



# 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”), initially for three years, to provide funding to six local universities<sup>1</sup> to support their teams in starting technology businesses and commercialising their research and development (“R&D”) results. ITC will continue TSSSU for another three years from 2017-18 to 2019-20.

#### Amount and Duration of Funding

2. Under TSSSU, an annual funding of up to \$4 million is provided to each of the six local universities on a reimbursement basis for expenses incurred in each Government financial year. (For example, expenses incurred from 1 April 2017 to 31 March 2018 will be reimbursed, subject to the requirements stipulated in relevant guidelines, in the 2018-19 Government financial year.) 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”).

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<sup>1</sup> The six local 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.

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 \$4 million for each university; and
- (b) each approved start-up would be funded for no more than three years<sup>2</sup> with an annual funding capped at \$1.2 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

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<sup>2</sup> 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 in 2016-17 (Year one) and only applied for continued funding in 2018-19 (Year three), it will not be eligible for seeking further funding in 2019-20 (Year four).

university 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 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, 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) costs of forming associations;
- (e) investment of any kind except for deposit of funds in the bank accounts of the funded start-ups;
- (f) repayment of any loan (including but not limited to student loan) taken out by the funded start-ups and their members and employees;
- (g) any trip that is unnecessary or irrelevant to the operations of the funded start-ups;
- (h) entertainment expenses that are unnecessary or irrelevant to the operations of the funded start-ups;
- (i) fees charged to the funded start-ups arising from general services (e.g. office administrative services, etc.) provided by the universities;
- (j) any expenditure item that is unnecessary or irrelevant to the operations of the funded start-ups; and
- (k) 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 or 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, 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 year<sup>3</sup>;
- (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 2017-18 Government financial year, a university should submit all duly signed reimbursement requests on or before 31 July 2018.

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 information (e.g. the expenses are within the approved funding level and scope, the amounts of expenses are reasonable and proportionate, the payments were

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<sup>3</sup> The reimbursable period refers to the period from the day ITC notifies the university of the funding result (see paragraph 17) to the end of the relevant Government financial year (i.e. 31 March).

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 university<sup>4</sup>.

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 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

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<sup>4</sup> 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.

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: 3655 5477 or 3655 5905

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