the consolidation of the CSI and the DesignSmart Initiative (DSI)¹ in June 2011, the only design related Government funding programmes/schemes that are outside the scope of CSI are the DBCS and the Design Incubation Programme (DIP)².

5. The CSI is administered by CreateHK, with the Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCT) as the Controlling Officer. A CSI Vetting Committee³ was set up to assess funding applications, monitor the implementation of approved projects and make recommendations to PSCT. This arrangement ensures cost-effective deployment of resources under the CSI and effective control of the approved projects.

CONSIDERATIONS

Performance of the CSI

6. As at end December 2012, the CSI has committed a total funding of close to \$238.6 million for 121 projects out of 269 applications received. The success rate of CSI funding applications is

¹ We informed this Panel vide LC Paper No. CB(1)2134/10-11(01) of the consolidation exercise.

² Since June 2011, the DBCS continues to be funded by the residual funding earmarked under the DSI. The DIP nurtures design start-ups with a subsidy package capped at \$500,000 each within a two-year incubation period. The second phase of the DIP is funded by the residual funding of the DSI (\$15.85 million) and a new funding commitment of \$26.25 million approved by the Finance Committee in April 2012 vide FCR(2012-13)3.

³ The CSI Vetting Committee consists entirely of non-officials appointed by the Secretary for Commerce and Economic Development from creative industries, academia and relevant professions.

45%. In terms of the approved CSI funding amount as well as the number of approved CSI projects, a healthy increasing trend is observed over the past few years, viz. progressing from a funding amount of \$39.5 million for 20 projects in 2009-10 (starting in June 2009) to \$84.7 million (114% increase from 2009-10⁴) for 41 projects in 2011-12. In 2012-13, the funding amount is expected to reach over \$90 million for some 50 projects. At **Annex 1** is an analysis of the approved CSI projects.

7. The CSI has supported a range of programmes to promote creative industries and atmosphere such as sponsoring local creative talents to participate in international competitions, internship programmes, educational programmes, business and marketing events in the Mainland, Taiwan and overseas, as well as signature creative events to raise Hong Kong's profile. Major achievements of the CSI are highlighted below –

- (a) **nurturing opportunities for talents and start-ups** - over 15 000 nurturing opportunities were offered to creative talents and start-ups through programmes such as internship and graduate trainee schemes, talent award schemes, competitions, and knowledge sharing events (such as forums and workshops). Some 290 companies had also been supported through projects that aimed to nurture talents and start-ups. To enhance local participants' international exposure, some programmes featured world-class creative talents both from local and places outside Hong Kong. Elements of international exchange were also introduced in some CSI-sponsored programmes in which local creative students or practitioners participated in overseas creative events or vice-versa;
- (b) **business development opportunities for small and medium sized enterprises (SMEs)** – Over 1 780 creative companies (including some 230 SMEs) and nearly 1 500 practitioners of creative industries had benefitted from programmes on exploring markets such as 26 trade fairs and business matching functions. These SMEs and practitioners had made

⁴ The significant increase is partly due to the consolidation of the DSI with the CSI in June 2011, when design projects started to be funded under the CSI.

or received at least 460 business contacts or enquiries⁵;

- (c) **audience reach** - over 2.5 million participants/visitors in promotional programmes and trade events (including some 2.1 million participants/visitors participating in local events); as well as over 160 million TV and radio audience across different parts of the world, particularly Asia, for promotional programmes;
- (d) **international recognition** - 38 international awards have been attained by Hong Kong representatives under the CSI sponsorship; and
- (e) **job opportunities** - some 4 100 job opportunities were directly or indirectly created as a result of the implementation of the projects.

8. Since July 2011, it is a standard requirement for all CSI-funded projects to gauge feedback of the participants of the approved programmes via a standard questionnaire. Based on the feedback collected, the participants in general have positive feedback. Over 98% of those who responded rated the programmes as “Satisfactory”, “Very Satisfactory” or “Excellent”. Over 92% of the respondents considered the programmes “Useful”, “Very Useful” or “Definitely Useful” in enhancing knowledge, expanding network, exploring new business opportunities, enhancing understanding of the industry’s position in the global market and broadening scope about the industry.

Review of the CSI

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

⁵ Since most funding recipients are unwilling to disclose details of the business deals reached as a result of the promotion programmes on exploring markets, information on business deals reached is not available.

10. 72% of the successful project applicants with projects completed indicated that their projects would not have been carried out if not for the funding support from the CSI. 74% of the ITOs indicated that they had sought funding from the CSI before; 62% of the ITOs were aware of their members' participation in the CSI-sponsored programmes or events. The ITOs in general agreed that the CSI had helped their members, in particular the SMEs to know more about innovation and creativity. A majority of the respondents from the CSI Vetting Committee agreed that the existing set of assessment criteria is useful. As regards the publicity of the CSI, a majority of the respondents consider it to be "Quite Sufficient" or "Very Sufficient".

Need for additional funding for the CSI

11. The experience in the past three years indicates that the CSI enables the creative sectors to organise projects that address the needs of the industries and match the Government's strategy to promote the local creative sectors. Responses from both the industries and the participants have been very positive. The increasing number of applications demonstrates the increasing enthusiasm of the creative industries in seeking the support of the CSI. We consider that the partnership approach referred to in paragraph 3 above has worked well and the CSI has been operating on the right track. The number of talent and start-up nurturing opportunities provided as well as business opportunities for SMEs which benefitted from the CSI programmes demonstrate that the CSI is important in driving the development of the creative economy. There is a need to sustain our efforts in supporting the further development of our creative industries.

12. We expect that the uncommitted balance of the CSI (\$61.4 million as of end December 2012) will be exhausted within the second half of 2013. Taking into account the past spending pattern, we **propose** to inject an **additional funding of \$300 million** into the CSI. This is expected to sustain the operation of the CSI up to 2015-16.

Placing the DBCS under the CSI

13. The DBCS was established in late 2004 to encourage SMEs to

engage design services in improving their products and services and enhancing competitiveness. It provides a matching grant of up to 50% of the cost of the design project, subject to an aggregate funding cap of \$100,000 for each SME for a maximum of four projects. DBCS applications are assessed by the DBCS Assessment Panel⁶. Notwithstanding the consolidation of the CSI and DSI in June 2011, the DBCS remains to be funded by the residual DSI funding. However, such residual funding which stood at about \$1 million at the end of December 2012 is only expected to sustain the DBCS till the latter half of 2013.

14. As at end December 2012, the DBCS has funded 381 projects involving 114 design companies and 324 SMEs, with total approved funding amounting to some \$24 million. The response of the industries to the DBCS has been positive. Some of the successful projects supported by the DBCS are set out in our letter of 28 March 2012 to this Panel and a copy is at **Annex 2**. An evaluation of the DBCS is at **Annex 3**. We consider that there is a strong case to continue the DBCS.

15. Instead of injecting further funding into the DSI or setting up a new commitment to provide funding for the DBCS, we consider it more appropriate to place the DBCS under the CSI so that funding for this design initiative can be drawn from the same resource pool as other design or creative projects. This is also in line with our objective of rationalising and consolidating Government's funding support for creative industries by merging the CSI and the DSI.

16. After the consolidation, the DBCS will be **the only scheme** under the CSI that is applicable to profit-making activities (versus non-profit-making requirement under the CSI) and benefits individual companies (versus benefiting individual creative sectors or creative industries as a whole rather than individuals or companies under the CSI). Projects approved under the DBCS before its consolidation with the CSI (i.e. existing DBCS projects) will continue to be funded by the earmarked residual funding under the DSI until their completion. Upon approval by the Finance Committee (FC) for the increase in the commitment of the

⁶ The DBCS Assessment Panel is chaired by a government official and comprising members who are design professionals, industrialists and academics with experience in design projects.

CSI, the applications under the DBCS received on or after the date of FC's approval will be funded under the CSI.

17. Taking into account the spending situation of the past three years since 2010, we estimate that the DBCS will require some \$5 million to sustain its operation following consolidation till 2015-16. Having regard to such projected requirement and the fact that CSI should remain predominantly a funding scheme for supporting non-profit-making programmes that benefit a creative industry and/or the whole creative sector, we consider it prudent to earmark specifically a maximum of \$10 million for the DBCS under the CSI.

Control mechanism of the CSI

18. The respective general eligibility and assessment criteria as well as modus operandi of the CSI (with the exception of the DBCS) and the DBCS under the CSI are essentially the same as before. The details are set out in **Annex 4** and **Annex 5** respectively. PSCT will continue to be the Controlling Officer of the CSI after consolidation and approves funding applications and disbursement of funding having regard to the recommendations of the CSI Vetting Committee or the DBCS Assessment Panel, as the case may be.

WAY FORWARD

19. Subject to Members' views, we will seek the approval of the FC for the proposal to increase the commitment of the CSI by \$300 million. We will also revise the general eligibility and assessment criteria as well as the general modus operandi of the CSI to reflect the consolidation of the DBCS with the CSI.

Communications and Technology Branch
Commerce and Economic Development Bureau
March 2013

**Analysis of the approved programmes sponsored by
the CreateSmart Initiative (CSI)**

Scope of the CSI-funded programmes

The CSI funds those projects which are conducive to the development of creative industries. Based on FCR(2009-10)15, the CSI fund projects that are in line with the seven strategic directions formulated in consultation with the Legislative Council and the trades to drive the development of creative industries, namely –

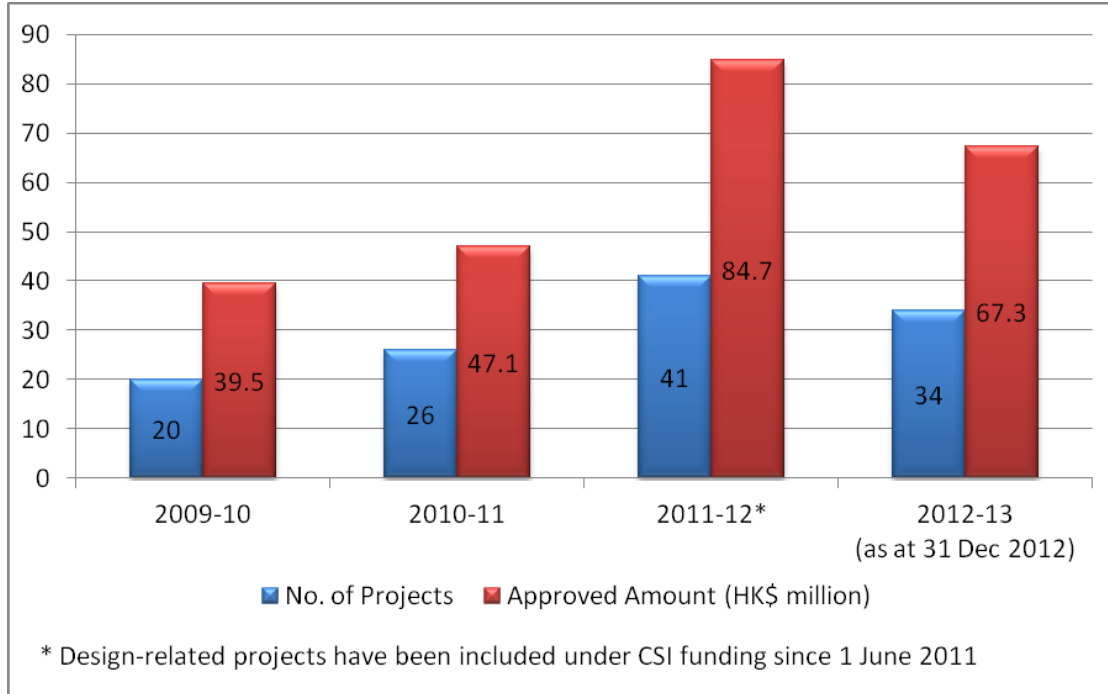
- (a) nurturing talents for the creative industries;
- (b) facilitating start-ups and the development of creative establishments;
- (c) generating demand for innovation and creativity and expanding the local market size for creative industries;
- (d) promoting Hong Kong creative industries in the Mainland and overseas to help explore outside markets;
- (e) fostering a creative atmosphere within the community;
- (f) developing creative clusters in the territory to generate synergy and facilitate exchanges; and
- (g) promoting Hong Kong as Asia's creative capital.

Analysis of approved projects

2. As at end December 2012, the CSI has committed a total funding support of close to \$238.6 million for 121 projects out of 269 applications received. The number of approved projects and the amount of funding committed in each financial year are shown in Graph I below.

Graph I:

**Yearly increase of CSI approved projects and approved amount
(June 2009 – December 2012)**

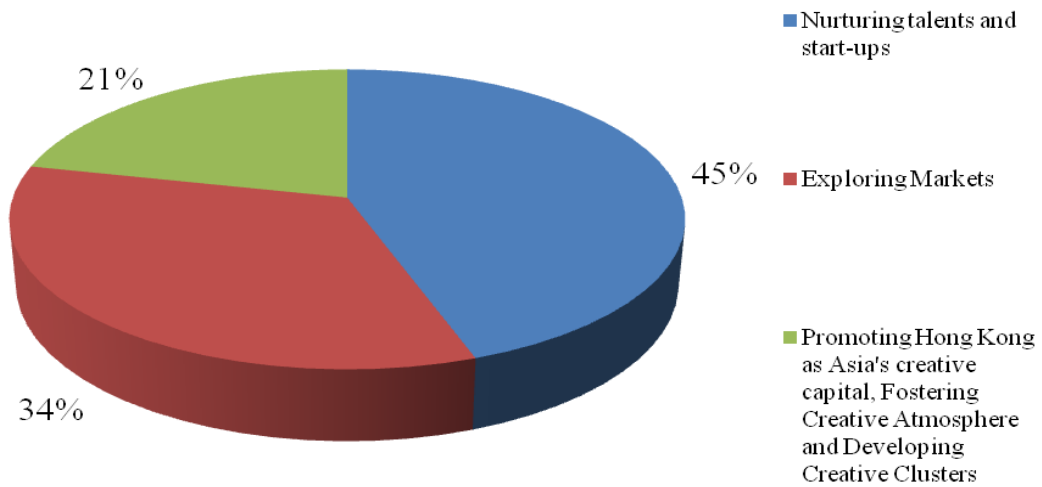


Distribution of projects by strategic directions

3. A majority of the 121 approved projects as at end December 2012 aim at promoting development of creative industries through nurturing creative talents and start-ups (45%), and exploring local and outside markets (34%). The remaining 21% are taken up by projects with the objective to promote Hong Kong as Asia’s creative capital, foster a creative atmosphere and develop creative clusters. A graphical illustration is at Graph II below.

Graph II:

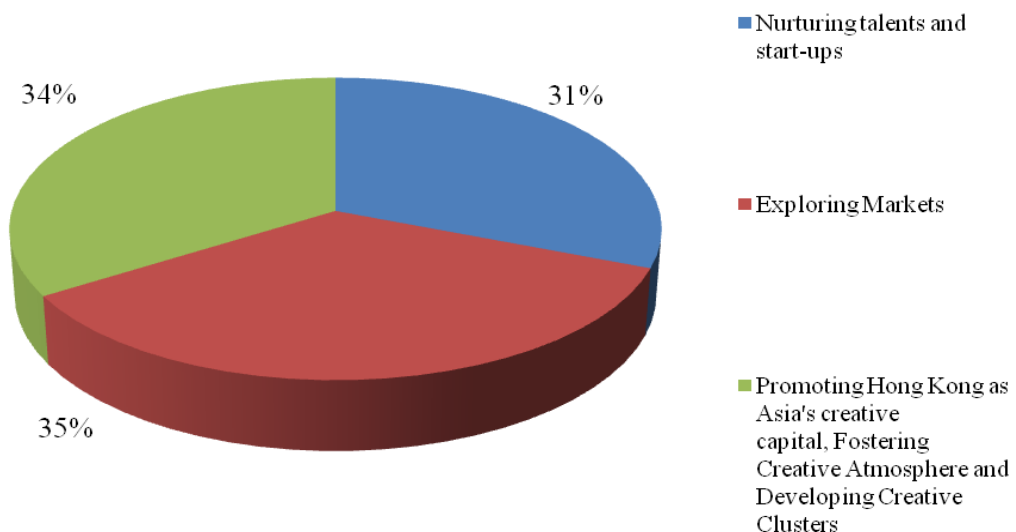
Percentage of CSI Projects by Strategic Directions



4. In terms of the approved funding, 31% has been used for nurturing of talents and start-ups, 35% for exploring local and overseas markets, and the remaining 34% for promoting Hong Kong as Asia's creative capital, fostering a creative atmosphere, developing creative clusters and organising signature events. A graphical illustration is at Graph III.

Graph III:

Percentage of CSI Funding Amount by Strategic Directions



Nurturing talents and facilitating start-ups

5. As at end of 2012, the CSI has provided some \$73.4 million supporting 54 projects that aimed to nurture talents and start-ups. Some 290 companies had been supported through these projects, while over 15 000 talent and start-up nurturing opportunities were offered.

Exploring markets

6. As at end December 2012, the CSI has provided some \$83.4 million supporting 41 projects for exploring markets. Such projects range from trade fairs held in or outside Hong Kong to development of online platforms for enabling matching of potential clients and creative service providers. Over 1 780 creative companies (including some 230 SMEs) and nearly 1 500 practitioners of creative industries had benefitted from programmes on exploring markets.

Promoting Hong Kong as Asia's creative capital, fostering atmosphere and developing creative clusters

7. On the front of promoting Hong Kong as Asia's creative capital, fostering creative atmosphere, and developing creative clusters, the CSI has sponsored 26 projects as at end December 2012, involving a total funding of around \$81.8 million. Some of these events help raise Hong Kong's international profile as a creative hub. For example, the "Hong Kong Asian-Pop Music Festival" reached out to over 100 million viewers through television broadcast in the participating Asian countries and regions. The "World's Greatest Catwalk 2012 Hong Kong", for instance, featured over 340 models, breaking the Guinness World Record in terms of the most number of models participating in a catwalk show.

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28 March 2012

Ms YUE Tin-Po
Clerk, Panel on
Information Technology and Broadcasting
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Fax: 2978 7569)

Dear Ms Yue,

**Provision of Funding to Enhance Support to the
Hong Kong Design Centre (HKDC) cum
Progress Report of HKDC's Work**

At the meeting of the Legislative Council Panel on Information Technology and Broadcasting held on 14 November 2011 to discuss the work of the Hong Kong Design Centre, the Administration was requested to provide information on the examples of successful commercialisation of design deliverables of Hong Kong. I write to provide the relevant information.

Over the years, some Hong Kong design products such as audio/visual products, kitchen utensils, electrical and electronic appliances, lighting products, bags and clothing, gift items, etc., have

been successfully rolled out into the Hong Kong or overseas markets. For instance, under the \$250 million DesignSmart Initiative (DSI) set up by the Government, the Design-Business Collaboration Scheme (DBCS) provides funding support to design collaboration projects between a local design company / academic institution and a small and medium enterprise (SME). The DBCS has helped SMEs add value to their products and services, and facilitated their efforts in expanding markets and sales channels. As at end February 2012, the DBCS has provided funding support of about \$23 million for 356 approved projects. At the Annex are some examples of successful commercialisation cases under the DBCS.

The DSI also helps groom outstanding local young talents through supporting the Hong Kong Young Design Talent Awards, which sponsor overseas training of some of the awardees. An example is Ms Prudence Mak whose set-up Chocolate Rain has been gaining recognition for its creative products. Another example is Mr Civic Lee, who launched his own fashion brand in New York.

Yours sincerely,

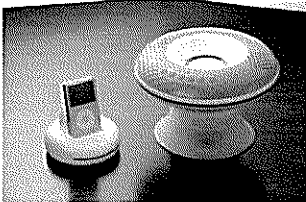
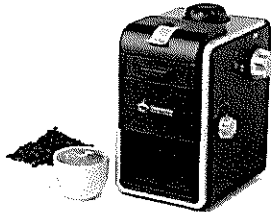


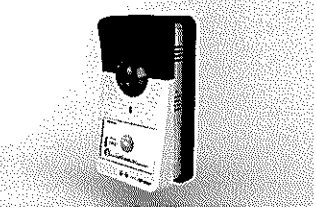
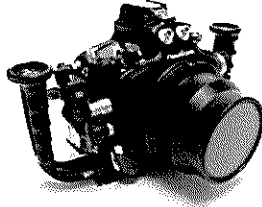
(Stephen Y. K. Lo)
for Secretary for Commerce and
Economic Development

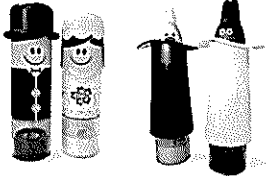
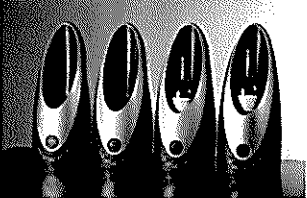
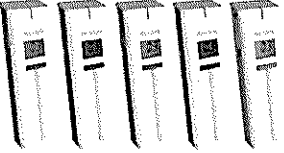
c.c. Head of Create Hong Kong


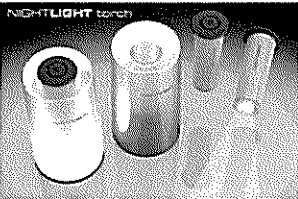

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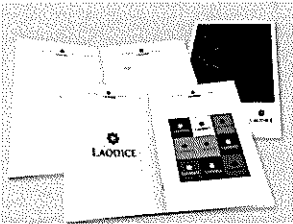
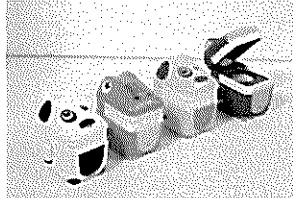
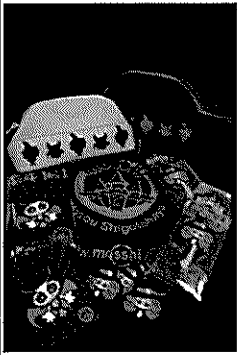
Examples of Successful Commercialisation Cases under the Design-Business Collaboration Scheme



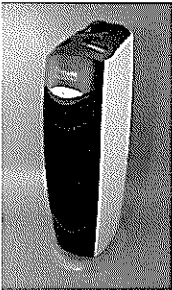

	Project Title	Project Description	Photos
1	Floating Speaker	Urban Trend (HK) Ltd. (the SME) specialises in home entertainment products. This project involves designing and developing a combined floating wireless speaker & fountain for use in swimming pools. It is innovative and has set a high standard to similar products in the market. It helps the SME differentiate from competitors successfully.	
2	Design of Coffee Machine	Polarmix Limited specialises in electrical and electronic appliances. By engaging a design company in this project, a one-step cappuccino machine in compact size has been developed embracing functionality, user-friendliness, and aesthetically-pleasing outlook. The new coffee machine, with double nozzles emitting hot milk and coffee respectively, provides an easy and convenient way to make a cup of coffee in one touch.	

	Project Title	Project Description	Photos
3	Feverscreen Station Cosmetic Design	<p>Autovision Technology Limited (the SME) is engaged in automation systems for industrial use. In order to diversify into the commercial market, it collaborated with a design company in this project to develop a new temperature measuring device named ThermoTick™. Its screen will display the temperature of the person standing in front and show a smiley face if the temperature is within the normal range, or a sad face if otherwise. It has other extended functions as well, such as displaying promotional messages, or working as a timer to record the clock-in and clock-out time of staff etc. It has helped the SME develop new business opportunities and further establish its product brand in the market. The new design has been awarded the Certificate of Merit of Hong Kong Awards for Industries 2011.</p>	
4	Design of Professional Diving Cases for Camera	<p>With marine life as the design concept, the professional diving cases for two camera models designed for Nauticam International Limited (the SME) in this project are both aesthetically pleasing and practical. They have helped enhance the SME's image as a professional diving products trader, and also helped open up new markets for the SME.</p>	

	Project Title	Project Description	Photos
5	Pepper and Salt Grinders Design	Kent Tech Manufacturers Limited (the SME) was first engaged in toys manufacturing. It has later shifted to manufacturing household items. It previously attempted to develop a set of pepper and salt grinders on its own but the design was simple and failed to attract market attention. It therefore engaged a design company in this project to develop a range of grinders with appealing and interesting outlooks. The designed grinders are popular among buyers.	
6	Wine Chiller	Different from the conventional wine chiller currently available in the market, the waterfall wine chiller designed in this project uses flowing ice water as a medium to chill wine, which is both innovative and aesthetically pleasing. With the innovative design and unique outlook, the product has helped Urban Trend (HK) Ltd. improve its competitiveness in the market.	
7	Alcohol Tester	Alcohol testers are the main products of Kotex Development Holdings Limited. It engaged a design company in this project to design a new alcohol tester for consumers' own use, such as drivers to ensure safe driving. The new design, which is slim and simple, gives a modern touch to the product. Different colour versions make the product suitable for use by both sexes. The new product has helped the SME expand the business to new markets.	

	Project Title	Project Description	Photos
8	Design of "Rechargeable Bottle Warmer (with unique NanoHeat technology)"	Ralot Industries Ltd (the SME) was an original equipment manufacturer (OEM) of toys and then expanded its business to small electronic products. Collaborating with another enterprise which has developed a speed-heating NanoHeat technology, the SME engaged a design company in this project to design a rechargeable baby bottle warmer based on the new technology. The product is energy-saving with contemporary design. The portable and compact design also upgrades the product's quality.	 A photograph showing two cylindrical baby bottle warmers. One is upright and the other is lying on its side. The text "Rechargeable Bottle Warmer" is visible at the top of the image.
9	LED Torch Series	This project has helped C.T. Metal Ware Factory Ltd develop an innovative LED torch series. The "Double Torch" design can be snapped together and used as one single torch, or separated and used independently. Another torch in this project can be turned into a bedside nightlight with a simple touch of a button.	 A photograph showing three different LED torch designs. One is a standard torch, another is a larger, more complex design, and the third is a smaller, more compact design. The text "LED TORCH" is visible at the top of the image.
10	Design & Fun Driven Premium Collection	A range of stationery including calendars, pen holders, card holders and other stationery items were designed for Sura Limited in this project. With colourful and decorative patterns of birds, teddy bears and flowers, the new products bring a breath of fresh air to the stale grey world of the office.	 A photograph showing several pieces of stationery, including a calendar, a pen holder, and a card holder, all featuring decorative patterns of birds, teddy bears, and flowers.

	Project Title	Project Description	Photos
11	Laodice Brand Building Project	A range of corporate brochure, name cards, envelopes, and letterheads as well as showroom were redesigned in this project for Laodice Company Limited, which trades in premium leather goods. This has upgraded the image of the SME as well as its leather goods.	
12	Electronic Pet Design Series	The electronic game devices of Bopak Limited were redesigned in this project to make them more attractive in the market. An animal series and a robot series were developed. The new designs have transformed the 2D traditional game device into a 3D one. Apart from the new look, the 3D design provides enough space for adding the loudspeaker function in the animal series. For the robot series, small accessories are available for DIY, thus making them more attractive to consumers.	
13	“Mosshi” New Product Series Design Development (Tee Shirts and Bags)	Through introducing several cartoon characters, this project has developed a range of fashionable clothing and handbags targeting the youth market. It has successfully helped Mosou Shigotohaya Limited develop its own branded products.	

	Project Title	Project Description	Photos
14	Mayeelok Fall-Winter 2007 Fashion Collection	This fashion and branding design project has helped Mayeelok Limited re-brand its ladies high fashion which was established over 20 years ago. With the service of a design company in this project, a new fashion collection for fall-winter 2007-08 was launched.	
15	Professional Massage Chair Product Design Project	This project has upgraded the design of a professional massage chair, with value added external design as well as ergonomic considerations, for Life Power Health Limited. The product targets at the high-end Mainland market.	
16	UV Sterilize Home Appliance Series	A new series of home-use UV sterilizing appliances was designed for G&H Industrial Limited (the SME) in this project. The SME has successfully built up the product image and attracted some local department stores for distribution of the products.	
17	Graphic and Interior Design for Shop	This project has helped Suria Company Limited build up the brand image of its own retail chain outlets "Life Kan" through application of visual and interior design.	

Evaluation of the Design-Business Collaboration Scheme (DBCS)

From the inception of the DBCS in late 2004 to end December 2012, 529 applications were received, of which 381 were approved with a total approved funding of \$24 million. Since DBCS provides only half of the approved project cost and up to \$100,000 in each project, the value of the design projects thus generated for the design companies amounts to some \$50 million. Over the years, 114 design companies and 324 SMEs benefited from the DBCS.

2. Industries' response to the DBCS has been positive, as supported by the feedback from the SMEs and design companies in their presentations and completion reports, as well as the reviews conducted in 2007-08 and late 2011. According to the latest review of the DBCS conducted in 2011, over 40% of the respondents, all of which were SME beneficiaries, reflected that the DBCS had enabled them to carry out their first-ever design projects; over 70% of them agreed that the DBCS projects had added value to their products and services and helped them expand their markets; and over 60% of them indicated that they would invest further in design in the near future. On awareness of brand building for designed products, 50% of SME respondents replied that they had developed their own brands, and almost 70% of them had planned for brand development within one to two years. This positive trend goes along with the bigger picture that the value added of the design sector to Hong Kong's Gross Domestic Product has increased by over 200% from \$1 billion in 2005 to over \$3 billion in 2011.

3. Overall speaking, the DBCS has achieved its objective in promoting the interest and investment of SMEs in relation to utilising design and transforming design activity into tradable deliverables. It is to the benefit of the SMEs and the design industry if the DBCS continues to be in place.

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

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

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

(II) For CreateSmart Initiative Projects under the Design-Business Collaboration Scheme (DBCS)

1. Application under the DBCS should be a collaboration project between a small-and-medium-sized enterprise (SME) requiring assistance in design and a design company/academic institution which will provide that assistance. Either the design company/academic institution or the SME may act as the applicant of the project.
2. The applicant design company/academic institution and the applicant SME have to be bodies or companies established or incorporated in Hong Kong under the Hong Kong Laws including Companies Ordinance (Cap.32), with on-going business.

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

**General Modus Operandi
of the CreateSmart Initiative**

(I) For CreateSmart Initiative Projects other than those under the Design-Business Collaboration Scheme

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

7. Funds for projects will be disbursed to successful applicants by installments, tying with appropriate milestones or any other conditions offered when the grant is approved. Final installment of the disbursement of the fund will only be released upon the completion of the project and that the Government is satisfied with the final report as mentioned in (2) above.
8. Successful applicants will be required to carry out the projects as approved. The Government will reserve the right, inter alia, to terminate funding, demand immediate return of all the disbursed funds with interest, and hold the successful applicants liable for any loss or damages the Government may sustain if the successful applicants are in breach of any of the terms and conditions of funding or undertakings made for the approved projects.
9. Any intellectual property rights derived from the project will be owned by the project applicant (or be co-owned by the project applicant and the sponsor and partner as agreed among themselves). If necessary (such as when public interests are involved or in order to fulfill the objective of providing support to the community and the industries/businesses), the project applicant will be required to grant unconditionally to Government a non-exclusive perpetual royalty-free licence to exploit or dispose of the relevant intellectual property rights.

(II) For CreateSmart Initiative Projects under the Design-Business Collaboration Scheme (DBCS)

1. Applications will be open throughout the year.
2. The funding is given by way of a grant to a maximum of 50% of the total approved project cost or \$100,000, whichever is the lower, and the applicant small-and-medium-sized enterprise (SME) is required to contribute at least 50% of the approved project cost in cash as a matching fund.
3. Each SME is subject to an aggregate funding cap of \$100,000, for four projects at most, as may be reviewed from time to time.

4. Successful applicants will be required to comply with the conditions of the grant. They will also be required to submit a completion report with accounts certified by a qualified accountant (or audited accounts if necessary) and evidence showing the contribution of the matching fund by the applicant SME in cash after the project is completed.
5. An Assessment Panel comprising officials, professionals, industrialists, businessmen, academics and other relevant members of the public will be set up to assess the applications, monitor progress and review the quality of each funded project. If necessary, comments and advice will be sought from outside experts on specific applications. ICAC's advice will be sought on the vetting procedures as and when necessary.
6. Funds for projects will only be disbursed to the applicant design company/academic institution, which is responsible for carrying out the project, upon the completion of the project and Government's acceptance of the completion report and audited accounts.
7. Successful applicants will be required to carry out the projects as approved. The Government will reserve the right, inter alia, to terminate funding, demand immediate return of all the disbursed funds with interest, and hold the successful applicants liable for any loss or damages the Government may sustain if the successful applicants are in breach of any of the terms and conditions of funding or undertakings made for the approved projects.
8. Details of the project achievements, if any, including creation of intellectual property in which intellectual property rights subsist, successful marketing and commercialisation of the project deliverables and awards shall be provided by the applicants. The Government may from time to time disclose to the public details of such project achievements including announcing them on the web or through publications or by showcasing at exhibitions for publicity and reference. The Government may also publicise the details of approved project and contact information of the project applicant on the web for public information.
9. Project duration is expected to be less than one year in general.