



Innovation and Technology Commission Technology Start-up Support Scheme for Universities (TSSSU)

Frequently Asked Questions (FAQ)

Eligibility

Q1 Who may become a member of the team? Who can become the person-in-charge (PIC)?

A1 The team forming the start-up may have any mix of undergraduates, postgraduates, alumni, professor(s) or other faculty members of the associated university as set out in paragraph 5 of the ITC Application and Reimbursement Guidelines for TSSSU (TSSSU Guidelines). The PIC should be associated with the university recommending the relevant TSSSU application, subject to further eligibility requirements set by the associated university to suit its own circumstances. These are stipulated in paragraph 7 of the TSSSU Guidelines.

Q2 Would students taking sub-degree programme (e.g. Associate Degree, Higher Diploma) be eligible PICs under TSSSU?

A2 Students taking sub-degree programmes would not be eligible PICs under TSSSU.

Q3 If the PIC of a start-up approved for TSSSU funding resigns from the position, rendering the start-up no longer eligible for the funding support, what follow-up actions should the start-up and/or the associated university take?

A3 If the PIC of the start-up approved for TSSSU funding resigns from the position, rendering the start-up no longer eligible for the funding, then the start-up should identify a proper replacement as soon as possible and seek approval from the associated university. The associated university should also notify the Innovation and Technology Commission (ITC) of the approved modification(s) as soon as possible.

Q4 Can a start-up comprising only one member (i.e. the PIC) be eligible to apply for TSSSU funding?

A4 Each applicant start-up should comprise more than one member, one of them should be the PIC. The team forming the start-up may have any mix of the members of the associated university, as set out in paragraph 5 of the TSSSU Guidelines.

Q5 Can a start-up be funded under TSSSU through more than one associated university in the same Government financial year?

A5 Each start-up should only apply to one associated university in the same Government financial year.

Q6 Can a start-up switch its associated university when applying for TSSSU funding for subsequent years?

A6 Individual university provides advice/assistance to each start-up funded under TSSSU. For the sake of continuity, we do not encourage start-up to switch its associated university for TSSSU funding for subsequent years. In any case, a start-up can only be funded for not more than three consecutive years under TSSSU-O and TSSSU+ respectively (counting from the first year it receives the respective funding regardless of the associated universities), as stipulated in paragraph 2(c) of the TSSSU Guidelines.

Q7 Can a team member of a TSSSU-funded start-up join another start-up and apply for further TSSSU funding?

A7 TSSSU funding aims to bring new blood, new ideas and new ventures from the six local universities to the innovation and technology sector. A team member of a TSSSU-funded start-up may join another start-up and apply for further TSSSU funding subject to its meeting of the criteria and requirements of TSSSU prescribed by ITC and the associated university as appropriate.

To enable individual universities and their selection panels to make well-informed assessment of the TSSSU applications received, the applicant start-ups should make a full disclosure of (a) the identity of their shareholders, (b) the amount of their respective shares holding,

and (c) their involvements in related projects in the past five years that have been supported by TSSSU, if any, to the associated university and ITC.

The general rule is that should there be corporate shareholders, they should not be mature companies in the same industry involving in the research and development (R&D) of the same or similar deliverables, products or services. For TSSSU+, such restriction is waived if the corporate shareholders are the private investors that provide cash contribution to the start-up during the TSSSU+ funding period.

Q8 Can funding provided by universities, charitable organisations or other public/subvented organisations be considered as private investment under TSSSU+?

A8 To be qualified as “private investment”, the source of funding should be from the private sector instead of from the government or any government-funded, public or subvented organisations to avoid double funding by the government. If a start-up claims that the investment provided by these entities is qualified to be private investment (e.g. the fund originates from private donation or revenue generated by the organisation concerned instead of government subvention), the associated university should request the start-up to provide relevant documents to ascertain the eligibility. Such proofs should also be submitted to ITC together with the recommended application.

Q9 Who are considered as independent third-parties to invest in the start-ups?

A9 Private investment should come from independent third-parties that are not connected with the start-up or any team members of it. If the private investor is an individual, he/she should **not** be a family member or relative of the start-up’s team members. If the private investor is a company, its directors, chief executives or substantial shareholders should **not** overlap with or have control over the start-up, or be family members or relatives of the start-up’s team members¹. For existing investors of the start-up, if justifications can be provided

¹ In general, family members and relatives of team members include their (a) grandparents; (b) parents; (c) siblings; (d) spouse; (e) children; (f) parents’ siblings and their children; (g) siblings’ spouses; and (h) spouse’s (a), (b), (c), (f) and (g).

to the satisfaction of the assessment panel of the university and there are new funds injected to the start-up within the recognised matching period, their cash contribution can be counted as private investment. Start-ups should declare their relationship with the private investors in the applications.

Q10 Can convertible bonds/shares/loans be considered as private investment under TSSSU+?

A10 In general, ITC accepts cash contribution for investment in shares of the start-up as qualified private investment. Other forms of investment including convertible bonds, shares, loans, etc. in exchange for products/services will not be counted.

For any agreement that provides rights to the investor for future equity in the start-up, it can be counted as a qualified private investment provided that the investor makes cash contribution and the arrangement is **not** in the nature of a loan, does **not** require the start-up to pay any interest, and does **not** require the start-up to repay the principal in cash to the investor subject to any conditions. Under such circumstances, the assessment panel of the associated university should, before recommending the related application for funding under TSSSU+, have reviewed the agreement in question and be satisfied that the above-mentioned conditions are fully met. The university is also required to make an explicit declaration in the application form accordingly. For cases involving only this kind of private investment and hence no corresponding change in capital status is triggered, there is no need to append the return to Company Registry showing the latest capital status of the start-up to the reimbursement request.

Q11 Can investment made through the holding/parent companies of start-ups be considered as eligible private investments under TSSSU+?

A11 As the start-up itself is the TSSSU+ applicant, only investment directly paid to the start-up are considered as eligible. In case the investment has to be made through its holding company, the start-up should state the reasons for such arrangement in the application form for consideration by, and to the satisfaction of the selection panel of

the associated university. For such cases, the start-up should be wholly owned by the holding company which can be registered in Hong Kong or outside of Hong Kong. The investment amount has to be injected into the holding company within the TSSSU+'s recognised matching period and the same amount (or an amount not less than the funding amount being applied under TSSSU+) has to be transferred to the start-up **as a one-off lump sum payment** within the same period, while the cash contribution can be for investment in shares of the holding company. The applicant start-up and the selection panel of the associated university should take note of the following –

- (a) Unless otherwise specified in the investment agreement, the entire investment amount should be first injected into the holding company and then be transferred to the applicant start-up within the recognised matching period. Any difference in amount should be justified to the satisfaction of the selection panel of the associated university.
- (b) If the investor/the holding company of the applicant start-up intends to inject only a portion of the investment into the applicant start-up, it must be clearly specified in the investment agreement (i) the exact amount of the investment to be transferred to the applicant start-up (in any case no less than the amount of matching fund), (ii) the purpose of investing on the TSSSU project of the applicant start-up and (iii) the payment schedule. The holding company shall transfer the relevant portion of the investment into the applicant start-up's bank account as a one-off lump sum payment within the recognised matching period and according to the agreed payment schedule of the investment agreement.

ITC reserves the right of not approving funding applications or reimbursement of expenses incurred if ITC is not fully satisfied with the explanations or supporting information provided by the university/start-ups concerned.

Funding Amount and Duration

Q12 Can a university re-allocate its unutilised/residual funds released from one start-up which has withdrawn from TSSSU, has its approved funding amount adjusted downwards by ITC, and/or has ceased or will cease operation during a Government financial year to other start-up(s)?

A12 The associated university may recommend to ITC the proposed re-allocation from one start-up to other start-up(s) during a Government financial year, provided that the latter has/have also been selected by the university's selection panel in a fair, open and objective manner. The \$1.5 million annual funding cap for each start-up should still apply. For funding under TSSSU+, the other start-up that is recommended to receive new or additional funding amount should have the corresponding private investment obtained during the recognised matching period. The university should submit the funding re-allocation request and the revised budgets/business proposals of the start-up(s) involved in the re-allocation (i.e. Annex F(i) and Annex F(ii) to the TSSSU Guidelines) to ITC no later than 31 January every year. After examining the proposal, ITC will notify the associated university of the results in about one month on receipt of all information required. The university should also document properly the relevant changes and reflect the information in Section D(4) of the annual return "Assessment of Technology Start-up", i.e. Annex D(ii) to the TSSSU Guidelines.

Q13 How to calculate the amount of matching fund and funding duration if a start-up can secure private investment that spanned over a number of years under TSSSU+?

A13 As TSSSU funding is provided to universities with an annual cap, approval has to be given on an annual basis. The amount of TSSSU+ funding is on a dollar-to-dollar basis in matching with the amount of private investment that the start-up can receive during the recognised matching period. Hence, for private investment which spans over a few years, the start-up needs to liaise with the investors on the payment schedule to match with the TSSSU funding cycle. While we defer to universities to devise their own assessment mechanisms

on start-ups that can secure consecutive years of private investment, they should be mindful of the need to assess the latest position of the start-ups including the business development, team management and reporting quality etc. before they come up with their annual recommendations to ITC.

Q14 Can universities adjust the matching fund ratio so that more start-ups can be funded under TSSSU+?

A14 In order to maximize the impact of TSSSU+, we encourage universities to recommend as much funding amount as possible to individual start-ups which display great potential. Start-ups which can successfully attract more private investment would then receive more funding support under TSSSU+.

Q15 Is it compulsory for start-ups to first seek the funding under TSSSU-O before they are qualified to apply for TSSSU+? Can a start-up seek funding under TSSSU+ a few years after it received funding under TSSSU-O?

A15 A start-up can apply for TSSSU+ direct if it has secured private investment. However, after successfully obtained funding under TSSSU+, it cannot revert to apply for TSSSU-O. A start-up funded by TSSSU-O is not bound to apply for TSSSU+ immediately after it graduates from TSSSU-O, as long as it still fulfils the eligibility requirement in terms of the number of years that it has been set up in Hong Kong when it applies for TSSSU+. A start-up cannot apply for TSSSU-O and TSSSU+ simultaneously during the same funding year.

Scope of Funding

Q16 Are insurance fees for taking out insurance policies for employees fundable under TSSSU?

A16 The premiums of the minimum mandatory insurance policies for employees are fundable under TSSSU on a pro rata basis.

Q17 Are salary for shareholder(s) of a TSSSU-funded start-up and fee for hiring service provided by its shareholder(s) fundable under TSSSU?

A17 TSSSU funding could be used to cover remuneration for its shareholder(s) (under the broad category of “manpower”) and fee for hiring service provided by its shareholder(s) (under the broad category of “other direct costs”). However, any shareholder cannot be paid under these two broad categories at the same time. To avoid conflict of interest, any shareholder or team member of TSSSU-funded start-ups should not be a supplier of any equipment or consumables which will be claimed under TSSSU. In any event, TSSSU funding should be used in a reasonable, proportionate and proper manner, subject to the start-ups’ compliance with the funding requirements of TSSSU prescribed by ITC and the associated universities as appropriate.

Q18 To seek TSSSU funding to cover expenses incurred in an activity that has generated income or other sources of funding, how can a start-up demonstrate that the expenditure item concerned or part thereof has not been funded by third parties?

A18 To demonstrate that an expenditure item or part thereof has not been funded by third parties and/or income generated from the activity concerned (e.g. expenditure incurred in fee-charging promotion/marketing activities already covered by other funding provided for or income/revenue generated from the same activity), the start-up should provide relevant documentary proofs such as a financial statement showing a breakdown of the major categories of the income and expenditure of the activity concerned. Such a financial statement should be certified by a company director or the auditor of the start-up concerned, with company chop of the signing entity.

Assessment Arrangement

Q19 Should an application recommended for TSSSU funding reach any minimum score?

- A19 Each university has devised its own assessment and selection mechanism to assess the applications received. Specifically, it has prescribed certain mandatory assessment criteria based on the four areas stipulated in the TSSSU Guidelines² and other criteria that the university sees fit. Generally speaking, any start-up recommended for TSSSU funding should reach a minimum score of 50% of the full score of each mandatory assessment criterion.

Reimbursement Arrangements

- Q20 Can the reimbursable period which does not start from 1 April of a Government financial year be adjusted to cover a full year?**

- A20 Unless otherwise specified, the reimbursable period for any Government financial year under TSSSU refers to the period between the date stipulated by ITC regarding the funding for the start-up concerned or 1 April, whichever is later, and the end of the relevant Government financial year (i.e. 31 March).

- Q21 Are start-ups required to report expenses that have utilised the private investment in the reimbursement requests and the auditors' reports?**

- A21 Start-ups are only required to report expenses funded by TSSSU according to the approved budget. Expenses that are supported by other funding sources should be excluded from the reports submitted to ITC.

- Q22 If its associated start-up fails to submit the reimbursement request (i.e. Annex B to the TSSSU Guidelines) and/or other required documents to the associated university despite repeated reminders, can the associated university be reimbursed for funds already disbursed to the start-up concerned?**

² The four assessment areas stipulated in the TSSSU Guidelines are –
(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; and
(d) social and/or community impact of the business and R&D work.

A22 This kind of cases should be rare because universities should have regular contacts with the funded start-ups to keep track of their performance and status. However, under such an exceptional circumstance where a start-up fails to submit the reimbursement request (i.e. Annex B to the TSSSU Guidelines) and/or other required documents (e.g. the statement of expenditure, the auditors' report, etc.) to the associated university, ITC will still consider reimbursing the associated university with the funds disbursed to the start-up concerned, provided that –

- (a) the relevant start-up was assessed and selected by the Selection Panel established by the associated university according to its operation plan in a fair, open and objective manner;
- (b) the performance (including but not limited to the technical milestones and the proper use of the TSSSU funding) of that start-up was under the ongoing monitoring of the associated university throughout the reimbursable period; and
- (c) the associated university must demonstrate that it has put in place an effective ongoing monitoring mechanism and has made its best endeavour (e.g. issuing written requests, reminders and warnings, taking legal action to enforce any funding agreement entered with the start-up concerned as appropriate) to obtain the required documents and the return of respective advance payments from the start-up.

If all of the above conditions have been satisfied and all practicable means to obtain the required documents and the return of the advance payments from that start-up fail, the associated university may make a special reimbursement request, together with the following, to ITC for consideration –

- (a) an undertaking duly signed by the Head of the university unit responsible for TSSSU –
 - (i) declaring the interests between the associated university and the start-up concerned;

- (ii) stating that the university has exhausted all practicable means to get the required documents and the return of the advance payments from the start-up; and
 - (iii) agreeing to continue the effort for recovering the amount paid to the start-ups and will return the amount to ITC upon successful recoupment; and
- (b) a written explanation from the associated university detailing:
- (i) the case background, including why the start-up concerned did not submit the reimbursement request and/or the required documents for reimbursement (to the best knowledge of the associated university);
 - (ii) the university's ongoing monitoring of the start-up within the reimbursable period, including but not limited to its achievement in milestones and its use of the TSSSU funding;
 - (iii) justifications for making payments to the start-up during the reimbursable period; and
 - (iv) the efforts that the associated university has made to obtain the required documents and the return of respective advance payments from the start-up (plus the documentary proof and evidence), and any response from the start-up; and
- (c) the supporting documents for the payment(s) already made by the associated university to the start-up concerned (e.g. bank statements, relevant correspondences between the associated university and the start-up, etc.).

ITC reserves the right not to reimburse the expenses incurred if ITC is not fully satisfied with the explanations provided by the associated university.

Q23 Whether a belated reimbursement request (for reasons other than the exceptional circumstance set out in Q22 above) will be processed by ITC?

A23 The date to submit reimbursement requests and related documents to ITC (i.e. 31 July every year) has been stipulated in paragraph 19 of the TSSSU Guidelines as well as ITC's call circular issued to universities in end March/early April every year. The universities and the funded start-ups should therefore endeavour to return the required information in a proper and timely manner.

If there is any sign or incident that a start-up will not submit the reimbursement request and related documents to the university in good time, the university concerned should take precautionary actions (e.g. issuing written reminders and warnings, enforcing its funding agreement entered with the start-up concerned as appropriate). Should there be any belated return, universities are required to seek ITC's prior agreement with justifications and provide the belated reimbursement request(s) as well as the complete set of related documents to ITC within nine months after the end of the Government financial year in which the application of the start-up was approved (i.e. by 31 December). All clarifications should be made to the satisfaction of ITC before acceptance for reimbursement purpose.

To ensure effective control of TSSSU funding, ITC will not further process a reimbursement request beyond 11 months after the end of the Government financial year in which the application of the start-up was approved (i.e. 28/29 February).

Q24 How would ITC reimburse universities given that advance payment is provided to universities?

A24 ITC will only reimburse the net amount to universities after deducting the advance payment. If reimbursement requests sent by universities are in batches, ITC will only start processing the requests when the requested sum is more than the advance payment that has already been effected.

Q25 Is the advance payment arrangement also applicable to start-ups funded under TSSSU+?

- A25 Universities may request advance payment of up to 25% of the total approved annual funding amount covering both TSSSU-O and TSSSU+. While individual universities may devise their own mechanisms to distribute and release the advance funds to start-ups, they should exercise the required due diligence in order to minimise the risk of having released advance funds to any start-ups funded under TSSSU+ which may eventually fail to receive the agreed investment amount from private investors and should therefore have the entitled reimbursable amount reduced accordingly. Universities are advised to adopt a prudent approach in requiring such start-ups to provide relevant documentary proofs (e.g. bank statements and returns to Company Registry, if applicable) showing the receipt of the corresponding amount of private investment before effecting the payments.

Monitoring and Review

- Q26 Should the universities forward both the half-yearly reports and the annual reports from their associated start-ups to ITC?**
- A26 Universities are only required to forward to ITC by 31 August every year the annual reports from their associated start-ups, together with the duly completed annual returns “University’s Observations on Technology Start-ups” and “Assessment of Technology Start-up” (i.e. Annex D(i)(a), Annex D(i)(b) and Annex D(ii) to the TSSSU Guidelines). The half-yearly reports (covering the first half of a Government financial year) aim to help the universities to keep track of the technical and financial performance of the funded start-ups.

Modification to Business Proposal

- Q27 What constitutes a “material modification” to the amount of TSSSU funding that requires a prior approval from the associated university as stipulated in paragraph 25 of the TSSSU Guidelines?**
- A27 As a general rule of thumb, a material modification to the approved budget refers to the situation where –
- (a) a new expenditure item is proposed regardless of its amount; or

- (b) the cumulative overspending for a broad category (i.e. manpower, equipment, or other direct costs) is more than \$50,000 and as well exceeds 30% of the budgeted amount in the latest business proposal agreed.

In any event, the modification should not result in any increase in the total amount of TSSSU funding approved for the start-up concerned.

If the above material modification is required, the start-up concerned should seek **prior** approval from the associated university *within* the reimbursable period and such approval must be obtained by 31 March of the Government financial year concerned. Templates for seeking and approving material modifications to the approved budget and other matters relating to the business proposal are provided in Annex E(i) and Annex E(ii) respectively to the TSSSU Guidelines. The universities should notify ITC of the approved modifications as soon as possible. The start-up concerned should reflect all the approved material modifications in Section C(4) of the annual return “Assessment of Technology Start-up”, i.e. Annex D(ii) to the TSSSU Guidelines.

Q28 What should the start-up or the associated university do if a start-up has made a material modification before receiving a prior approval from the university (i.e. against the requirement stipulated in paragraph 25 of the TSSSU Guidelines)?

A28 All funded start-ups should seek prior approval from its associated university for any proposed material modifications according to paragraph 25 of the TSSSU Guidelines. For exceptional situation where a start-up has made a material modification before obtaining a prior approval from its associated university, it should provide a written explanation in Section B of Annex E(i) or Annex E(ii) on the following to the associated university within the reimbursable period –

- (a) why prior approval(s) was/were not sought from the associated university before making such material modification(s) to its business proposal; and
- (b) how such modifications can facilitate the start-up to realise its business proposal.

After review, if the associated university is not fully satisfied with either of the explanations as listed in (a) and (b) or the start-up has applied for retrospective approval repeatedly, the university should issue a warning to the start-up regarding such non-compliance, and should consider discontinuing the TSSSU funding, in whole or in part, to the start-up. The associated university should then notify ITC of such alteration and its decision as soon as possible. **No retrospective approval** should be granted after the end of the Government financial year in which the application of the start-up was approved.

If the associated university is satisfied with the explanations after its review, it should notify ITC of the material modifications as soon as possible.

ITC reserves the right to re-examine the case. The associated university should also document such non-compliance properly and reflect the information in Section D(4) of the annual return “Assessment of Technology Start-up”, i.e. Annex D(ii) to the TSSSU Guidelines.

Q29 Should a start-up be required to take any action if the cumulative overspending for a broad category (i.e. manpower, equipment, or other direct costs) does not exceed \$50,000 and 30% of the budgeted amount in the latest business proposal agreed?

A29 If the cumulative overspending for a broad category (i.e. manpower, equipment, or other direct costs) of a start-up does not exceed \$50,000 and 30% of the budgeted amount in the latest approved business proposal, the start-up concerned should document such budget change(s) using the format of Section B in Annex E(i) to the TSSSU Guidelines. Such records should be provided to the auditors appointed by the start-up concerned for preparing an audited statement of claim for reimbursement under TSSSU. ITC reserves the right to re-examine the case and not to reimburse certain items if ITC is not fully satisfied with the explanations for the start-up’s failure in providing the required documents.

Others

Q30 Could the expenditures incurred by Knowledge Transfer Offices or Technology Transfer Offices/Centres (TTOs) of the associated universities in hiring professional/specialised staff or obtaining professional/specialised services that are essential for implementing TSSSU be funded under a separate funding from ITC for enhancing the work of TTOs?

A30 The expenditures incurred by TTOs in hiring professional/specialised staff or obtaining professional/specialised services that are essential for implementing TSSSU could be funded under the separate funding for TTOs. However, the general administrative overheads in implementing TSSSU should not be funded through that TTO funding.

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