

The Hong Kong University of Science and Technology

Operation Plan

for

Technology Start-up Support Scheme for Universities (TSSSU) 2023/24 (大學科技初創企業資助計劃 2023/24)

Objective of TSSSU

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”) to provide funding to six local universities to support their teams in starting technology businesses and commercialising 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. In case there is any disparity between the ITC TSSSU Application and Reimbursement Guidelines and this operation plan, the former shall prevail.

Amount and Duration of Funding

2. 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 the ITC TSSSU Application and Reimbursement Guidelines), 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 the ITC TSSSU Application and Reimbursement Guidelines). In other words, TSSSU will comprise TSSSU-O and TSSSU+ starting from 2023-24, with a total annual funding of up to HK\$16 million provided to the University.

	<u>TSSSU-O</u>	<u>TSSSU+</u>
(a) Annual funding ceiling for each university	<ul style="list-style-type: none"> HK\$8 million 	<ul style="list-style-type: none"> HK\$8 million

	<u>TSSSU-O</u>	<u>TSSSU+</u>
(b) Annual funding ceiling for each start-up	<ul style="list-style-type: none"> • HK\$1.5 million 	<ul style="list-style-type: none"> • HK\$1.5 million [dollar-to-dollar matching fund will be provided to start-ups which can secure at least the same amount of private investment¹ during the recognised matching period²]
(c) Maximum number of funding years for each start-up	<ul style="list-style-type: none"> • 3 consecutive years³, provided that the respective start-up has not been funded under TSSSU+. 	<ul style="list-style-type: none"> • 3 consecutive years, irrespective of whether and, if so, the number of years the respective start-up has been funded under TSSSU-O.

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, subject to the requirements stipulated in relevant guidelines, in the 2024-25 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 this Government financial year when the related activities have been conducted or the related services and

¹ Private investment should come from independent third parties including venture capitalists, angel funds, private companies or individuals in the form of cash contribution received during the reimbursement period in return of shareholding in the start-ups. Please refer to the FAQ for further details on the eligibility and calculation of private investment.

² 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).

³ 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).



goods have been delivered, regardless of whether payments have already been made by the technology start-ups.

3. The TSSSU funding will be provided to support the setting up of technology start-ups. In order to recommend more start-ups for funding under TSSSU, HKUST has set an annual funding cap at \$1.3 million for each technology start-up. While the University may recommend a technology start-up for continued funding under TSSSU for more than one year but not more than three years, at HKUST the priority of the TSSSU funding award shall be given to the new applicants.

Eligibility

4. The applicant technology start-up must be a company, regardless of size, 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 (1 February 2023). 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 (1 February 2023). 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 applicable 	<ul style="list-style-type: none"> Start-ups should submit document proofs (e.g. agreement/letter of undertaking issued by



	<u>TSSSU-O</u>	<u>TSSSU+</u>
		the private investor, etc.) together with the applications.

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

- (a) Undergraduates, postgraduates or alumni; and/or
- (b) professor(s) or teaching / research staff to serve as consultant(s), providing technical expertise and direction of the R&D.

Member(s) of the University shall own at least 10% of the shares of the technology start-up.

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

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

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

Scope of Funding

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

- (a) to support man-power cost to perform the University Liaison Duty;



- (b) 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.);
 - (c) expenditure on R&D (e.g. manpower, equipment, other direct costs, etc.); and
 - (d) promotion of the technology start-ups and marketing of their project deliverables.
8. For manpower expenses, reimbursable amount shall be based on individual staff's academic qualifications and according to the following limit:
- (a) up to HK\$7,500 per calendar month for a part-time or student internship for a student studying in one of the tertiary educational institutions in Hong Kong plus the employer's contribution to the Mandatory Provident Fund (MPF) (i.e. HK\$375 maximum);
 - (b) up to HK\$18,000 per calendar month for a staff graduated with a Bachelor degree plus the employer's contribution to the Mandatory Provident Fund (MPF) (i.e. HK\$900 maximum); and
 - (c) up to HK\$21,000 per calendar month for a staff graduated with a Master degree or above plus the employer's contribution to the Mandatory Provident Fund (MPF) (i.e. HK\$1,050 maximum).

However, the funded start-up can top-up the remuneration for the staff concerned with its own money or other funding sources subject to the respective rules and regulations.

9. Any expenditure item or part thereof which is already funded by the Government, a Government subvented body/institution or the host 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 technology 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 technology start-ups;
- (h) repayment of any loan (including but not limited to student loan) taken out by the funded technology start-ups and their members and employees;
- (i) any trip expenses;
- (j) any entertainment expenses;
- (k) fees charged to technology 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 technology start-ups;
- (m) any expenditure item already funded from other funding source as indicated in paragraph 9; and
- (n) 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 outside Hong Kong.

12. HKUST will notify ITC if it has equity position in any funded technology start-up.



Application Arrangements

Application

13. Each technology start-up shall complete the application package (**Annex A**). Funded technology start-ups must submit new applications to the University for continued funding considerations for the second or the third year. The applications should go through an assessment and selection process, after which the University will decide on the list of recommended technology start-ups for the TSSSU funding.

Assessment and Selection

14. The University devises its assessment and selection mechanism in a fair, open and objective manner. The University and ITC generally look for compliance with the eligibility requirements and relevant laws or regulations of Hong Kong or other applicable jurisdictions, the reasonableness of the budgets, etc.

The University has established a selection panel comprising a mix of assessors with relevant expertise and experience, including the following:

- HKUST Representatives
 - Associate Vice-President for Research and Development (Knowledge Transfer) (Chairperson)
- At least two Domain Experts

In assessing an application, the selection panel will take into account, including but not limited to, the following:

- (a) Innovation and Technology Content of the Business (30%);
 - Preference will be given to applicants that have licensed or plan to license IPs from HKUST;
- (b) Capability of the Technology Start-up and its Team Composition to Undertake the R&D Work and Manage the Company (25%);
- (c) Commercial Viability and the Business and Technology Barrier (20%);



- Each technology start-up should provide supporting arguments that it has a viable business model; and
 - Each start-up should provide details on the target customer, market size, competitive landscape, their product/service advantages based on unique technology barrier, pricing strategy, marketing tactics, etc.
- (d) Social and/or Community Impact of the Technology Start-up's Business and R&D Work (15%)
- (e) Business Plan Write-up / Completeness (10%)
- Each start-up should provide a clear description of its operation plan, hiring plan, financial projection including cash flow projection, etc.

15. Each technology start-up's application will have to go through the below assessment and selection process:

- 1) Call for Applications by September 2022;
- 2) Application submission deadline is 4-8 weeks after the Call for Applications;
- 3) Upon receiving the complete applications, the University will verify compliance with the eligibility requirements and shortlist the companies for selection panel interview;
- 4) Invite the shortlisted technology start-ups to give presentations on their business plans, include their plan on the deployment of the funding if awarded, to the selection panel;
- 5) Make recommendation to ITC for final approval;
- 6) Notify the technology start-ups of the funding support and the reimbursable period⁴;
- 7) A letter of agreement will be signed between the University's designated unit and the approved technology start-ups after ITC notifies HKUST on the funding support.

⁴ 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. April 2023 to March 2024).



Monitoring and Review

16. The reimbursement arrangements aim to safeguard that TSSSU funding would be used in a reasonable, proportionate and proper manner. Each funded technology start-up is required to provide a half-yearly report and an annual report on the progress of its business to the University in the Government financial year, following the format and requirements as prescribed by the University (**Annex G**). The technology start-up should also complete the relevant sections in **Annex D(ii)** when submitting the half-yearly and annual report to the University⁵.

17. Each funded technology start-up 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 ‘Notes for Auditors’ (**Annex C**). The Commissioner for Innovation and Technology and any authorised person acting on behalf of the Government, and the University may conduct random checks of the documents, records, etc. of the technology start-ups to ensure their compliance with the guidelines and requirements relevant to the funding support.

Funding Deployment and Reimbursement Arrangements

18. The University will release an initial instalment up to 50% of the awarded annual funding to respective approved technology start-ups after receiving the following:

- (a) A signed letter of agreement as indicated in paragraph 15 between the University’s designated unit, HKUST R and D Corporation Ltd (RDC), and the funded technology start-up;

⁵ If a TSSSU funded technology start-up fails to comply with the funding requirements stipulated by ITC and/or the University including submission of the required documents [e.g. reimbursement request (i.e. Annex B), copies of supporting documents for expenses listed in Annex B such as suppliers’ invoices, payment receipts, employment contracts, payroll records or other relevant documents, the audited accounts of expenditure and the auditor’s report, half-yearly/annual assessment of the technology start-up’s performance (i.e. Annex D(ii)) and half-yearly/annual reports (i.e. Annex G) etc.] in good time and in good quality, its subsequent application(s) for TSSSU funding support and other ITF funding support might be affected.



- (b) A copy of the signed agreement of assurance engagement between the technology start-up company and its appointed auditors as indicated in paragraph 17; and
- (c) (For TSSSU+) Copies of the relevant documentary proofs (e.g. bank statements and returns to Company Registry, if applicable) showing the receipt of the corresponding amount of private investment.

19. After the initial instalment, eligible expenses incurred in the Government financial year will be reimbursed on a half-yearly (optional) and/or annual basis. To receive further funding instalment within the approved financial year, each funded technology start-up should submit to RDC the Reporting Package, which includes:

- (a) reimbursement documents
 - i. a completed Reimbursement Request (**Annex B**) listing all eligible expenses incurred during the reimbursable period (i.e. up to 30 September 2023 or up to 31 March 2024);
 - ii. copies of supporting documents for expenses listed in **Annex B** such as suppliers' invoices, payment receipts, employment contracts, payroll records or other relevant documents, as well as on receipt of committed private investment (e.g. bank statements and returns to Company Registry, if applicable) as appropriate for start-ups funded by TSSSU+; and
 - iii. the statement of Expenditure and the Auditors' Report prepared in accordance with the 'Notes for Auditors' (**Annex C**).
- (b) completed relevant sections in **Annex D(ii)** when submitting the Half-yearly / Annual Report; and
- (c) a completed Half-yearly / Annual Report (**Annex G**).

The Reporting Package shall be submitted to Office of Knowledge Transfer of HKUST within one month after the end of the respective period of reimbursement request (i.e. on or before 31 October 2023/ on or before 30 April 2024).



20. On receipt of the complete set of Reporting Package, the University will release the reimbursement after verification of the required documents and examination of the information by both the University and ITC (for annual reimbursement only but not the half-yearly one) (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.).

21. Under the circumstances that the reimbursement approved and released by HKUST to the start-up(s) is later classified as not qualified for reimbursement by ITC, HKUST shall reserve the right to claw back the released amount from the corresponding start-up(s). And, any unspent initial instalment shall be returned to HKUST at the end of the funding year.

22. The Office of Knowledge Transfer of HKUST would be the contact point with ITC on operational matters such as reimbursement processing, and the Associate Vice-President for Research and Development (Knowledge Transfer) would be the contact point for the oversight of the overall TSSSU program such as annual reporting by the funded companies.

Modifications to Business Proposal

23. Each technology start-up funded by TSSSU is required to conduct its business and R&D work in accordance with the business proposal submitted to the University. Any material modification to the submitted business proposal of a technology 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 University. Technology start-ups should fill in **Annex E(i) and/or Annex E(ii)** for any material modification when seeking the approval from the University. The University would have to notify ITC of the modifications. No retrospective approval should be granted for any material modification after the end of the Government financial year in which the application of the start-up is approved.



Publicity and Acknowledgement

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

25. 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.’

Handling of Information

26. 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 Information⁶ 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 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.

⁶ “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.



27. 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

28. 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

29. If the TSSSU funded start-ups have any enquiries about this set of Guidelines, please contact the Office of Knowledge Transfer of HKUST through any of the following means –

Telephone: (852) 2358 5829

Email: tsssu@ust.hk

Fax: (852) 2358 1493

