



Innovation and Technology Commission

Application and Reimbursement Guidelines for

Technology Start-up Support Scheme for Universities

(大學科技初創企業資助計劃)

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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. To further strengthen the support for start-ups, in addition to the original component of the Scheme (which will be termed “TSSSU-O” hereunder and in related documents), an enhancement measure will be introduced with effect from 2023-24 to provide dollar-to-dollar matching funds to those start-ups which have demonstrated good growth potential through securing investment from private sector (which will be termed “TSSSU+” hereunder and in related documents). In other words, TSSSU will comprise TSSSU-O and TSSSU+ starting from 2023-24.

Funding Amount and Duration

2. The annual funding cycle of TSSSU is the same as Government financial year, i.e. from 1 April to 31 March of the following year. The funding ceilings and maximum funding durations of TSSSU-O and TSSSU+ are set out as follows –

| | <u>TSSSU-O</u> | <u>TSSSU+</u> |
|--|----------------|---------------|
| (a) Annual funding ceiling for each university | • \$8 million | • \$8 million |

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

| | <u>TSSSU-O</u> | <u>TSSSU+</u> |
|---|--|--|
| (b) Annual funding ceiling for each start-up | <ul style="list-style-type: none"> • \$1.5 million | <ul style="list-style-type: none"> • \$1.5 million [dollar-to-dollar matching fund will be provided to start-ups which can secure at least the same amount of private investment² during the recognised matching period³] |
| (c) Maximum number of funding years for each start-up | <ul style="list-style-type: none"> • 3 consecutive years⁴, provided that the respective start-up has not been funded under TSSSU+. | <ul style="list-style-type: none"> • 3 consecutive years⁴, irrespective of whether and, if so, the number of years the respective start-up has been funded under TSSSU-O. |

Subject to the annual funding ceiling of \$8 million for TSSSU-O and TSSSU+ respectively, there is no limit on the maximum number of start-ups to be recommended by each university per annum. However, universities are strongly encouraged to minimise the number of start-ups recommended under TSSSU+ so that each start-up which has secured sufficient private investment can receive a larger funding amount.

² Private investment should come from independent third parties including venture capitalists, angel funds, private companies or individuals in the form of cash contribution received in return of shareholding in the start-ups. Please refer to the FAQ for further details on the eligibility and calculation of private investment.

³ For the first year of TSSSU+ implementation (i.e. 2023-24), ITC will accept a longer recognised matching period from 1 April 2022 to 30 September 2023. For subsequent years, the recognised matching period refers to the Government financial year immediately before the TSSSU+ reimbursable period. For example, for start-up which would like to have its expenses in 2024-25 be funded under TSSSU+, the recognised matching period for receiving private investment should be 2023-24 (i.e. 1 April 2023 to 31 March 2024).

⁴ 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 for the second or the third year. The three-year period should count consecutively from the first year that a start-up is approved for TSSSU-O or TSSSU+ funding. If a start-up is first approved for funding in 2023-24 (Year One) and only applies for continued funding in 2025-26 (Year Three), it will not be eligible for seeking further funding in 2026-27 (Year Four).

3. Funding will be provided on a reimbursement basis for expenses incurred in each Government financial year. For example, expenses incurred from 1 April 2023 to 31 March 2024 will be reimbursed in the 2024-25 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”).

Eligibility

4. The applicant start-up, regardless of size, must be a company registered under the Companies Ordinance. Details of the eligibility under TSSSU-O and TSSSU+ are as follows –

| | <u>TSSSU-O</u> | <u>TSSSU+</u> |
|--------------------------------|---|--|
| (a) Years of establishment | <ul style="list-style-type: none"> • Registered 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. | <ul style="list-style-type: none"> • Registered for not more than seven years as of the date of the application deadline stipulated by ITC (see paragraph 16 below). • The seven-year eligibility requirement does not apply to a start-up which is recommended for TSSSU+ funding for the second or the third year. |
| (b) Secured private investment | <ul style="list-style-type: none"> • Not required | <ul style="list-style-type: none"> • Start-ups should submit document proofs (e.g. agreement/letter of undertaking issued by the private investor, etc.) together with the applications. |

5. The team forming the start-up may have any mix of the following members of the associated university –

- (a) undergraduates, postgraduates or alumni; and/or
- (b) professor(s) or other faculty members 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 or other faculty members 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”) among its members. 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 –

- (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) promotional 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 increment 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.

The above examples are not exhaustive. Universities should consult ITC if they have any doubt on whether an item could be charged under TSSSU.

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 outside Hong Kong.

12. ITC will not take equity in the funded start-ups or claim intellectual property rights arising from their businesses. The associated university should state in the application form if it decides to take equity in any funded start-up or claim intellectual property rights arising from the start-up's business. In general, universities should not hold more than 20% of the shares of the funded start-ups.

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** and the required supporting documents are stipulated in its Section C. Funded

start-ups should submit applications again to the associated universities for continued funding for the second or 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. Individual universities are required to devise their own assessment and selection mechanisms which should be operated in a fair, open and objective manner. Each 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., and adopt a rigorous system of declaration of interests whereby members of the selection panel should declare any potential or existing conflict of interests concerning applications.

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 no later than **1 February** every year. Universities should seek ITC's agreement if they intend to submit their recommendations after the stipulated deadline. Starting from the application year of 2023-24, universities may request advance payment of up to 50% of the approved annual funding amount. Such request should be made when the universities submit the

recommended applications to ITC by filling in the form at **Annex A(ii)**. The advance payment to the universities will be disbursed in about a month after approval of the applications. Universities should put in place mechanisms to distribute the advance funds to the approved start-ups and require the approved start-ups to return any excessive funding to them.

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 year⁵;
- (b) arrange each start-up funded under TSSSU+ to submit bank statement(s)⁶ and return(s) to Company Registry on its latest capital status, if applicable, showing the amount of private investment it received during the recognised matching period;
- (c) have the request duly signed by the Head of the university unit responsible for TSSSU and the Finance Office of the university; and

⁵ Unless otherwise specified, 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).

⁶ The bank account should be opened with a bank in Hong Kong with the name of the account holder identical to that of the name of the start-up.

- (d) provide the duly signed reimbursement requests, together with the statements of expenditure and the auditors' reports for the previous Government financial year submitted by the funded start-ups, 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 2023-24 Government financial year, a university should submit all duly signed reimbursement requests on or before 31 July 2024.

20. Payments will be made to the universities after examination of the duly signed reimbursement requests, the bank statements on private investment received under TSSSU+, the statements of expenditure, and the auditors' reports; as well as verification of the required documents and information (e.g. the amount of private investment received under TSSSU+, 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 or transferring to the bank account of university directly in about a month. For start-ups funded under TSSSU+, if the amount of private investment eventually received is less than that as pledged at the time of application, the reimbursable amount for that start-up will be adjusted downward to an amount not more than the private investment received or the approved amount, whichever is lower. For universities which have received the advance payment as stipulated in paragraph 16, ITC will deduct the amount from the reimbursement sum and arrange the net payment to the universities. In the event that the advance payment is more than the reimbursement sum, universities have to return the surplus amount to the Government within one month from the date of the notification by ITC.

21. Universities should adhere closely to the submission deadline of 31 July. For any exceptional cases in which late submission of the reimbursement requests are unavoidable, universities should seek by 31 July ITC's prior agreement with proper explanations and justifications for every case. Universities should submit these belated requests to ITC latest by the tenth month after the end of the reimbursable period and all follow-up

clarifications, if any, should be cleared with ITC by the 18th month after the end of the reimbursable period. To uphold the effective control of TSSSU funding, ITC will reject all reimbursement requests not cleared within 18 months after the end of the financial year in which the applications of the start-ups were approved. An example is set out below to illustrate the various submission deadlines for start-ups funded in 2023-24:

| | <u>Deadline</u> |
|---|------------------------|
| Submit reimbursement requests to ITC | 31 July 2024 |
| Seek ITC’s agreement on belated requests | 31 July 2024 |
| Submit belated requests to ITC | 31 January 2025 |
| Clear clarifications on all reimbursement requests with ITC | 30 September 2025 |

Monitoring and Review

22. 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 a full 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 university⁷.

23. 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)(a)**, **Annex D(i)(b)** and **Annex D(ii)**. Each university should forward to ITC the annual reports of the start-ups, together with the completed **Annex D(i)(a)**, **Annex D(i)(b)** and **Annex D(ii)** no later than **31 August** every year. ITC will take these reports into account before effecting the annual reimbursement. The universities

⁷ 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 Guidelines), annual assessment of the start-up’s performance (i.e. Annex D(ii) to this Guidelines), etc.) in good time and in good quality, its subsequent application(s) for TSSSU funding and other ITF funding might be affected.

should also take appropriate actions and report to ITC on any irregularities observed in the start-ups in the first instance.

24. Funded start-ups should handle the keeping of books and records as well as other necessary documents, including the bank statements showing the receipt of the private investment amount under TSSSU+, 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 mechanisms 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

25. 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) will require prior approval from the associated university within the reimbursable period. Start-ups should fill in **Annex E(i)** and/or **Annex E(ii)** for any material modification 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

26. To ensure that universities implement TSSSU 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 reach ITC by **1 September** every year. The 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 essential workflow of TSSSU is at **Annex F** for reference.

Publicity and Acknowledgement

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

28. 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.”

Handling of Information

29. Subject to the provisions below, information provided by the start-ups and the universities in their applications and reports will be kept by ITC in confidence and all personal data will be handled in accordance with the relevant provisions of the Personal Data (Privacy) Ordinance (Cap. 486). In this regard, the Government shall have the right to disclose, without further reference to the start-ups and the universities, whenever it considers appropriate, Discloseable Information⁸ to other Government bureaux/departments, statutory bodies or relevant third parties for the purposes as prescribed in the application forms/reporting templates or other related purposes. Relevant information will

⁸ “Discloseable Information” means any information provided by the start-ups and the universities to the Government in their applications and reports including without limitation, information in connection with, their applications under the TSSSU, the names and addresses of and other information on the start-ups including past applications, other ITF projects they are undertaking / proposes to or will undertake, details of the applications and the projects, the project costs and the TSSSU funding, and any other information provided by the start-ups and the universities to the Government.

also be posted on the ITF website for public access. In submitting the application/report, the start-up and the university irrevocably and unconditionally authorise the Government to make and consent to the Government making any of the aforesaid disclosure.

30. By submitting the application/report, the start-up and the university are regarded to have agreed to, and to have obtained from the entities and each individual whose information (including personal data) is provided in the relevant document, their consent for the disclosure, use and further disclosure by the Government of the information (including personal data) for the purposes set out above.

Important Note

31. The funded start-ups shall conform in all respects with all legislation (including the Laws of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region), regulations and by-laws of the Hong Kong Special Administrative Region.

Enquiries

32. 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

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Innovation and Technology Commission
August 2022