

City University of Hong Kong

Technology Start-up Support Scheme for Universities

Application and Reimbursement Guidelines

Objective of the Scheme

1. In 2014-15, the Innovation and Technology Commission (“ITC”) set up, under the Innovation and Technology Fund (“ITF”), the Technology Start-up Support Scheme for Universities (“TSSSU”) ¹ to provide funding to six universities to support their teams in starting technology businesses and commercialising their research and development (“R&D”) results.

Amount and Duration of Funding

2. With effect from the 2019-20 Government financial year, an annual funding of up to \$8 million is provided to each of the six universities on a reimbursement basis for expenses incurred within each Government financial year (from 1 April in a current year to 31 March of the following year); and reimbursed in the next Government financial year, subject to the requirements stipulated in relevant guidelines. The expenses should be accounted for on an accrual basis, i.e. funding will be provided if the expenses have been incurred within the Government financial year when the related activities have been conducted or the related services and goods have been delivered, regardless of whether payments have already been made by the technology start-ups (“start-ups”).

3. TSSSU funding is provided to each university to support the setting up of start-ups on the following basis –

- (a) no limit on the number of start-ups to be recommended by each university, subject to the annual funding ceiling of \$8 million for each university; and
- (b) each approved start-up would be funded for no more than three years² with an annual funding capped at \$1.5 million. If a funded start-up has made reasonable

¹ In case there is any disparity between the Innovation and Technology Commission (“ITC”) TSSSU Application and Reimbursement Guidelines (Appendix I) and this document, the former should prevail.

² The three-year period should count consecutively from the first year that a start-up is approved for TSSSU funding. For example, if a start-up was first approved for funding 2018-19 (Year one) and only applied for continued funding in 2020-21 (Year three), it will not be eligible for seeking further funding in 2021-22 (Year four).

progress in its R&D and/or business performance, the associated university may recommend such start-up for continued funding under TSSSU.

Eligibility

4. The applicant start-up, regardless of size, must be a company registered under the Companies Ordinance for not more than 24 months, i.e. between 1 February to 31 January of the year after the following years. The 24 months requirement does not apply to a start-up applicant that has received TSSSU funding previously. However, all start-up applicants have to be registered a company before CityU forwards the recommendations to ITC.

5. The team forming the start-up may have any mix of the following members of City University of Hong Kong (“CityU”) –

- (a) undergraduates or postgraduates; and/or
- (b) full-time professor(s) serving as consultant(s), providing technical expertise and direction of the R&D (professors are reminded to observe relevant CityU policies and guidelines including but not limited to those on Outside Practice and Outside Work, Conflict of Interest, and Intellectual Property, etc.); and/or
- (c) alumni who graduated on or after 1 January 2016 (not applicable to a start-up which is recommended for TSSSU funding for the second or the third year).

6. The team forming the start-up is required to appoint a person-in-charge (“PIC”). The PIC should be associated with CityU as stipulated in paragraph 5 above and engaged in the start-up’s business. The PIC is responsible for –

- (a) overseeing the operations of the start-up; and
- (b) liaising with CityU on matters relating to TSSSU funding.

The PIC is required to hold a senior position in the start-up and can be reached by CityU during normal business hours. For the avoidance of doubt, the appointed PIC cannot join other concurrently active teams funded by TSSSU.

Scope of Funding

7. TSSSU funding should be used in a reasonable, proportionate and proper manner in the following areas for achieving the stipulated objective set out in paragraph 1 above –

- (a) essential items for setting up and operating the start-ups (e.g. furniture and equipment, legal and accounting services, rental of necessary and suitable premises, manpower, etc.);
- (b) expenditure on R&D (e.g. manpower, equipment, licensing fees or royalties due to CityU, other direct costs, etc.); and
- (c) promotion activities and marketing of their R&D deliverables, products or services.

8. Any expenditure item or part thereof which is already funded by the Government, a Government subvented body/institution, CityU or third parties will however not be funded under TSSSU, i.e. no double payment is allowed for the same part of an expenditure item.

9. Some examples of items not to be funded under TSSSU are –

- (a) rental expenses that are irrelevant to the operations of the funded start-ups;
- (b) manpower expenditure on bonus, contract gratuities, annual salary adjustment as well as general fringe benefits and allowances such as expenses on housing (including nominal rental for quarters), education, training, passage and travelling, food, medical, dental, insurance, severance pay, overtime and untaken leave, etc.;
- (c) expenses on mass production activities;
- (d) expenses on offering gifts (e.g. cash coupons) for marketing and/or promotion purposes;
- (e) expenses incurred as matching fund for other schemes of the Innovation and Technology Fund;
- (f) costs of forming associations;
- (g) investment of any kind except for deposit of funds in the bank accounts of the funded start-ups;
- (h) repayment of any loan (including but not limited to student loan) taken out by the funded start-ups and their members and employees;
- (i) travelling expenses, except for necessary and reasonable out-of-town Mainland or international travelling expenses relating to exhibition participation or other reasonable and relevant activities (business and first class fares are not reimbursable);
- (j) entertainment expenses;

- (k) fees charged to the funded start-ups arising from general services (e.g. office administrative services, etc.) provided by CityU;
- (l) any expenditure item that is unnecessary or irrelevant to the operations of the funded start-ups; and
- (m) any events or activities that are inconsistent with the laws or regulations of Hong Kong or other applicable jurisdictions.

10. Activities of the TSSSU-funded start-ups should primarily be conducted within the territory of Hong Kong. However, given the objective of TSSSU to support start-ups, up to 50% of TSSSU funding provided to each start-up in each Government financial year can be incurred in the Mainland and other countries.

11. ITC will not take equity in the funded start-ups or claim intellectual property rights arising from their businesses.

Application Arrangements

Application

12. Each start-up should provide the documents below –

- (a) Application form (**Annex A**)
For section B4 on ‘Milestones’, please set out the milestones for each quarter of the funding period, i.e. 1 April to 30 June, 1 July to 30 September, 1 October to 31 December, and 1 January to 31 March. Funded start-ups are required to submit quarterly progress reports and the performance of each quarter will be measured against the milestones set out in the application form.
- (b) Business proposal with a 3-year budget plan including the followings –
 - i. description of the business (including problems to be solved, solution/technology, etc.);
 - ii. industry analysis;
 - iii. market analysis (including target market, market growth and trend, competitor analysis, etc.);
 - iv. marketing strategy (including the 4Ps);
 - v. organisational structure/management team composition; and
 - vi. financial forecast with a 3-year budget.

- (c) A copy of the student/staff card or graduation certificates, whichever is applicable.

Funded start-ups should submit applications again to CityU for continued funding for the second or the third year.

Assessment and Selection

13. Shortlisted applicants may be invited to an interview by a selection panel comprising CityU and external assessors with relevant expertise and experience. The selection criteria include –

- (a) the innovation and technology content of the business;
- (b) the commercial viability of the business;
- (c) the sustainability of the business;
- (d) the capability of the start-up and its team to undertake the R&D work and manage the company;
- (e) the social and/or community impact of the start-up's business and R&D work;
- (f) the use of intellectual property rights (IPRs) of CityU;
- (g) the allocation of resources for the respective milestones to be achieved; and
- (h) any other criteria that CityU sees fit.

CityU will require the funded start-ups to sign letters of agreement to confirm receipt of TSSSU funding support.

Reimbursement Arrangements

14. Payments will be made on a quarterly basis. In each quarter, CityU will issue a call circular to the funded start-ups requesting them to submit a reimbursement request for the expenditure incurred during that quarter. Only the expenditure incurred during the reimbursable period of the Government financial year³ will be funded under TSSSU.

³ The reimbursable period refers to the period from the date of ITC's funding approval to the end of the relevant Government financial year (i.e. 31 March).

15. Payments will be made to the funded start-ups after examination and verification of the required documents and information below (e.g. the expenses are within the approved funding level and scope, the amounts of expenses are reasonable and proportionate, the payments were handled in a proper manner, etc.). On receipt of the complete set of information required for processing the reimbursement request and subject to the eligibility of the items being claimed, CityU will arrange reimbursement to the funded start-ups usually within two months.

Period	Information Required	Submission Deadline
First quarter (1 April to 30 June)	<ul style="list-style-type: none"> • Quarterly report, and • Quarterly reimbursement request form 	31 July
Second quarter (1 July to 30 September)		31 October
Third quarter (1 October to 31 December)		31 January
Fourth quarter (1 January to 31 March)	<ul style="list-style-type: none"> • Quarterly reimbursement request form 	30 April
	<ul style="list-style-type: none"> • Annual report, • Reimbursement request form Annex B, • Statement of expenditure and auditors' report which are prepared in accordance with the 'Notes for Auditors' at Annex C and Annex D(ii). 	31 May

Monitoring and Review

16. The above reimbursement arrangements aim to safeguard that TSSSU funding would be used in a reasonable, proportionate and proper manner. Each start-up should provide quarterly reports and an annual report on the progress of its business to CityU in each Government financial year, following the format and requirements as prescribed by CityU and the submission deadlines given below. In addition, quarterly meetings may be arranged so that CityU can better assess the progress of the start-up's business. As prescribed in the funding agreement between CityU and the start-ups, CityU will have the right to terminate the TSSSU funding in case the start-up fails to deliver its undertaking, e.g. unable to deliver the stipulated

milestones beyond one quarter after the agreed deadline. The start-up should also complete the relevant sections in **Annex D(ii)** when submitting the annual report to CityU.⁴

	Submission Deadline
First quarterly report (1 April to 30 June)	31 July
Second quarterly report (1 July to 30 September)	31 October
Third quarterly report (1 October to 31 December)	31 January
Annual report and <u>Annex D(ii)</u> (1 April to 31 March)	31 May

17. Funded start-ups should handle the keeping of books and records, etc. to facilitate auditors to conduct the reasonable assurance engagement in accordance with the requirements stipulated in **Annex C**. The Commissioner for Innovation and Technology and any authorised person acting on behalf of the Government or CityU may conduct random checks of the documents, records, etc. of the funded start-ups to ensure their compliance with the guidelines and requirements relevant to TSSSU funding.

Modifications to Business Proposal

18. Each TSSSU-funded start-up is required to conduct its business and R&D work in accordance with the business proposal shortlisted by CityU. Any material modification to the shortlisted business proposal of a start-up (including but not limited to change of PIC or key team members of the start-up, cancellation of milestones, change of business scope, expected overspending on any broad category of the budget, etc.) will require prior approval from CityU. Start-ups should fill in a request form for any material modification when seeking the approval from CityU.

⁴ If a TSSSU-funded start-up fails to comply with the requirements stipulated by ITC and/or CityU including submission of the required documents (e.g. quarterly reports, annual report, statement of expenditure, auditors' report, reimbursement request, annual assessment of the start-up's performance, etc.) in good time and in good quality, its subsequent application(s) for TSSSU funding and other ITF funding might be affected.

Publicity and Acknowledgement

19. Acknowledgement of ITF support should appear on all equipment, facilities, publications, publicity and media events related to a TSSSU-funded start-up.

20. The following disclaimer should also be included in any publications and media events related to an ITF-funded start-up –

‘Any opinions, findings, conclusions or recommendations expressed in this material/publication (or by members of this company) do not reflect the views of the Government of the Hong Kong Special Administrative Region or the Innovation and Technology Commission.’

Breach of Funding Guidelines

21. CityU reserves the right to revise this TSSSU funding guideline without giving any prior notice. Any breach of the guideline may lead to termination of TSSSU funding and CityU reserves the right to request the start-up to return any unspent or mis-spent amount with interest income accrued.

Timeline and Enquiries

22. All applications should reach CityU c/o Knowledge Transfer Office, Room 2220, Cheng Yick-chi Building, City University of Hong Kong, Tat Chee Avenue, Kowloon before 5pm, 30 October 2020. For enquiries, please contact Ms Connie Ng (Tel: 3442 6215; Email: connie.ng@cityu.edu.hk) or Ms Canny Tang (Tel: 34426420; Email: canny.tang@cityu.edu.hk)

Timeline	
30 October 2020 (5pm)	Deadline of application
November 2020 to January 2021	Interviews of shortlisted applicants
By 1 February 2021	Submission of recommended applications to ITC

City University of Hong Kong
August 2020

 **Innovation and Technology Commission****Technology Start-up Support Scheme for Universities**

(大學科技初創企業資助計劃)

Application and Reimbursement Guidelines**Objective of the Scheme**

In 2014-15, the Innovation and Technology Commission (“ITC”) set up, under the Innovation and Technology Fund (“ITF”), the Technology Start-up Support Scheme for Universities (“TSSSU”) to provide funding to six universities¹ to support their teams in starting technology businesses and commercialising their research and development (“R&D”) results.

Amount of Funding

2. With effect from the 2019-20 Government financial year, an annual funding of up to \$8 million is provided to each of the six universities on a reimbursement basis for expenses incurred in each Government financial year. (For example, expenses incurred from 1 April 2019 to 31 March 2020 will be reimbursed in the 2020-21 Government financial year, subject to the requirements stipulated in relevant guidelines.) The expenses should be accounted for on an accrual basis, i.e. funding will be provided if the expenses have been incurred within the Government financial year when the related activities have been conducted or the related services and goods have been delivered, regardless of whether payments have already been made by the technology start-ups (“start-ups”).

3. TSSSU funding is provided to each university to support the setting up of start-ups on the following basis –

¹ The six universities are the University of Hong Kong, the Chinese University of Hong Kong, City University of Hong Kong, the Hong Kong University of Science and Technology, Hong Kong Baptist University and the Hong Kong Polytechnic University.

- (a) no limit on the number of start-ups to be recommended by each university, subject to the annual funding ceiling of \$8 million for each university; and
- (b) each approved start-up would be funded for no more than three years² with an annual funding capped at \$1.5 million. If a funded start-up has made reasonable progress in its R&D and/or business performance, the associated university may recommend such start-up for continued funding under TSSSU.

Eligibility

4. The applicant start-up, regardless of size, must be a company registered under the Companies Ordinance for not more than two years as of the date of the application deadline stipulated by ITC (see paragraph 16 below). The two-year eligibility requirement does not apply to a start-up which is recommended for TSSSU funding for the second or the third year.

5. The team forming the start-up may have any mix of the students and professors of the university –

- (a) undergraduates, postgraduates or alumni; and/or
- (b) professor(s) serving as consultant(s) providing technical expertise and direction of the R&D.

6. It is up to each university to determine whether it needs to set further eligibility requirements to suit its own circumstances (e.g. whether professors are allowed to take equity in the start-ups, whether a cap should be set on the number of years that an alumnus has graduated from the university, etc.).

7. The team forming the start-up is required to appoint a person-in-charge (“PIC”). The PIC should be associated with the respective university as stipulated in paragraph 5 above and engaged in the start-up’s business. The PIC is responsible for –

²The three-year period should count consecutively from the first year that a start-up is approved for TSSSU funding. For example, if a start-up was first approved for funding in 2017-18 (Year one) and only applied for continued funding in 2019-20 (Year three), it will not be eligible for seeking further funding in 2020-21 (Year four).

- (a) overseeing the operations of the start-up; and
- (b) liaising with the university on matters relating to TSSSU funding.

The PIC is required to hold a senior position in the start-up and can be reached by the associated university during normal business hours. For the avoidance of doubt, the appointed PIC cannot join other concurrently active teams funded by TSSSU.

Scope of Funding

8. TSSSU funding should be used in a reasonable, proportionate and proper manner in the following areas for achieving the stipulated objective set out in paragraph 1 above –

- (a) essential items for setting up and operating the start-ups (e.g. furniture and equipment, legal and accounting services, rental of necessary and suitable premises, manpower, etc.);
- (b) expenditure on R&D (e.g. manpower, equipment, licensing fees or royalties due to the associated university, other direct costs, etc.); and
- (c) promotion activities and marketing of their R&D deliverables, products or services.

9. Any expenditure item or part thereof which is already funded by the Government, a Government subvented body/institution, the associated university or third parties will however not be funded under TSSSU, i.e. no double payment is allowed for the same part of an expenditure item.

10. Some examples of items not to be funded under TSSSU are –

- (a) rental expenses that are irrelevant to the operations of the funded start-ups;
- (b) manpower expenditure on bonus, contract gratuities, annual salary adjustment as well as general fringe benefits and allowances such as expenses on housing (including nominal rental for quarters), education, training, passage and travelling, food, medical, dental, insurance, severance pay, overtime and untaken leave, etc.;
- (c) expenses on mass production activities;

- (d) expenses on offering gifts (e.g. cash coupons) for marketing and/or promotion purposes;
- (e) expenses incurred as matching fund for other schemes of the Innovation and Technology Fund;
- (f) costs of forming associations;
- (g) investment of any kind except for deposit of funds in the bank accounts of the funded start-ups;
- (h) repayment of any loan (including but not limited to student loan) taken out by the funded start-ups and their members and employees;
- (i) any trip that is unnecessary or irrelevant to the operations of the funded start-ups;
- (j) entertainment expenses that are unnecessary or irrelevant to the operations of the funded start-ups;
- (k) fees charged to the funded start-ups arising from general services (e.g. office administrative services, etc.) provided by the universities;
- (l) any expenditure item that is unnecessary or irrelevant to the operations of the funded start-ups; and
- (m) any events or activities that are inconsistent with the laws or regulations of Hong Kong or other applicable jurisdictions.

11. Activities of the TSSSU-funded start-ups should primarily be conducted within the territory of Hong Kong. However, given the objective of TSSSU to support start-ups, up to 50% of TSSSU funding provided to each start-up in each Government financial year can be incurred in the Mainland and other countries.

12. ITC will not take equity in the funded start-ups or claim intellectual property rights arising from their businesses. The associated university should notify ITC if it decides to take equity in any funded start-up or claim intellectual property rights arising from the start-up's business.

Application Arrangements

Application

13. Start-ups interested in TSSSU should submit applications to their associated universities. Universities should require each start-up to complete an application form. A template of the application form is at **Annex A**. Funded start-ups should submit applications again to the associated universities for continued funding for the second or the third year. The applications should go through an assessment and selection process, after which, the associated university should decide on a list of recommended start-ups for TSSSU funding.

Assessment and Selection

14. Each university has devised its appropriate assessment and selection mechanism which should operate in a fair, open and objective manner. The university needs to establish a selection panel comprising an appropriate mix of assessors with relevant expertise and experience, including technologists, academics, experts from the industry, professionals in related areas like accounting, financial, legal, public or private incubators, venture capitalists, etc.

15. In assessing an application, the selection panel should take into account –

- (a) innovation and technology content of the business;
- (b) commercial viability of the business;
- (c) capability of the start-up and its team to undertake the R&D proposed and manage the company;
- (d) social and/or community impact of the business and R&D work; and
- (e) any other criteria that the university sees fit.

16. After the assessment and selection process, the respective university should forward its recommendations, together with the relevant application forms, to ITC by 1 February every year. Universities should seek ITC's agreement if they intend to submit their recommendations after the stipulated deadline.

17. ITC will notify the universities of the funding results in about one month on receipt of all information required. When examining the universities' recommendations, ITC generally looks for compliance with the eligibility requirements and relevant laws or regulations of Hong Kong or other applicable jurisdictions, the reasonableness of the budgets, etc.

Reimbursement Arrangements

18. Payments are made on an annual reimbursement basis, i.e. after the close of the Government financial year. ITC will issue a call circular to the universities requesting them to submit the documents detailed in paragraph 19 for expenses incurred in the previous Government financial year.

19. To apply for reimbursement, a university should –

- (a) arrange each funded start-up to complete a reimbursement request (**Annex B**) for the expenditure incurred during the reimbursable period of the previous Government financial year³;
- (b) have the request duly signed by the Head of the university unit responsible for TSSSU and the Finance Office of the university; and
- (c) provide the duly signed reimbursement request, together with the statement of expenditure and the auditors' report for the previous Government financial year submitted by the funded start-up, which should be prepared in accordance with the 'Notes for Auditors' at **Annex C**, within four months after the end of the previous Government financial year, i.e. by 31 July every year. For example, for expenses incurred in the 2019-20 Government financial year, a university should submit all duly signed reimbursement requests on or before 31 July 2020. ITC reserves the right to disregard any late submissions.

20. Payments will be made to the universities after examination of the duly signed reimbursement requests, the statement of expenditure, and the auditors' report; as well as verification of the required documents and

³ The reimbursable period refers to the period from the date of ITC's funding approval (see paragraph 17) to the end of the relevant Government financial year (i.e. 31 March).

information (e.g. the expenses are within the approved funding level and scope, the amounts of expenses are reasonable and proportionate, the payments were handled in a proper manner, etc.). On receipt of the complete set of information required for processing the reimbursement request and subject to the eligibility of the items being claimed, ITC will arrange to reimburse the amount by sending a cheque to the university concerned by post in about a month.

Monitoring and Review

21. The above reimbursement arrangements aim to safeguard that TSSSU funding would be used in a reasonable, proportionate and proper manner. Each start-up should provide a half-yearly report and an annual report on the progress of its business to the associated university in each Government financial year, following the format and requirements prescribed by the university. The start-up should also complete the relevant sections in an evaluation report at Annex D(ii) when submitting the annual report to the university⁴.

22. The universities should provide ITC with their observations and assessment of the performance of their associated start-ups by filling in relevant sections in the evaluation report at Annex D(i) and Annex D(ii). Each university should forward to ITC the annual reports of the start-ups, together with the completed Annex D(i) and Annex D(ii) by 31 August every year. The universities should also take appropriate actions and report to ITC on any irregularities observed in the start-ups in the first instance.

23. Funded start-ups should handle the keeping of books and records, etc. to facilitate auditors to conduct the reasonable assurance engagement in accordance with the requirements stipulated in Annex C. Universities should ensure that the half-yearly reports, selection panel documents and other

⁴ If a TSSSU funded start-up fails to comply with the requirements stipulated by ITC and/or the associated university including submission of the required documents (e.g. half-yearly report, annual report, statement of expenditure, auditors' report, reimbursement request (i.e. Annex B to this form), annual assessment of the start-up's performance (i.e. Annex D(ii) to this form), etc.) in good time and in good quality, its subsequent application(s) for TSSSU funding and other ITF funding might be affected.

documents for the universities to process the funding applications and reimbursements as well as to monitor the R&D work and commercialisation of the start-ups are kept in accordance with their established mechanism and regulations. The Commissioner for Innovation and Technology and any authorised person acting on behalf of the Government may conduct random checks of the documents, records, etc. of the universities and the funded start-ups to ensure their compliance with the guidelines and requirements relevant to TSSSU funding.

Modifications to Business Proposal

24. Each TSSSU-funded start-up is required to conduct its business and R&D work in accordance with the business proposal shortlisted by the associated university. Any material modification to the shortlisted business proposal of a start-up (including but not limited to change of PIC and key team members of the start-up, cancellation of milestones, change of business scope, expected overspending on any broad category of the budget, etc.) will require prior approval from the associated university. Start-ups should fill in **Annex E** for any material modification to the budget when seeking the approval from the associated universities. All universities should notify ITC of the approved modifications the soonest possible.

Review and Agreement on Universities' Operation Plans on TSSSU

25. To ensure that the universities' implementation of TSSSU is in line with the funding requirements and arrangements, each university has to make available to ITC its operation plan on TSSSU for the coming Government financial year for review and agreement before implementation. The operation plan should include the university's requirements, criteria and key processes in implementing TSSSU (including but not limited to those on eligibility, scope of funding, assessment criteria, composition of the selection panel, reimbursement, monitoring and review, and modifications to business proposal). The operation plan should reach ITC by 1 September every year.

Publicity and Acknowledgement

26. Acknowledgement of ITF support should appear on all equipment, facilities, publications, publicity and media events related to a TSSSU-funded start-up.

27. The following disclaimer should also be included in any publications and media events related to an ITF-funded start-up –

‘Any opinions, findings, conclusions or recommendations expressed in this material/publication (or by members of this company) do not reflect the views of the Government of the Hong Kong Special Administrative Region or the Innovation and Technology Commission.’

Enquiries

28. If the university units responsible for TSSSU have any enquiries about this set of Guidelines, please contact our subject officers –

Telephone numbers: 3841 7912, 3841 7909, or 3841 7908

Email address: tsssu@itc.gov.hk

Address: Innovation and Technology Commission
Unit 1275, 12/F, KITEC
1 Trademart Drive
Kowloon Bay, Kowloon

Innovation and Technology Commission
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