City University of Hong Kong

Technology Start-up Support Scheme for Universities

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), a new Technology Start-up Support Scheme for Universities (TSSSU) to provide funding support to six local universities to encourage their students and professors to start up technology businesses and commercialise their research and development (R&D) results. Although no new business could guarantee success, the funding from TSSSU aims to provide better support for technology start-ups to translate new ideas into business opportunities.

2. The six local universities are City University of Hong Kong (CityU), 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. In case there is any disparity between the ITC TSSSU Application and Reimbursement Guidelines (Appendix I) and this document, the former should prevail.

Amount and Duration of Funding

3. ITC will provide an annual funding of up to $4 million, initially for three years, to each university on a reimbursement basis for expenses incurred in the 2014-15, 2015-16 and 2016-17 Government financial years. 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.

4. The TSSSU funding will be provided to each university to support the setting up of technology start-ups on the following basis –
(a) no limit on the number of technology start-ups to be funded by each university under TSSSU, subject to the annual funding ceiling of $4 million for each university; and

(b) each technology start-up will be funded for not more than three years with an annual funding capped at $1.2 million. If a funded technology start-up has made reasonable progress in its R&D work and/or business performance, the respective university may recommend such technology start-up for continued funding under TSSSU.

Eligibility

5. The applicant technology start-up must be a company, regardless of size, registered under the Companies Ordinance for not more than two years as of the date of the ITC deadline, i.e. between 15 November 2012 to 14 November 2014, for the initial year. The two-year eligibility requirement does not apply to a technology start-up which is recommended for the TSSSU funding for the second or the third year. ITC would allow the applicant technology start-ups to be registered after they are selected by CityU for the TSSSU funding. However, the technology start-ups have to be registered before CityU forwards the funding recommendations to ITC.

6. The team forming the technology start-up may have any mix of the following members of CityU –

(a) undergraduates/graduates/postgraduates;

(b) full-time professor(s) to serve as consultant(s), providing technical expertise and direction of the R&D work (professors are reminded to observe relevant CityU policies and guidelines including but not limited to the Policy and Regulations on Outside Practice and Outside Work, Conflict of Interest, and Policy on University Intellectual Property, etc.; and/or

(c) business savvy CityU alumni who have graduated for not more than five years, i.e. between 15 November 2009 to 14 November 2014 for the initial year, giving business and management advice, etc.
7. The team forming the technology start-up is required to appoint a person-in-charge, who should be associated with CityU as stipulated in paragraph 6 and engaged in the technology start-up’s business on a full-time basis, to be responsible for –

(a) overseeing the operations of the technology start-up; and

(b) liaising with CityU on matters relating to the funding support under TSSSU.

For the avoidance of doubt, the appointed person-in-charge cannot join other concurrently active teams funded by TSSSU.

Scope of Funding

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

(a) essential items for setting up and operating the technology 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 of the technology start-ups and marketing of their project deliverables.

9. Any expenditure item or part thereof which is already funded by the Government, a Government subvented body/institution or CityU 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 technology start-ups;

(b) costs of forming associations;

(c) investment of any kind except for deposit of funds in the bank accounts of the funded technology start-ups;
(d) repayment of any loan (including but not limited to student loan) taken out by the funded technology start-ups and their members and employees;

(e) travelling expenses (except for out-of-town Mainland or international travelling expenses relating to exhibition participation or other reasonable and relevant activities. Business and first class airfares are not reimbursable.);

(f) entertainment expenses;

(g) fees charged to technology start-ups arising from general services (e.g. office administrative services, etc.) provided by the universities;

(h) any expenditure item that is unnecessary or irrelevant to the operations of the technology start-ups; and

(i) any events or activities that are inconsistent with the laws or regulations of Hong Kong or other applicable jurisdictions.

11. Activities of the technology start-ups funded under TSSSU should primarily be conducted within the territory of Hong Kong. However, given the objective of TSSSU to support technology start-ups, up to 50% of the TSSSU funding provided to each technology 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 technology start-ups or claim intellectual property rights arising from their businesses.

Application Arrangements

Application

13. Each technology start-up should complete an application form and provide the below documents –

(a) Application form (**Annex A**)

For section B3 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 a progress report for each quarter
and the performance of each quarter will be measured against the
milestones set out in the application form\(^1\).

(b) Business proposal with a 3-year budget plan including the following –
   i. problems to be solved;
   ii. solution/technology;
   iii. market segment/target customer/market growth and trend;
   iv. competition (including potential rivals);
   v. pricing/distribution channel;
   vi. management team composition;
   vii. detailed capitalization table showing the equity holding of each
        shareholder; and
   viii. financial forecast with a 3-year budget.

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

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

**Assessment and Selection**

14. Shortlisted applicants may be invited to an interview by a selection
    panel. The selection criteria include –

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

\(^1\) The quarterly milestones and progress reports will not be required for the 2014-15 Government financial year.
Priority will be given to the technology start-ups using licensed IPRs of CityU with formal licensing agreements.

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

Reimbursement Arrangements

15. Payments will be made on a quarterly basis\(^2\). In each quarter, CityU will issue a call circular to the funded start-ups requesting them to submit a reimbursement request (Annex B) for the expenditure incurred during that quarter\(^3\). Only the expenditure incurred during the reimbursable period of the Government financial year will be funded under TSSSU.

16. Payments will be made to the funded start-ups after verification (e.g. expenses are within the approved funding level and scope, etc.) and examination of the below required information. On receipt of the complete set of information relating to the claim for reimbursement and subject to the eligibility of the items being claimed, CityU will arrange reimbursement to the funded start-up usually within two months.

<table>
<thead>
<tr>
<th>Period</th>
<th>Information Required</th>
<th>Submission Deadline</th>
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<tbody>
<tr>
<td>First quarter</td>
<td>Quarterly report(^4) and reimbursement request form (Annex B)</td>
<td>31 July</td>
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<tr>
<td>(1 April to 30 June)</td>
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<td>Second quarter</td>
<td></td>
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<tr>
<td>(1 July to 30 September)</td>
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<tr>
<td>Third quarter</td>
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<tr>
<td>(1 October to 31 December)</td>
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<tr>
<td>Last quarter</td>
<td>Annual report, reimbursement request form (Annex B), audited accounts of</td>
<td>31 May</td>
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<tr>
<td>(1 January to 31 March)</td>
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\(^2\) For the initial year 2014-15 Government financial year, the start date will likely be close to the fourth quarter. As a result, payments will be made after the close of the Government financial year.

\(^3\) For the 2014-15 Government financial year, the reimbursable period refers to the period from the day ITC notifies CityU of the funding support to the technology start-up to the end of the relevant Government financial year (i.e. 31 March). It is expected that the reimbursable period for the 2014-15 Government financial year will be three to four months only.

\(^4\) The quarterly reports will not be required for the 2014-15 Government financial year.
expenditure and auditor’s report which are prepared in accordance with the ‘Notes for Auditors’ (Annex C)

Monitoring and Review

17. Each technology start-up should provide quarterly reports\(^5\) 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 will be arranged so that CityU can better assess the progress of the start-up’s business. The technology start-up should also complete the relevant sections in Annex D when submitting the annual report to CityU.\(^6\)

<table>
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<tr>
<th>Report Type</th>
<th>Submission Deadline</th>
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<tr>
<td>First quarterly report</td>
<td>31 July</td>
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<tr>
<td>(1 April to 30 June)</td>
<td></td>
</tr>
<tr>
<td>Second quarterly report</td>
<td>31 October</td>
</tr>
<tr>
<td>(1 July to 30 September)</td>
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<tr>
<td>Third quarterly report</td>
<td>31 January</td>
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<tr>
<td>(1 October to 31 December)</td>
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<tr>
<td>Annual report and Annex D</td>
<td>31 May</td>
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<tr>
<td>(1 April to 31 March)</td>
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18. Funded technology 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

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\(^5\) The quarterly reports will not be required for the 2014-15 Government financial year.

\(^6\) If a TSSSU funded technology start-up fails to comply with the funding requirements stipulated by ITC and/or CityU including submission of the required documents (e.g. quarterly reports, annual report, audited accounts of expenditure, auditor’s report, reimbursement request (i.e. Annex B to this form etc.) in good time and in good quality, its subsequent application(s) for TSSSU funding support and other ITF funding support might be affected.
documents, records, etc. of the technology start-ups to ensure their compliance with the guidelines and requirements relevant to the funding support.

**Modifications to Business Proposal**

19. Each technology start-up funded by TSSSU is required to conduct its business and R&D work in accordance with the business proposal as recommended by CityU. Any material modification to the recommended business proposal of a technology start-up (including but not limited to change of key team members of the technology start-up; deliverables; business scope; or the amount of the TSSSU funding; etc.) will require prior approval from the Director of Knowledge Transfer of CityU.

**Publicity and Acknowledgement**

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

21. The following disclaimer should also be included in any publications and media events related to an ITF-funded technology 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**

22. 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 the funding and CityU reserves the right to request the technology start-up to return any unspent or mis-spent amount with interest income accrued.

**Application Deadline, Timetable and Enquiries**
23. 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 on or before 3 November 2014. For enquiries, please contact Ms Karen Leung (Tel: 3442 6311; Email: k.leung@cityu.edu.hk).

<table>
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<th>Application Timetable</th>
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<tr>
<td>3 November 2014 (17:00) Deadline of application</td>
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<tr>
<td>5-12 November 2014 Interview of shortlisted applicants (if necessary)</td>
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<tr>
<td>14 November 2014 Recommendation of applications to ITC. ITC will notify universities of the results in about one month.</td>
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<tr>
<td>First quarter of 2015 Invitation for second year of application 2015-16</td>
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City University of Hong Kong
October 2014