Guide to

"Enhancing Employment of People with Disabilities through Small Enterprise" Project

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社會福利署
Social Welfare Department

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Chapter 1 Introduction

1.1 Background

1.1.1 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 (PWDs) 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 PWDs and prepare them for employment in the open market.

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

1.1.3 It is the Government's policy to promote and enhance the employment opportunities for PWDs, 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 PWDs, 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 PWDs 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 PWDs. In 2017, the Administration further injected $100 million into the Project to support the continued operation and expansion of the Project.

Chapter 2 General

2.1 Objective

The objective of the Project is to enhance the employment of PWDs 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 PWDs can enjoy genuine employment in a carefully planned and sympathetic working environment.

2.2 Guiding principle

To achieve the objective of enhancing employment for PWDs, the number of PWDs 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 payroll 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 payroll of the Business. Business advisors or NGO partners as mentioned in para. 3.3.6 of this Guide offering voluntary consultancy to the Business shall not be regarded as persons on the payroll.

2.3 Eligibility for application

2.3.1 The applicant should be a statutory organisation or an organisation registered under the laws of the HKSAR (e.g. the Companies Ordinance[1](Cap. 622), the Societies Ordinance (Cap. 151), etc.) that falls into one of the following categories –

(a) a charitable institution or trust of a public character with tax-exempted status under Section 88 of the Inland Revenue Ordinance (Cap. 112)[2]; or

[1] Except for applicants registered as a company limited by shares.

[2] For applicant not receiving subventions from SWD, an active engagement in welfare and charitable activities for **at least two years** before the submission of the applications is required.

(b) a social enterprise[3] with experience for **at least two years** in the relevant field of the proposed business before submitting application; or

(c) a non-profit-making organisation with active engagement in welfare and charitable activities for **at least two years** before submitting application.

2.3.2 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.

2.3.3 Given that the objective of the Project is to enhance employment for PWDs, the application should be able to create genuine employment opportunities for them. 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.

2.3.4 SWD has sole and absolute discretion in relation to the processing and determination of applications. SWD reserves the right to approve or decline any application without giving any reason. Applications which may be declined include, but are not limited to, the following -

(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[4] for less than six years prior to the date of new application.

[3] Refer to those registered in the "SE Directory" of The Hong Kong Council of Social Service - Social Enterprise Business Centre or SEEMARK under the Hong Kong General Chamber of Social Enterprises.

[4] Where a business funded by the Project is required to be terminated due to external factors e.g. due to redevelopment initiated by the government or public bodies, termination of lease by landlord etc., the grantee may submit a fresh funding application for the business for consideration by SWD provided that the business performance is satisfactory. For re-applications within six years, or if a business ceases operation due to its own reasons, SWD would consider the track records of the business and strong justifications must be provided by the applicants for special consideration. The Assessment Panel will assess each application on a case by case basis.

2.4 Form of funding support

2.4.1 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.

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

2.4.3 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;
(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.

2.4.4 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.

2.4.5 The applicant may use the funding support to cover salary expenses for an employee engaged in the preparatory work during the business start-up stage (prior to business commencement) for a maximum of six months. The salary of employee

engaged in preparatory stage is capped at an amount of $18,000 per month plus the mandatory contribution payable by employer at 5% of the relevant salary per month on a pro-rata basis.

2.4.6 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.

2.4.7 The funding cap for each project, including the business preparatory support grant, capital grant and operating grant, is $3 million. If the amount of grant approved is less than $3 million, the applicant may apply for additional funding support to cover 50% of the salary expenses of full-time and part-time employees with disabilities after the funding period for a maximum period of three years (i.e. 4th to 6th years of operation).

2.5 How to apply

2.5.1 Applications are received year-round. There is no limit on the number of applications submitted by each applicant. Checklists for preparation of application are at **Annexes 1 to 2** for reference.

2.5.2 The application form can be downloaded from SWD's webpage at the URL: http://www.swd.gov.hk. Completed application form together with copies of the necessary documentary proof should be submitted online or 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

2.6.1 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.

2.6.2 After the approval of the application, the applicants will be given six months to confirm the address of the Business and sign the Agreement. The Business will then need to commence operation within six months after the Agreement is signed. Otherwise, SWD may terminate the Agreement and claim back all grants already disbursed, if any.

2.6.3 If the Business has not been exempted from tax under section 88 of Inland Revenue Ordinance (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 its founder, owner or any member of its board of directors. Profit distribution is not allowed. In any event, the profit derived should only be used for the creation of more employment opportunities and improvement of the working conditions for PWDs or other welfare purposes as approved by SWD.

2.6.4 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 (USB Drive in MS WORD/EXCEL/PDF for Windows format) and two hard copies of the completed application form and documentary proof have to be provided.
- 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 Part I - Data of the applicant

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

3.3 Part II - Details of the business proposal

The application should contain the prescribed details of a viable business proposal, and the applicant organisation should declare whether similar application is being put up for other funding support and, if any, the amount of other funding being secured. Applications currently receiving / will receive funding form other government funding schemes would normally not be supported. 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 a brief description of, both in English and Chinese,

the objectives, business/strategic alliances, business plan, target markets/customers, the amount of funding requested, etc.

3.3.2 Details of the proposal

3.3.2.1 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. The proposal will be circulated to the Advisory Committee on Enhancing Employment of People with Disabilities for view and comments which will be deliberated in the Assessment Panel meeting for consideration. Sufficient details on the proposed business should be provided for the Assessment Panel to assess the viability of the proposal.

3.3.2.2 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 the number of PWDs who may benefit, the expected level of earnings they may achieve or the prospects for them to move on to open employment thus making room for others to benefit from the Business.

3.3.2.3 The applicant should indicate the salary and duties of the staff member employed during the business preparatory stage, if any. This staff member must not come from the existing staff of the applicant organisation or its subsidiary.

3.3.2.4 Information on the applicant's relevant experiences, qualifications and past performance in businesses as well as the Business's extent of benefit to PWDs will also be of relevance to the Assessment Panel in assessing the application.

3.3.3 Business implementation schedule and pre-defined performance indicators

3.3.3.1 The schedule should cover information such as the commencement date and the milestones to be achieved for the proposal. As the objective of the Project is to enhance employment of PWDs, the applicant has to set out clearly the benefits to be committed to the PWDs, including number of employment opportunities and salaries, which will be the pre-defined performance indicators for the Business.

3.3.3.2 The applicant should note that the operating grant, if any, will be disbursed when the pre-defined performance indicators in respect of the pledges on the benefits to

the PWDs have been fulfilled, and the quarterly progress reports have been timely submitted.

3.3.4 Projections

3.3.4.1 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.

3.3.4.2 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.

3.3.4.3 The applicant is 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

3.3.5.1 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.

3.3.5.2 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 Business Advisor and/or NGO Partner

3.3.6.1 To facilitate cross-sector collaboration, first-time applicants (i.e. applicants that do not have prior experience in the business nature/mode of operations of the proposed business) are encouraged to engage their own business advisors to provide guidance and business advice to enhance competitiveness and performance of the funded Businesses. Applicant should provide information on its business advisor which is expected to provide business advice to enhance competitiveness and performance of the Business.

3.3.6.2 For applicants under the category as stipulated in para. 2.3(c) above, they are encouraged to partner with an NGO to advise them on issues related to employment and support of PWDs.

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 Part III - Information on organisation and subsidiary company

3.4.1 The applicant 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.

3.4.2 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 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. Please refer to Part V of the application form for the necessary information / documents to be attached to the application.

3.4.3 The subsidiary must be incorporated in Hong Kong under the Companies Ordinance (Cap. 622) 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 reason.

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, and where necessary, comments and advice will be sought from the Advisory Committee on Enhancing Employment of People with Disabilities and 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 the Agreement is signed. 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 PWDs, e.g. the number of PWDs to be employed, the salary payable to the PWDs against the total operating cost and so on.

4.4 Notification of results and signing of agreement

4.4.1 The Project Secretariat will, under normal circumstances, notify the applicant 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 address and date of commencement of the Business, SWD will arrange with the applicant for signing of the Agreement with a contract period of six years.

4.4.2 In accordance with para. 2.6.2, a maximum of twelve months will be given to the Business to commence operation. The applicant must seek approval from SWD in written with justification in case there is any delay on the commencement date. Otherwise, SWD may terminate the Agreement and claim back all grants already disbursed, if any.

4.4.3 Funds will be released after the applicant has signed the Agreement with SWD incorporating the proposal of the Business submitted, funding schedule and the terms and conditions as elaborated in this Guide.

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

Successful applicants have to comply with all the terms and conditions laid down in the Agreement signed with SWD.

5.2 Probity and internal control requirements

5.2.1 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.

5.2.2 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.

5.2.3 The applicant should visit the website of ICAC 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 Guide on Governance and Internal Control for NGOs" 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 Agreement entered into with SWD. Any modification leading to delayed implementation schedule, change in scope of the Business or mode of operation, and the benefit of PWDs 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

5.5.1 Operating Grant

5.5.1.1 Disbursement of the operating grant will be based on the fulfillment of pre-defined performance indicators on the benefits to PWDs as pledged at the proposal such as the number of employment opportunities created and the salary offered (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.

5.5.1.2 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 SWD. The Business is expected to become self-sustaining after the funding period.

5.5.2 Capital Grant

5.5.2.1 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 before the end of the funding period 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. Any modification on spending on capital item expenditure will require prior written approval from SWD.

5.5.2.2 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.

5.5.3 Preparatory Salary Support Grant

5.5.3.1 Payment of the grant for salary expenses for the employment of one staff member during the business preparatory stage will be made on a one-off reimbursement basis with the submission of documentary proofs as appropriate, e.g. employment contracts, pay slips, etc.

5.5.3.2 The basis for determining the grant for the salary expenses for the employee engaged in business preparatory stage, capital and operating grants as well as the funding period is illustrated in the sample case in **Annex 3**.

5.5.4 Extended Funding Support for Salary Expenses of Disabled Employees

5.5.4.1 Payment of 50% salary expenses of full-time and part-time employees with disabilities in the three years after the funding period (i.e. 4th to 6th years of operation) will be reimbursed quarterly with the submission of pay slips of the disabled employees.

5.5.4.2 In the submission of application for extended funding support to SWD, which should be no later than two months before end of the funding period, the applicant should provide SWD with the number of employees with disabilities employed in the first three quarters in the 3rd year of operation, to be supplemented by the provision of pay slips or any other documents to show the employment status of the employees.

5.5.4.3 The basis for determining the extended funding support for salary expenses of employees with disabilities is illustrated in the sample case in **Annex 4**.

5.5.5 Withholding Payment

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. SWD reserves the right to withhold any payment if any one or more of the following occurs –

(a) the Business is observed to be no longer viable;
(b) the Business is seen to have substantial deviation from the original business plan;
(c) a large amount of fund remains unspent in the account created for the Business;
(d) the Business fails to meet pre-defined performance indicators on the benefits to PWDs as pledged at the proposal such as the number of employment opportunities created and the salary offered (para. 3.3.3); or

(e) the Business shows non-compliance over submission of progress or annual reports or annual audited financial statements.

5.6 Books of accounts and records

5.6.1 The applicant may use a single interest-bearing Hong Kong dollar bank account for processing all receipts and payments of the Business provided that the bank account is used for receiving and holding allocations from SWD only. Separate accounting records for each type of allocation must be kept and maintained. All separate proper books of accounts and records of the Business shall be kept for inspection at least seven years after the commencement of the Agreement or until the applicant's satisfactory completion of the obligations under the Agreement, whichever is later.

5.6.2 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.

5.6.3 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.

5.6.4 If the Business ceases 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

5.7.1 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.** Late submission of the quarterly progress reports may result in withholding the disbursement of operating grant. 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.

5.7.2 Each report should confirm the employment of the total number of employees and the number of PWDs, supported with documents, such as payroll records to these employees, funding position of the Business and provide financial performance of the Business. 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.

5.7.3 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.

5.7.4 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.

5.7.5 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 SWD 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

5.8.1 Business performance is subject to the market fluctuation. However, it will become a concern if the Businesses show persistent poor performance. Early intervention of these under-performed Businesses for prompt assistance/guidance without jeopardy to the employment of the PWDs becomes necessary.

5.8.2 Under-performance of a Business is referred to net profit/loss having deterioration 30% or more over the projections for two consecutive quarters of the funding period. The applicant should come up with improvement plans and advise SWD of their follow-up actions.

5.8.3 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 –

To review and advise on the improvement plan submitted by the applicant:

(i) Business failed to meet the pre-defined key performance indicators (para. 3.3.3); and

(ii) Business assessed to have under-performance according to the pledged deliverables and viability (para. 5.8).

5.10 Procurement procedures

5.10.1 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.

5.10.2 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.

5.10.3 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.

5.10.4 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 Government's funding, funding support from the Project and Project logo must appear on all equipment, facilities, advertising, promotional/publicity materials and publications (whether written or in electronic format or media) relating to the Business. The applicant is required to exhibit the logo of the Project prescribed by SWD, if so practicable, 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

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

5.13.2 SWD may immediately terminate the grant upon the occurrence of any of the following events or circumstances –

(i) the organisations have engaged or are engaging in acts or activities that are likely to constitute or cause the occurrence of offences endangering national security or which would otherwise be contrary to the interest of national security; or

(ii) the continued engagement of the organisations is contrary to the interest of national security; or

(iii) SWD reasonably believes that any of the event mentioned above is about to occur.

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 (UOG)

5.16.1 The applicant is required to return the UOG as shown in the progress report (subject to SWD's final calculation), if any, to SWD within two months after the end of contract period. However, if the applicant intends to retain and use the UOG for the purposes as stated in para. 5.16.3, it should submit a written proposal with justifications to SWD for consideration as early as practicable but not later than two months before the end of contract period after identification of such unspent balance. Only businesses remain in operation are eligible for application for the retention and use of UOG. Businesses which cease operation will have to return the UOG within two months after the identification of such unspent balance.

5.16.2 The application proposal shall specify the purpose, plan and period of usage of the UOG. The applicant should plan to use the UOG within two years, and in any case not later than two years after the end of contract period. After approval of retention of UOG, the entire amount of UOG must be utilised in accordance with its usage plan. Each UOG application will be processed on an individual case basis and on its own merits. Only the UOG of a single business will be accepted per application.

5.16.3 The UOG must be used for the applicant Business. If the applicant requests to extend the use in other businesses[5] funded under the Project, full justifications should

[5] If the UOG would be used to cover other funded businesses, the applicant should provide justifications for the concerned business. Factors including but not limited to business performance/development, business sustainability and employment/benefits of PWDs will be taken into consideration when processing such applications.

be provided for SWD's consideration. The ratio of PWDs employed in the applicant Business should be no less than that as pledged in the original application whereas for other beneficiary businesses, they should meet the underlying principle as stated in para. 2.2, i.e. the number of PWDs 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 payroll for the Business. The Business should accord priority to utilise the UOG for the employment of **additional** PWDs. After which the Business may consider using the UOG for procurement of capital items and covering salary expenses of existing disabled employees[6] only.

5.16.4 Each Business can only submit its UOG application once. The Business should follow all the monitoring and financial management requirements stipulated in the SWD approval letter. The table below illustrates different UOG application results and the deadline for returning UOG to SWD:

Scenarios	**Deadline for returning UOG to SWD**
1. UOG proposal is rejected	Within two months after notification of results
2. UOG without specified use in the proposal (for example, an applicant business with $100,000 UOG but only applies for retention and use of UOG for $80,000 only. The remaining $20,000 will be the amount of UOG without specified use.)	Within two months after notification of results
3. UOG remaining after usage (for example, an applicant business with $80,000 approved UOG but only able to use $70,000 at the end. The remaining $10,000 will be the amount of UOG remaining after usage.)	Within two months from the end of the approved period of UOG usage

5.16.5 If the applicant intends to use the UOG for the procurement of capital items, the applicant should provide enough quotations in accordance with the requirement laid down in para. 5.10 together with justifications to SWD for consideration.

[6] If the salary expenses of a disabled employee have already been funded by the additional funding support approved under paragraph 2.4.7, retention of UOG **must not** be used for covering the remaining amount of the salary expenses of these disabled employees.

5.16.6 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.

5.16.7 The applicant should submit to SWD documents, e.g. quotations, invoices, receipts, employment contracts, pay slips, etc. or any other documents as requested by SWD to support the use of UOG if the request is acceded to.

5.16.8 The basis for calculation of the UOG 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 MCOR for advice on working out a business proposal and enquiries and assistance in respect of the application for 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 3446

*** End ***

Annex 1

Checklist for Preparation of Application Form

1. Basic criteria of the applicant

   Organisations with legal entities authorised to carry out business activities in Hong Kong Special Administrative Region and falls into one of the following categories –

   (i) tax-exempted status under Section 88 of the Inland Revenue Ordinance (Cap.112). 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; or

   (ii) a social enterprise with experience for at least two years in the relevant field of the proposed business before submitting their application; or

   (iii) a non-profit-making organisation with active engagement in welfare and charitable activities for at least two years before submitting application.

2. Benefits to PWDs

   (a) The proposed business is suitable for employment of PWDs
   (b) At least 50% of the number of employees should be PWDs
   (c) The availability of potential employees with disabilities for the business
   (d) At least 30% of salary expenses are for employees with disabilities in the payroll
   (e) Value-added elements of the business (optional), e.g. providing training opportunities for PWDs

3. Viability of the business

   (a) Nature of the business
   (b) Potential customers
   (c) Market analysis
      - 4 Ps (Product, Price, Place and Promotion)
      - 4 Cs (Customer, Cost to the customer, Convenience and 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) Indicate the employment of staff, if any, during the business preparatory stage and the duties involved. This newly employed staff for preparation of the project should not come from the existing staff of the applicant organisation or its subsidiary.

(b) State the maximum number of employees with disabilities to be recruited

(c) 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 will offer 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 Appendices 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 amount of income and operating expenses for year 1, year 2 and year 3 in Appendices 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)	1st	227,000
	2	(147,000)	4th	54,000
	3	75,000	7th	0
	4	18,000	10th	0
2	5	(112,000)	13th	62,000
	6	50,000	16th	0

Year	Appendices 1 a – 1c		Appendix 2 Sheets 1 - 3	
	Quarter	Profit/(Loss) in the Quarter ($)	Month	Payment of Operating Grant ($)
	7	(70,000)	19th	45,000
	8	25,000	22nd	0
3	9	(30,000)	25th	0
	10	65,000	28th	0
	11	(15,000)	31st	0
	12	80,000	34th	0

(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 salary expenses of one preparatory staff for a maximum of six months are subsidised before the business commences operation.

(b) As payment of the grant for the business preparatory support grant will be made on a one-off reimbursement basis, tide-over arrangement from the grantee for payment of the salary expenses is expected.

(c) 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.

(d) 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.

(e) The percentage of MPF must be stated.

(f) 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.

Basis for Determining the Business Preparatory Support, Capital and Operating Grants

(a) Basis for Determining the Salary of Employee Engaged in Business Preparatory Stage (The maximum grant is $113,400, i.e. $18,000 × 1.05 × 6 months, as the salary of the employee is c*apped at $18,000 per month, exclusive of MPF contributions, for a maximum of six months prior to business commencement*)

The sample case below illustrates the basis for calculation.

Date of commencement of the business: 16 June 2025

Position: Project Manager

Month	Salary	Mandatory contribution payable by the employer	Monthly Salary Expense
January	$19,000	$950	$19,950
February	$19,000	$950	$19,950
March	$19,000	$950	$19,950
April	$19,000	$950	$19,950
May	$19,000	$950	$19,950
June	$9,500	$475	$9,975
Total:	$104,500	$5,225	$109,725

Total Salary Expenses = $109,725

As the support grant is capped at $18,000 per month plus the mandatory contribution payable by employer at 5%, the Business has to bear the difference of $5,775 [($19,000 - $18,000) × 105% × 5.5 months] in salary expenses at its own resources.

(b) 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 essential furniture and equipment 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.

(c) 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 2025

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
Three years from 1 July 2025 to 30 June 2028.

Contract period for this business
Six years from 1 July 2025 to 30 June 2031.

Basis for Calculation of the Extended Funding Support for the Salary Expenses of Employees with Disabilities

The sample case below illustrates the basis for calculation

Date of commencement of the business: 1 July 2025

Length of funding period for this business: Three years from 1 July 2025 to 30 June 2028

Total approved grant (business preparatory support grant, capital grant and operating grant): $2,450,000

Maximum extended funding support available[7]: $3,000,000 – $2,450,000 = $550,000

Expected number of employees with disabilities to be employed in the 4th to 6th year of operation: 3 part-time and 2 full-time

Monthly salary per employee with disabilities (MPF included) (based on the 1st to 9th months in the 3rd year of operation):
$4,000 for a part-time employee and $8,500 for a full-time employee

Expected Annual Salary Increment: 10%

Year	Quarter	Salaries of part-time employees with disabilities per quarter (MPF included)	Salaries of full-time employees with disabilities per quarter (MPF included)	Total salary expenses for employees with disablities (MPF included)	50% of salary expenses (MPF included)	Payment of extended funding support from SWD
4	13th	36,000	51,000	87,000	43,500	43,500
	14th	36,000	51,000	87,000	43,500	43,500
	15th	36,000	51,000	87,000	43,500	43,500
	16th	36,000	51,000	87,000	43,500	43,500

[7] The funding cap for the business preparatory support grant, capital grant and operating grant for the first three years is $3 million for each project. If the amount of grant approved is less than $3 million, the funded businesses may apply for the remaining amount to cover 50% of the salary expenses of employees with disabilities for the 4th to 6th years of operation.

Year	Quarter	Salaries of part-time employees with disabilities per quarter (MPF included)	Salaries of full-time employees with disabilities per quarter (MPF included)	Total salary expenses for employees with disablities (MPF included)	50% of salary expenses (MPF included)	Payment of extended funding support from SWD
5	17th	39,600	56,100	95,700	47,850	47,850
	18th	39,600	56,100	95,700	47,850	47,850
	19th	39,600	56,100	95,700	47,850	47,850
	20th	39,600	56,100	95,700	47,850	47,850
6	21st	43,560	61,710	105,270	52,635	52,635
	22nd	43,560	61,710	105,270	52,635	52,635
	23rd	43,560	61,710	105,270	52,635	52,635
	24th	43,560	61,710	105,270	52,635	26,695*
Total					**575,940**	**550,000**

*Amount of Funding for 24th Quarter: $52,635 – ($575,940 – $550,000) = $26,695

Annex 5

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 2025

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
Three years from 1 July 2025 to 30 June 2028

Actual operating loss during the funding period[8]
$295,000 + $50,000 = $345,000

Amount of unspent balance of the operating grant
$388,000 - $345,000 = $43,000

[8] In view that the business has only received operating grant in year 1 and year 2, only the net profit/deficit incurred during the same period will be taken into account for the purposes for calculation of unspent operating grant.