
Guide to

“Enhancing Employment of People with Disabilities through Small Enterprise” Project

Revised in June 2019

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Chapter 1 Introduction

1.1 Background

It has been the mission and vision of the Social Welfare Department (SWD) in building a caring community with self-sufficiency, dignity, harmony and happiness. To this end, SWD provides rehabilitation services to persons with disabilities to help them develop their potential, become self-reliant and integrate into the community. A series of vocational rehabilitation services is provided to enhance the work ability of persons with disabilities and prepare them for employment in the open market.

A number of non-governmental organisations (NGOs) have set up social enterprises to create employment for persons with disabilities through innovative business operation. Given the proven success of social enterprises in being highly effective in developing employment opportunities for persons with disabilities, enabling them to become self-reliant and bringing about major benefits for our community, they should be given the necessary support.

It is the Government's policy to promote and enhance the employment opportunities for persons with disabilities, and hence sees the scope for further developing this mode of support to them. The merit of the social enterprises rests not only in providing another employment outlet for persons with disabilities, but also in giving them the genuine status of an employee.

1.2 What is the "Enhancing Employment of People with Disabilities through Small Enterprise" Project

With the allocation of \$50 million from the Administration, the "Enhancing Employment of People with Disabilities through Small Enterprise" Project (the Project) was launched by SWD in September 2001. Using this grant as seed money, SWD encourages more NGOs to set up small enterprises / businesses to allow persons with disabilities to secure genuine employment in a carefully planned and caring work environment and to develop their potential. In 2012, the Administration injected \$100 million into the Project with a view to creating more job opportunities for persons with disabilities. In 2017, the Administration further injected \$100 million into the Project to support the continued operation and expansion of the Project.

2.1 Objective

The objective of the Project is to enhance the employment of persons with disabilities through market-driven approach and direct creation of more work opportunities. Through the payment of grants as seed money to applicants, the Project supports the creation of small enterprises / businesses (the “Business” which expression shall, as the context may permit, include the proposed Business before the grant, the Business approved for the grant and the Business created or carried on with the grant) to ensure persons with disabilities can enjoy genuine employment in a carefully planned and sympathetic working environment.

2.2 Guiding principle

To achieve the objective of enhancing employment for persons with disabilities, the number of persons with disabilities employed for the Business should be as many as possible but in any case not less than 50% of the total number of persons on the pay-roll for the Business. For the employees, a proper employer-employee relationship such as the entitlement to the normal employment benefits as defined under the Employment Ordinance, Minimum Wage Ordinance, etc. is required. For the purpose of calculating the percentage of employees in this paragraph, in case if there is any consultant or other similar person who receives any consultancy or management fee from the Business, the consultant or the person himself and all his / its employees shall be deemed to be persons on the pay-roll of the Business.

2.3 Who are eligible to apply

The Project is open for application by bona-fide charitable NGOs which have their own distinct legal entities authorised to carry out business activities in the Hong Kong Special Administrative Region (HKSAR). The applicants must have tax-exempted status under Section 88 of the Inland Revenue Ordinance (Cap. 112). They may or may not be receiving subventions from SWD. For applicant not receiving subventions from SWD, documentary proof of an active engagement in welfare and charitable activities for at least two years before the submission of the applications has to be submitted with the applications. The applicant may create and conduct the Business in its own name or by way of a wholly-owned subsidiary incorporated for this specific purpose. In the latter case, documentary proof of the relationship between the applicant and the wholly-owned subsidiary has to be submitted with the application. In any event, separate books and accounts of the Business are required to be kept.

Given that the objective of the Project is to enhance employment for persons with disabilities, the application should be able to create genuine employment opportunities. Only application for setting up a new business is eligible for the Project. Business which has commenced operation before submission of the application will not be considered. The applicant shall understand that there is no guarantee on the success of the application, and the applicant will bear his/her own risk to commence the business prior to funding approval after submission of the application.

Application of the following nature is in principle considered not eligible:

- (i) to replace another NGO's business of the same nature at the same venue and which was funded by the Project or other government funding; and / or
- (ii) to set up a business of the same nature which was funded by the Project and was terminated ^{Note} for less than six years prior to the date of new application.

2.4 Form of funding support

Funding support is given in the form of a non-recurrent grant to the grantee to assist them to pay the necessary set-up cost in respect of equipment, fitting-out works, etc. and / or the operating loss for the initial period up to three years. The level of support will be determined by the Assessment Panel with reference to the applicant's projections submitted in accordance with para. 3.3.4 below and any other factors deemed appropriate. The maximum amount of a grant is \$3 million per application.

Normally, a central administration overhead of **no more than 5% of the approved grant** may be accepted to defray the indirect staff costs and other administrative expenses incurred by the grantee organisation exclusively for the purpose of the approved business under the Project, covering any or all of the following components –

- (a) service planning, coordination and supervisory support;
- (b) human resource management;
- (c) accounting management, financial monitoring and audit fee;

^{Note} Where a business funded by the Project is required to be relocated due to redevelopment initiated by the government or public bodies, the grantee may submit a fresh funding application for the relocated business for consideration by SWD.

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- (d) internal control, including internal audit, complaint handling, as well as insurance and compensation claims, and management of contingent incidents;
 - (e) publicity, public relations and corporate communication;
 - (f) rent and rates of office venue, utilities and facilities expenses;
 - (g) IT facilities and support, etc.

For exceptional cases, grantees are allowed to justify in their application proposals for applying more than 5% of the grant for administrative overhead. However, in any cases, no more than 10% of the grant will be allowed for such purpose. For NGOs receiving SWD subventions, they are required to follow the ground rule that there should be no cross-subsidisation of subvented resources to non-subvented activities.

Supplementary grant will normally not be considered. The Assessment Panel will not in principle recommend support of a grant to the following items:

- (i) refundable deposit, e.g., deposit for rental or public utilities, etc. In case an exceptional grant is supported due to genuine need on a special occasion, a special provision shall be included in the agreement signed between SWD and the grantee for contractual repayment of the granted deposit to SWD by the grantee;
- (ii) recovery for depreciation;
- (iii) amortization (i.e., hire purchase and payment by instalments) under the capital grant ; and
- (iv) trading stock under the capital grant.

Disbursement of the grant will be based on the fulfillment of pre-defined performance indicators on the benefits to persons with disabilities as pledged at the proposal (para. 3.3.3) and milestones as specified in the development of the Business, taking into account circumstances of individual cases. Grant to support the operation of the Business from the date of commencement should normally be confined to a maximum period of three years. The Business is expected to become self-sustaining after the funding period.

The basis for determining the capital and operating grants as well as the funding period is illustrated in the sample case in **Annex 1**.

2.5 How to apply

There is no limit on the number of application submitted by each applicant. Eligible applicants may submit applications at any time throughout the year. Checklists for preparation and submission of application are at **Annexes 2 to 4** for reference.

The application form can be downloaded from SWD's web page at the URL: <http://www.swd.gov.hk>. Completed application form together with copies of the necessary documentary proof should be submitted by mail to the "Enhancing Employment of People with Disabilities through Small Enterprise" Project Secretariat (the Project Secretariat) of the Rehabilitation and Medical Social Services Branch, Social Welfare Department at Room 503, 5/F, West Coast International Building, 290-296 Un Chau Street, Sham Shui Po, Kowloon. Normally it will take about two months to examine an application for its support-worthiness after the receipt of all relevant information from the applicant.

2.6 Responsibilities of the applicants

The applicants should note that when their applications are approved, they are expected to enter into proper employment contracts with people to be employed for the Businesses. The applicants should also comply with the requirements stipulated in relevant legislations in Hong Kong in relation to work safety, workmen compensation insurance, mandatory provident fund, statutory minimum wage, etc.

The applicants should also make sure that profits derived from their Businesses should be exempted from tax under Section 88 of the Inland Revenue Ordinance (Cap. 112). If the Business is operated by the applicant's wholly-owned subsidiary and the subsidiary has not been exempted from tax under Section 88 of Cap. 112, the applicant should undertake in its contract signed with SWD that no profit, remuneration or other benefit in money or money's worth shall be given by the Business to any member of its board of directors of this subsidiary. In any event, the profit derived should be used for the creation of more employment opportunities and improvement of the working conditions for persons with disabilities or other welfare purposes as approved by SWD.

The Government of the HKSAR will not accept any liabilities arising from the implementation and operation of the Businesses by applicants.

Chapter 3 Application Form

3.1 General

- ◆ The application form contains three parts, all sections of which have to be completed with supporting documents wherever required. Where the information sought is not applicable or not available, please fill in “N.A.”.
- ◆ In completing the form, only Hong Kong currency should be used for monetary figures.
- ◆ The application form must be typed or printed as appropriate.
- ◆ Please give clear and concise information. Additional pages may be attached to the form if such is necessary.
- ◆ One soft copy (CD in MS WORD/EXCEL/PDF for Windows format) and three hard copies of the completed application form have to be submitted. Only three hard copies of the documentary proof are required.
- ◆ The Project Secretariat will send acknowledgement to the applicant upon receipt of the application.
- ◆ Once approval is granted to an application, the information given by the applicant in Part I of the application form may be put on the web for public access. Applicant is required to forward its request with justifications for non-disclosure of certain information upon submission of the application to the Project Secretariat.

3.2 Data of the applicant (Part I)

Particulars of the applicant and other details of the business proposal should be provided in Part I of the application.

3.3 Details of the business proposal (Part II)

The application should contain the prescribed details of a viable business proposal, which can commence not later than six months after approval of the grant. The application should also contain information on whether similar application is being put up for other funding support and, if any, the amount of other funding being secured. Whenever necessary, the Marketing Consultancy Office (Rehabilitation) [MCO(R)] of SWD is available for rendering advice to the applicants in formulating the business proposals.

3.3.1 *Concept summary*

The applicant should give, in both English and Chinese, a brief description of, but not limited to, the objectives, business / strategic alliances, business plan, target

markets / customers, the amount of funding requested, etc.

3.3.2 *Details of the proposal*

The applicant should state clearly the objectives of the proposal and its outcomes as well as analysis on the business proposal against the SWOT (Strengths, Weaknesses, Opportunities and Threats) framework. Sufficient details on the proposed business should be provided for the Assessment Panel to assess the viability of the proposal. The proposal may cover, but not limited to, market analysis and research, the availability of business opportunities, analysis of the composition of the proposed work team, the required and available skill sets, management structure and its effectiveness, marketing strategies, contingency plans and long-term development. The proposal is also required to state number of persons with disabilities who may benefit, the expected level of earnings they may achieve or the prospects of them moving on to open employment thus making room for others to benefit from the Business. Information on the applicant's relevant experiences, qualifications and past performance in businesses as well as the Business's extent of benefit to persons with disabilities will also be of relevance to the Assessment Panel in assessing the application.

3.3.3 *Business implementation schedule and pre-defined performance indicators*

The schedule should cover information such as the commencement and completion dates and the milestones to be achieved for the proposal. As the objective of the Project is to enhance employment of persons with disabilities, the applicant has to set out clearly the benefits to be committed to the persons with disabilities including number of employment opportunities and salaries, which will be the pre-defined performance indicators for the Business. The applicant should note that the operating loss, if any, will be disbursed when the pre-defined performance indicators in respect of the pledges on the benefits to the persons with disabilities have been fulfilled.

3.3.4 *Projections*

The application should include the projections of the Business, which should be prepared by using the prescribed Appendices 1 to 4 of the application form together with explanatory notes on the assumptions and basis of calculations used.

Applicant should read carefully the requirements for keeping separate books of accounts and records for the Business as set out in para. 5.6, the procurement procedures in para. 5.10, the provision on unauthorised expenses in para. 5.15 and the

return of the unspent balance of the operating grant in para. 5.16 of this Guide. For each requested item, the applicant should provide justifications on why such item is required.

The applicant is also required to provide the amount of the funding to be contributed, the source of funding and the form of contribution if the applicant is prepared to meet part of the cost of the Business through its own funds or donations secured.

3.3.5 Details of the management team

In this section, the applicant is required to include the name, the position held and the responsibilities of each of the staff members to be involved in the business operation. The applicant is required to appoint a Project Coordinator and a Deputy Project Coordinator who will be responsible for overseeing the Business, monitoring the use of funds, liaising with the Project Secretariat and the MCO(R), preparing progress reports and attending progress meetings with SWD as required. SWD should be informed of any change of the Project Coordinator or the Deputy Project Coordinator or any other employed staff who is responsible for preparing progress report as stipulated in para. 5.4 of this Guide.

3.3.6 Other collaboration parties

The applicant is required to provide in this section information on the collaborating parties, if any, their origin, and their contribution to and form of participation in the Business.

3.3.7 Other information in support of the application

The applicant may include any other information it would like to add in support of its application in this section.

3.4 Information on organisation and subsidiary company (Part III)

As stated in para. 2.3, the applicant must have its own distinct legal entity and is authorised to carry out business activities in the HKSAR. It should have good experience in providing welfare and charitable services in the territory. It should have a significant proportion of its development, production, management or general business activities located in Hong Kong.

The applicant should provide in details as requested in Part III that the Business is to be operated under a separate unit and it must not be in a joint venture or partnership with another organisation. Under no circumstances should the money granted be used by any other activities or businesses of the applicant which are beyond the scope of the Business, except with the expressed approval of SWD. Certified true copies of the following documents of the applicant and, if any, its subsidiary should be attached to the application:-

- ◆ certificate of incorporation.
- ◆ memorandum and articles of association.
- ◆ certified true copy of the latest Annual Return and all documents subsequently filed with the Companies Registry.
- ◆ full set of audited financial statements (i.e. income and expenditure account, balance sheet and cash flow statements) for the last three consecutive years.
- ◆ documentary proof for its tax-exempted status under Section 88 of the Inland Revenue Ordinance (Cap. 112).
- ◆ business registration certificate [where applicable]
- ◆ documentary proof of active engagement in welfare and charitable activities [where applicable]

The subsidiary must be incorporated in Hong Kong under the Companies Ordinance (Cap. 32) and the applicant must be the beneficial owner of all the issued shares of the subsidiary. Where any of these shares are registered under the name of a nominee, legal documents should be produced to show that the applicant is the sole beneficial owner.

Chapter 4 Procedures

4.1 Authority

With a view to providing commercial, financial, professional and policy input in the assessment, an Assessment Panel comprising government officials, personnel with business/ financial / accounting background, and when necessary, professionals with specific expertise will be formed to assess the merits of each application. The Assessment Panel will then recommend to the Director of Social Welfare (DSW) for approval of the applications. DSW has the absolute discretion to approve or reject any business proposal without providing any reasons.

4.2 Assessment procedures

SWD will do checking on the information of all applications and may seek clarification or supplementary information from the applicants. Application will then be considered by the Assessment Panel where necessary, comments and advice will be sought from outside experts. The applicants may normally be required to attend meeting of the Assessment Panel to present their proposals to and answer queries from the Assessment Panel where necessary.

4.3 Vetting criteria

Applications should contain a viable business plan that can commence not later than six months after approval of the grant. In general, the Business to be funded should be self-sustaining after three years following the date of commencement. Considerations in vetting the application will be accorded but not limited to:

- (a) viability of the business plan;
- (b) management capability of the agency including experience, qualification, past performance in business, track records of other business(es) funded under the Project; and
- (c) the extent of benefit to persons with disabilities, e.g., the number of persons with disabilities to be employed, the salary payable to the persons with disabilities against the total operating cost and so on.

4.4 Notification of results and signing of agreement

The successful applicant will be informed of the result of the application on approval of DSW. Funds will be released after the applicant has signed an agreement with SWD incorporating the proposal of the Business submitted, funding schedule and

the terms and conditions as elaborated in this Guide. The Project Secretariat will, under normal circumstances, notify the applicant in writing of the assessment result within two months after the receipt of all relevant information from the applicant.

Upon receiving the applicant's confirmation of the date of commencement of the Business, SWD will arrange with the applicant for signing of an agreement with a contract period of six years.

4.5 Withdrawal

The applicant may write to the Project Secretariat to withdraw the application at any time before a formal agreement is entered into with SWD.

4.6 Re-submission

Declined applications may only be re-submitted if they have been revised substantially in accordance with the advice of the Assessment Panel to improve the viability of the business proposal. The revised application will not be accredited with any favouritism or priority and will be subject to the same assessment procedures.

4.7 Return of applications

Application will be returned and will not be considered if they are submitted by ineligible applicants or if it has been declined previously but has not been revised in accordance with para. 4.6 above.

Chapter 5 **Administrative Highlights**

5.1 Contractual requirements

For each business where grant has been approved, the applicant has to sign a formal agreement with SWD incorporating the business proposal of the Business submitted, funding schedule and the terms and conditions as elaborated in this Guide.

5.2 Probity and internal control requirements

The applicant has to set out the code of conduct such as requirement for declaration of conflict of interests for the personnel and employees involved in the business operation. It has to put in place measures of internal control requirements governing the business operation such as procurement, appointment of staff, and sales and inventory control, etc. The applicant is required to declare to the Project Secretariat for undertaking prior to commencement of the Business. Otherwise, the applicant should seek advice from Independent Commission Against Corruption (ICAC) in preparation of the procedures as soon as possible and the declaration should be submitted to the Project Secretariat no later than three months after the commencement of the Business. The applicant should visit the website of ICAC at www.icac.org.hk for information of the corruption prevention practices and if necessary, approach its Corruption Prevention Department for advice in respect of the operational procedures. The “Corruption Prevention Best Practice Checklist – Internal Control for Social Enterprises” published by ICAC is a useful reference. The applicant is advised to adopt the recommended control measures/practices as appropriate.

5.3 Requirements for prior approval

A Business is required to be carried out in accordance with its proposal appended to the formal agreement entered into with SWD. Any modification leading to delayed implementation schedule, reduced scope of the Business, and the benefit of persons with disabilities being so adversely affected will require prior written approval from SWD.

5.4 Change of key personnel

Pursuant to para. 5.3 above, except for the circumstances which are beyond control of the applicant, replacement of the Project Coordinator or Deputy Project Coordinator or any other employed staff who are responsible for preparing progress report of the Business will require prior notification to SWD.

5.5 Payment arrangements

The grant for the operating loss will be released when the applicant has fulfilled its pledges on the benefits to the persons with disabilities such as the number of employment opportunities created and the salary offered in accordance with para. 3.3.3. Under normal circumstances, the grant for the operating loss will be paid quarterly to the applicant or it may be paid at any other intervals as considered appropriate by DSW.

Payment of the grant for the capital expenditure on procurement of equipment, fitting-out works will be made on reimbursement basis. The capital expenditure to be claimed must be incurred during the initial three years of operation of the Business and the claim must be supported by receipts and certified by the authorised signatory of the applicant submitted to the MCO(R) for processing within 12 months from the date of purchase. Late submission(s) will not be entertained. Grantee has to keep an inventory register for each capital item with value at \$1,000 or above funded by the Project. Inventory check by the MCO(R) on items with \$1,000 or above will be made prior to reimbursement of capital grant.

Payment will be effected only if the Business is able to meet the prescribed plan and SWD is satisfied with the progress of the implementation. DSW reserves the right to withhold any payment if the Business is observed to be no longer viable or is seen to have substantial deviation from the original business plan or if a large amount of fund remains unspent in the account created for the Business.

5.6 Books of accounts and records

The applicant is required to use a separate bank account for processing all receipts and payments of the Business. All separate proper books of accounts and records of the Business shall be kept for at least seven years. The books of accounts to be kept by the applicant should include the cash and bank books, the sales and purchases day books, the ledger of accounts for recording all the transactions of money received and expended by the Business and any other matters relating to the receipt and expenditure taken place, all sales and purchases of the goods and assets by the Business, and the assets and liabilities of the Business.

The applicant shall submit separate annual audited financial statements of the Business prepared up to 31 March each year, which should include the income and expenditure accounts, the statement of financial position, statement of cash flows and notes to the account to the MCO(R). The first audited financial statements should

cover at least six months but not more than 18 months. These annual audited financial statements have to cover the first six years of the Business from the date of commencement of the Business and should be submitted to the MCO(R) within six months after the end of the period covered by the annual audited financial statements. SWD reserves the right to conduct financial audit and inspection of such books of accounts and records for such six years at any time.

If the Business ceases its operation during the first six years from the date of commencement of the Business, all the books of accounts and records of the Business shall be retained by the applicant for at least seven years. The applicant should submit the separate audited financial statements to SWD within four months after the cessation of the operation of the Business and will be required to answer enquiries and queries should such be raised by SWD.

5.7 Progress report

The applicant has to submit quarterly progress reports of the Business to the MCO(R), each of which should cover the period from the date of commencement of the Business to end of the initial three years of operation. These reports should be submitted within two months after the end of each quarterly period. On the fourth to sixth years of the operation, the applicant has to submit an annual report, which should be submitted within two months after the end of the year. Each report should confirm the employment of the total number of employees and the number of persons with disabilities, supported with documents, such as payroll records to these employees; and provide financial performance of the Business. Quarterly reports showing the accumulated amounts of the grant received and used and the remaining balance should also be submitted. The applicant may also be required to show evidence to support the amounts of the grant used for operating the Business. The template of the progress report can be downloaded from SWD web page.

In considering new application by the applicant, the Assessment Panel will take note of the persistent non-compliance over submission of progress report and assess the management capabilities of the applicant.

Each business is monitored by SWD against the stated milestones. Advice and support on matters related to the Business will be provided through scheduled / surprise visits or progress review meetings.

The Advisory Committee on Enhancing Employment of People with Disabilities will steer the implementation of the Business, review its overall progress

and will recommend to DSW for termination of funding support if the Business is observed to be no longer viable or seen to have substantial deviations from the original proposal.

5.8 Enhanced support to businesses funded by the Project

Business performance is subject to the market fluctuation. However, it will become a concern if the funded Businesses show persistent poor performance. Early intervention of these under-performed Businesses for prompt assistance / guidance without jeopardy to the employment of the persons with disabilities becomes necessary. On financial parameters, considerations will be given to specific financial indicators, namely, sales turnover, gross profit / loss, net profit / loss and cash flow.

Under-performance of a Business is referred to the performance with any one of the financial indicators of sales turnover, gross profit / loss and net profit / loss having deterioration 30% or more over the projections for two consecutive quarters of the funding period or any negative variance on cash flow in any quarter of the funding period against the projected cash flow as indicated in the approved business plan. The applicant has to submit improvement plan to SWD for follow-up.

SWD will assess the business performance in accordance with financial indicators and pre-defined performance indicators. A Review Panel will be set up (para. 5.9) to render advice / guidance for the applicant in case of under-performed business.

5.9 Review Panel

The Review Panel comprising original members of the Assessment Panel set up to assess the Business, will be formed, with Terms of Reference as below:

- (i) to review the improvement plan submitted by the applicant:
 - Business failed to meet the pre-defined key performance indicators (para. 3.3.3);
 - Business assessed to have under-performance according to the pledged deliverables and viability (para. 5.8).
- (ii) to advise on the course of action to be contemplated by SWD with regard to the Businesses showing persistent non-compliance over submission of the progress reports (para. 5.7).

5.10 Procurement procedures

The grantee should exercise the utmost prudence in procuring equipment, goods or services for the Business and must adhere to the following procedures unless SWD agrees otherwise. SWD will monitor the applicant's compliance with procurement procedures through inspection visit.

For every procurement with aggregate value of more than \$5,000 but less than HK\$10,000, quotations from at least two suppliers should be obtained. The applicant should select the supplier that has submitted the lowest bid. If the lowest bid is not selected, full justifications must be given.

For every procurement with aggregate value at \$10,000 or more, but less than HK\$500,000, written quotations from at least three suppliers should be obtained. The applicant should select the supplier that has submitted the lowest bid. If the lowest bid is not selected, full justifications must be given.

For every procurement with aggregate value at \$500,000 or more, open tender should be adopted.

5.11 Title to equipment

The title to equipment for a Business, including those procured with the grant secured under the Project, will be held by the applicant who should ensure that the equipment is put to good use by the Business or its other welfare services if and when the operation of the Business is ceased.

5.12 Acknowledgement of support

Acknowledgement of the funding support from the Project must appear on all equipment, facilities, publicity / media events related to the Business, as well as in publications promoting the Project. The applicant is required to exhibit the logo of the Project prescribed by SWD on all publicity materials such as the advertising boards and, if so practicable, to put it on name cards, letterheads and etc. The applicant has the obligation to assist and participate in the publicity related to the Project. Information of the Businesses may also be put on the internet for public access. Justifications must be provided for withholding information related to the Business.

5.13 Suspension or termination of funding support

Funding support may be suspended or terminated in accordance with the provisions contained in the agreement signed between the applicant and SWD.

5.14 Cessation of business

If Business is determined to cease operation by the applicant within six years after its commencement, SWD should be informed through a prior notification right after such a decision is made. A report with details on how the assets of the Business will be put to good use for the benefit of welfare services and displacement arrangement for the so affected disabled employees should be submitted to SWD.

5.15 Unauthorised expenses

The applicant should exercise the utmost prudence in the use of the grant for the Business. The grant should not be used to cover any costs which are not related to the Business.

5.16 Return of unspent balance of operating grant

At the end of the first six years of operation of the Business, the applicant is required to return the unspent balance of the operating grant as shown in the progress report (subject to SWD's final calculation), if any, to SWD within two months. However, if the applicant intends to retain and use the unspent balance of the operating grant for financing the Business or other businesses funded under the Project, it should send a written request together with justifications to SWD for consideration as early as practicable after identification of such unspent balance. SWD will only consider justified proposals with concrete items that can be substantiated by invoices, receipts, employment and salary records, etc. Vague and unspecific items will not be considered. If the request is rejected, the grantee should return the unspent balance of the operating grant to SWD immediately.

The basis for calculation of the unspent balance of the operating grant is illustrated in the sample case in **Annex 5**.

Chapter 6 Assistance to Applicants during the Application Process

6.1 Project Secretariat

Applicants may contact the Project Secretariat for enquiries and assistance in respect of the application to the Project.

Address: Room 503, 5/F, West Coast International Building
290-296 Un Chau Street
Sham Shui Po, Kowloon

Email Address: mcorenq@swd.gov.hk

Web-site: www.swd.gov.hk

Enquiry Tel. No.: 3586 3594

6.2 Marketing Consultancy Office (Rehabilitation)

For advice on working out a business proposal, applicant may approach the MCO(R) for assistance.

Address: Room 503, 5/F, West Coast International Building
290-296 Un Chau Street
Sham Shui Po, Kowloon

Email Address: mcorenq@swd.gov.hk

Web-site: www.mcor.swd.gov.hk

Enquiry Tel. No.: 3586 3446

*** End ***

Basis for Determining the Capital and Operating Grants

(a) Basis for Determining the Capital Grant

The amount of capital grant for a business will be assessed on a case by case basis. In general, the capital grant should be sufficient to set up the business including the costs of purchase of furniture and equipment essentially for running the business, fitting out and renovation works for the premises, and special items such as a lump sum fee paid for a franchise.

(b) Basis for Determining the Operating Grant

The projected net operating profit/loss in each of the initial three years of operation of a business is calculated by the cumulative operating profit and/or deficit of the consecutive four quarters within the year. In other words, if a business is projected to have net operating profits in any year within the initial three years of operation, no operating grant will be provided for that particular year. The sample case below illustrates the basis for calculation.

Sample Case

Date of commencement of the business : 1 July 2017

Year	Quarter	Projected Profit / (Deficit) in the Quarter (\$)	Projected Net Profit / (Deficit) in the Year (\$)	Amount of Operating Grant for the Year (\$)
1	1	(227,000)	(281,000)	281,000
	2	(147,000)		
	3	75,000		
	4	18,000		
2	5	(112,000)	(107,000)	107,000
	6	50,000		
	7	(70,000)		
	8	25,000		
3	9	(30,000)	100,000	Nil
	10	65,000		
	11	(15,000)		
	12	80,000		

Amount of operating grant for this business

\$281,000 + \$107,000 = \$388,000

Length of funding period for this business

Two years from 1 July 2017 to 30 June 2019.

Contract period for this business

Six years from 1 July 2017 to 30 June 2023.

Checklist for Preparation of Application Form

1. Basic criteria of the applicant
 - (a) Bona-fide charitable NGOs with legal entities authorised to carry out business activities in Hong Kong Special Administrative Region
 - (b) Tax-exempted status under Section 88 of the Inland Revenue Ordinance (Cap.112)
 - (c) For applicant not receiving subventions from SWD, it should have active engagement in welfare and charitable activities for at least two years before submission of the application

2. Benefits to persons with disabilities
 - (a) The proposed business is suitable for employment of persons with disabilities
 - (b) At least 50% of the number of employees should be persons with disabilities
 - (c) The availability of potential employees with disabilities for the business
 - (d) Reasonable proportion of salary of employees with disabilities in the payroll
 - (e) Value-added elements of the business (optional) e.g. providing training opportunities for persons with disabilities

3. Viability of the business
 - (a) Nature of the business
 - (b) Potential customers
 - (c) Market analysis
 - 4 Ps (Product, Price, Place & Promotion)
 - 4 Cs (Customer, Cost to the customer, Convenience & Communication)
 - SWOT (Strengths, Weaknesses, Opportunities & Threats)
 - Competitive edge that makes the business survive in the market
 - (d) Financial analysis
 - Must be self-sustaining after the three years following the date of commencement
 - Sales projection should be supported with rationale
 - Capital and operating expenses should be justified
 - Other financial arrangement such as cash flow management, tide-over arrangement for payment of capital expenditure before reimbursement, etc.
 - (e) Operational arrangement such as procurement, logistic, staff roster, etc.

4. Manpower

- (a) State the maximum number of disabled employee to be recruited
- (b) State the job specification, qualification required, number of working hours/day/week/month and salary in hour/month for each post

Checklist for Preparation of Appendices 1 - 4

1. Appendix 1
 - (a) Sales Projection shall be supported by the basis of calculation with rationale and the information shall be provided in remark at Appendix 1 or supplementary sheet.
 - (b) If the business offering more than one type of product / service, Sales Projection, Cost of Sales and Gross Profit of each type of product / service shall be listed separately.
 - (c) For any products/sales with seasonal factors, the information shall be provided at Remark at Appendix 1 or supplementary sheet with calculation reflected at Appendix 1a, 1b and 1c.

2. Appendix 1a, 1b, 1c
 - (a) The list of income and operating expenses must be the same as Appendix 1.
 - (b) The total for year 1, year 2 and year 3 in Appendix 1a, 1b and 1c must be filled.

3. Appendix 2 (Sheet 1, Sheet 2, Sheet 3)
 - (a) The Operating Grant will be calculated on the sum of loss in each quarter and payment will be at the 1st month of the quarter. If there is profit in the following quarter, only the net balance on the loss amount will be paid to the business. The sample case below illustrates the basis for calculation.

Sample case

Year	Appendices 1 a – 1c		Appendix 2 Sheets 1 - 3	
	Quarter	Profit / (Loss) in the Quarter (\$)	Month	Payment of Operating Grant (\$)
1	1	(227,000)	1 st	227,000
	2	(147,000)	4 th	54,000
	3	75,000	7 th	0
	4	18,000	10 th	0
2	5	(112,000)	13 th	62,000
	6	50,000	16 th	0
	7	(70,000)	19 th	45,000
	8	25,000	22 nd	0
3	9	(30,000)	25 th	0
	10	65,000	28 th	0
	11	(15,000)	31 st	0
	12	80,000	34 th	0

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- (b) As payment of the grant for the capital expenditure will be made on a reimbursement basis, tide-over arrangement from the grantee must be prepared on financial support for the capital expenditure and other expenses, such as settlement of purchase and operation expenses. The amount of tide-over grant for payment of capital expenditure before reimbursement must be indicated in the grantee's financial support item.
 - (c) Negative balance of cash flow is not allowed.

4. Appendix 3

- (a) The number of staff should be equal to the number of employees, no matter they are full-time staff or part-time staff. If there are 4 part-time staff, the number of staff shall be 4 instead of 2.
- (b) If there is any change of number of employees that affects the ratio of number or salary of disabled employees, separate table shall be provided to reflect the change.
- (c) The percentage of MPF must be stated.
- (d) Please state the percentage of annual increment. If there are different annual increments for different posts, separate tables shall be prepared to reflect the ratio of salary of the disabled employees.

5. Appendix 4

- (a) The capital expenditure shall be categorised into renovation, furniture, equipment and others.
- (b) For capital expenditure on renovation, quotation with breakdown of renovation items shall be provided.
- (c) For capital expenditure on furniture, equipment and others, all the items must be listed with quantity. Moreover, for proposed item with unit price of \$20,000 or above, quotation shall be provided.
- (d) Reasonable amount of sundries or miscellaneous items are acceptable under capital expenditure but any inventory items with value of \$1,000 or above and electrical appliances shall not be regarded as sundries or miscellaneous items.

6. Accuracy and Consistency of Figures

- (a) The amount shown in all appendices shall be in the nearest dollar.
- (b) Please be alert on the usage of formula in Excel file which might lead to error in summation. The summation of figures in all the appendices must be correct.
- (c) All the figures in different appendices must tally.

Checklist for Submission of Application

1. Complete the Application Form and Appendices 1- 4.
2. Provide supporting documents for the application
 - (a) Leasing agreement, if any (application with proposed venue of business having a leasing period of less than three years will normally not be considered)
 - (b) Layout plan (with all capital items shown in the layout plan)
 - (c) Quotation for capital item costs over \$20,000
 - (d) Any other documents which can support the application
3. Provide supporting documents to confirm the eligibility of the applicant
 - (a) Certificate of Incorporation
 - (b) Memorandum and Articles of Association
 - (c) Letter from Inland Revenue Department to confirm its tax-exempted status
 - (d) Latest Annual Return to Company Registry
 - (e) Audit Report (latest three years prior to submission of application)
 - (f) For applicant not receiving subvention from SWD, documentary proof of an active engagement in welfare and charitable activities for at least two years before the submission of the applications
 - (g) If the Business is operated by the applicant's subsidiary that has not been exempted from tax under Section 88 of the Inland Revenue Ordinance (Cap. 112), documentary proof of the wholly-owned subsidiary relationship with the applicant and Business Registration Certificate of the subsidiary

Basis for Calculation of the Unspent Balance of the Operating Grant

Basis for Calculation of the Unspent Balance of the Operating Grant

There will be an unspent balance of the operating grant when the actual operating loss during the funding period is less than the projected operating loss for which the amount of operating grant is based upon. The sample case below illustrates the basis for calculation.

Sample Case

Date of commencement of the business : 1 July 2017

Year	Projected Net Profit / (Deficit) in the Year (\$)	Amount of Operating Grant for the Year (\$)	Actual Net Profit / (Deficit) in the Year (\$)
1	(281,000)	281,000	(295,000)
2	(107,000)	107,000	(50,000)
3	100,000	Nil	(10,000)

Amount of operating grant for this business

$\$281,000 + \$107,000 = \$388,000$

Length of funding period for this business

Two years from 1 July 2017 to 30 June 2019

Actual operating loss during the funding period

$\$295,000 + \$50,000 = \$345,000$

Amount of unspent balance of the operating grant

$\$388,000 - \$345,000 = \$43,000$