

Operation Plan for Technology Start-up Support Scheme for Universities at HKU (TSSSU@HKU)

Technology Transfer Office
University of Hong Kong
15 November 2016



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[Note: These Guidelines are tentative where the final funding requirements and related arrangement under TSSSU after the 2016-17 Government financial year would be announced by the Innovation and Technology Commission (ITC) in due course.

This document is developed making reference to the TSSSU Application and Reimbursement Guidelines of issued by ITC in January 2015, “New Initiatives on promoting of Innovation and Technology” paper of the Legislative Council Panel on Commerce and Industry 2014, and guidelines of similar funding schemes in other sister institutions in Hong Kong.]

Operation Plan and Regulations for TSSSU@HKU

Introduction

1. The Innovation and Technology Commission (ITC), under the Innovation and Technology Fund (ITF), has set up 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 technology businesses and commercialise their research and development (R&D) results. The funding from TSSSU aims to provide better support for technology start-ups to translate new ideas into business opportunities. TSSSU@HKU scheme is such funding scheme under the University of Hong Kong (HKU).

2. The funding scheme was set up in 2014, initially for 3 years (from the 2014-15 Government financial year to the 2016-17 Government financial year), with up to HK\$4 million a year made available to each of the six local universities with technology disciplines on an annual reimbursement basis. **As ITC will seek the legislature' support for continuing TSSSU in December 2016/early 2017, applicants for the 2017-18 financial year should note that the final funding requirements and related arrangements after the 2016-17 Government financial year would be announced by ITC in due course.**

3. This document is based on the Guidelines of the TSSSU Scheme from the Innovation and Technology Commission (the "ITC Guidelines"), with additional requirements and information relevant to HKU. Applicants may wish to consult the ITC Guidelines available concurrently on the TTO (www.tto.hku.hk) and the Research Services websites (www.rss.hku.hk), as they are the overarching guidelines for this Scheme. In case there is any disparity between the ITC Guidelines and this operation plan, the former should prevail.

Objectives

4. Knowledge Exchange (KE) is one of the three pillar missions of the University. Technology transfer, which is an important part of KE, is the process of bringing technological innovation, inventions and intellectual property developed from R&D projects in the University to the industry and the market for the benefits of society and the economy.

5. The objective of the TSSSU@HKU is to make use of the funding support from the Government to encourage more technology start-up ventures to be formed, primarily based on technologies developed at the University, and thereby cultivate and enrich the entrepreneurial culture and ecosystem within HKU.

6. Due to the limited resources available from the TSSSU@HKU scheme, the funding support, for most cases, is intended to be a seed-funding scheme facilitating ideas, innovations, research results to germinate into an incubation stage through a start-up company, so that it may potentially attract angel funding and venture capital support to grow the company to fully exploit the innovative technology for commercial development. It is **not** intended to be a supplementary research project funding or an alternative to applied research project funding.

7. Disregard the success or failure of the start-up ventures funded by this scheme, the participants of the Scheme would gain valuable entrepreneurship experience through the process of taking a new technological innovation to the real application environment and gain the start-up experience first-hand.

Funding Focus and Priorities

8. As stipulated by the ITC Guidelines, TSSSU@HKU is a technology “start-up” funding for new ventures. The application must be from a qualified company registered in Hong Kong (see Paragraph 28), represented by the *Person-in-charge* of the application company meeting the eligibility criteria as detailed in Paragraph 27. Preference will be given to inventions, technologies and intellectual property developed at HKU.
9. Funding focus and priorities will be given to (but not limited by) the following:
 - (a) Start-up using inventions and technologies developed by HKU. (Proper licensing agreement with HKU is needed prior to application).
 - (b) Start-up using inventions and technologies developed jointly between HKU and its collaborators. (Similarly, proper licensing agreement with the IPR owners is needed prior to application).
 - (c) Start-up based on technology developed by students or alumni (within 3 years of graduation) during their course of study at the University as part of their curriculum (e.g. Final Year projects, research projects). The application team must have the right to commercialize the relevant technology.
 - (d) Technology innovations by staff or students resulting from employment or studies at HKU, with a significant ‘knowledge’ and ‘technology’ component.
10. As this is intended to be funding for technology start-ups, especially using technology developed by HKU or at HKU, trivial use of technology (e.g. a simple website) or a me-too copy-cat venture (e.g. another me-too mobile app) would unlikely be considered for funding.

Funding Scope and Duration

11. Based on the conditions and requirements set by ITC, TSSSU@HKU is a cash-based funding scheme (as opposed to a ‘project-based’ funding scheme). Due to the reimbursement nature of the funding support from the Government, the successful applicant will be awarded cash funding in form of an interest-free *cash-advancement* from HKU equal to the awarded amount under TSSSU in instalments. The *cash-advancement* will be fully redeemed with the reimbursement from the Government to the University under the TSSSU Scheme of ITC. The funded start-up is held responsible to assist HKU to claim the reimbursement by abiding to the Guidelines set by ITC under the TSSSU Scheme and provides the University with all required reports and documents.
12. Each successful technology start-up will be funded for no more than three (3) years, with a maximum funding capped at HK\$1.2 million per year, subject to the final *Approved Funding Budget* (AFB) by the University and the ITC. Any unspent award by the end of the Government financial year will be forfeited and the equivalent *cash-advancement* amount should be returned to HKU.
13. The TSSSU funding should be used in a reasonable and proportionate manner in the following areas for achieving the milestones set out in the approved business plan:
 - (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) R&D expenditure (e.g. manpower, equipment, other direct costs, etc.); and
 - (c) promotion of the technology start-ups and marketing of their project deliverables.
14. Any expenditure item or part thereof which is already funded by the Government, a Government-subsidized body/institution or the host university will however not be funded under TSSSU, i.e. no double payment is allowed for the same part of an expenditure item.
15. 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) any trip that is unnecessary or irrelevant to the operations of the technology start-ups;
- (f) entertainment expenses that are unnecessary or irrelevant to the operations of the technology start-ups;
- (g) fees charged to technology start-ups arising from licensing of HKU technologies or general services (e.g. office administrative services, etc.) provided by HKU;
- (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.

16. 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.

17. HKU will not take equity in the funded technology start-ups or claim intellectual property rights arising from their businesses as a result of this funding programme, unless otherwise agreed by both parties (e.g. equity in lieu of license fee of HKU technology, investment in cash or in kind by the University etc). Please refer to Paragraph 41 on IPR.

18. If the start-up uses technology and intellectual property belonging to the University, the start-up should contact the Technology Transfer Office of HKU, and should enter into a licensing agreement with HKU before using such technology or intellectual property.

19. Although the maximum duration of funding is 3 years, it is generally a good principle to windup failing business as soon as possible. In this respect, TSSSU@HKU should be considered as a seed funding, not an investment to sustain a business, and preference would be given to applications that require funding for a shorter duration.

20. TSSSU@HKU can only be awarded to registered companies, not individuals. *Eligible Applicant* (see Paragraph 25) may submit application prior to setting up the company, or submit application for an existing company, but the technology start-up has to be registered as company by the Closing Date of the current application year (see para. 34). However, the company cannot be registered more than twenty-four (24) months as of the date of the ITC's *Cut-off Date* to be qualified as a "start-up" company. Notwithstanding the foregoing, such 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. The ITC's "*Cut-off Date*" shall be 28 February of the application year.

21. To avoid disproportional distribution of limited funding resources and to control burn-rate of the start-up, manpower remuneration from the TSSSU@HKU funding is limited to a maximum allowable rate per full-time staff (or proportionally for part-time staff) depending on the qualification of the staff:

- (a) HK\$10,000 per month maximum for a non-degree staff;
- (b) HK\$15,000 per month maximum for staff with a Bachelor degree;
- (c) HK\$20,000 per month maximum for staff with a Master or higher degree.

For the avoidance of doubt, this above applies equally to *team members* (see Paragraph 26).

22. The Awardee Company may provide additional (or substitute) incentives to staff by:

- (a) topping up the above remuneration cap with funds from other sources;

- (b) providing alternative incentives like shares, stock-options, bonus, commission etc.

23. Each successful Awardee Company will be funded for one (1) Government financial year (or less) for the year that their funding application is awarded (The funding period will begin from the date when ITC notifies HKU the funding support to the successful Awardee Company and such notification may happen after the start of the Government financial year in question). Awardee Company can apply for second and third year funding (continuous funding), but each year requires a new application and approval before award can be made. For the avoidance of doubt, notwithstanding “technology start-up will be funded for no more than three (3) years” as indicated in paragraph 12, a start-up will not be given approval for funding support for more than one year since additional funding after the first year is always subject to further application and approval.

24. Continuous funding application by past Awardee Companies will be evaluated together with all new applications on an equitable competitive basis. Successful completion of all milestones and deliverables are essential factors to be considered.

Eligibility

25. An *Eligible Applicant* must be from one of the following:

- (a) current full-time professoriate staff of HKU;
- (b) current full-time or part-time students of HKU;
- (c) graduate of HKU for no more than 3 years as of the announced *Cut-off Date* of each application year, unless the application is a continuous funding application for the second or the third year.

26. The application for TSSSU@HKU must be made by a team (“*the Team*”) (i.e. more than one person), comprising at least one *Eligible Applicant*. The *Team* forming the technology start-up may have any mix of the following members of the University –

- (a) undergraduate / graduate / postgraduate students;
- (b) professor(s) to serve as consultant(s), providing technical expertise and direction of the R&D work; and/or
- (c) business savvy university alumni, giving business and management advice, etc.

The *Team* should collectively hold more than 50% of the shares in the company. For the avoidance of doubt, any person not associated with HKU cannot be part of the *Team* (but of course can be shareholders, investors or even founders of the company).

27. The *Team* forming the technology start-up is required to appoint a member of the *Team* as the *person-in-charge*, who should preferably be an *Eligible Applicant*, and is the person representing the start-up company in the application. The *person-in-charge* should be significantly engaged in the technology start-up’s business and be responsible for: (a) overseeing the operations of the technology start-up; and (b) liaising with HKU on matters relating to the funding support under TSSSU@HKU. The *person-in-charge* is required to hold a senior position in the technology start-up and can be reached by HKU during normal business hours. For the avoidance of doubt, the appointed *person-in-charge* cannot join other concurrently active teams funded by TSSSU.

28. For all TSSSU@HKU application, the awardee must be a company, regardless of size, registered under the Hong Kong Companies Ordinance for not more than two (2) years as of the *Cut-off Date* of each application year, unless it is a continuous funding application for second or third year.

29. Full-time staff/faculty member of the University, with University approval, can be a team member of the start-up funded by TSSSU@HKU, provided the staff/faculty member holds minority shares without any management role. If the staff/faculty member wants to hold majority shares, approval is needed by the University after the University confirms that there

is no conflict of interest issue. The staff/faculty member would be subject to related policies and outside practice regulations of the University. It is expected the staff/faculty member involved would provide scientific/business input and mentorship to the start-up venture.

30. If staff/faculty member needs to take up management role in the start-up, especially in the earlier years of the start-up, they may apply to the University for leave of absence or fractional appointment. This would be subject to the Human Resource policies and procedures of the University.

Application Procedure

31. Call for application of the TSSSU@HKU will be made through email, websites of relevant HKU departments, and other normal funding call channels of the University. Application must be received by 5:00 pm (Hong Kong Time) of the announced Closing Date of each application year.

32. The applicant of the TSSSU@HKU should submit the completed application form provided in **Annex A** with *duly signed signature, company's chop* and all *relevant supporting documents* including, but not limited to:-

- a detailed business plan;
- a complete financial plan with budget, revenue and cash flow forecasts covering at least the next three years of operation;
- copies of IP licensing agreements;
- declaration of not using any background IP of the University per Paragraph 41, if applicable;
- evidence of application eligibility such as Certificate of Incorporation, copies of graduation certificates or student/staff ID cards of all team members; and
- proof of matched funding or provision of any additional investments, etc;

electronically to **HKU TTO** (tsssu@tto.hku.hk) on or before the deadline. All sections of the application form must be duly completed; otherwise the application will not be shortlisted for assessment. A signed hard copy of the application form, identical to the submitted electronic version, should be sent to HKU TTO within three (3) working days of the deadline.

33. Applicants are required to submit a detailed budget plan for the application. Not all items of the submitted budget plan may be approved for funding from TSSSU@HKU. The amount awarded by TSSSU@HKU would be the *Final Approved Budget*. All expenditures to be funded by TSSSU@HKU must be placed under the categories of *Manpower, Equipment* and *Other Direct Costs*.

34. The closing date of application for 2017-18 financial year shall be **January 15, 2017** (the "Closing Date").

Assessment and Selection

35. All applications will be assessed in a fair, open and objective manner by a *Selection Panel* formed by the University. The *Selection Panel* will evaluate each application based on, but not limited to, the following aspects of the application:

- (a) the quality of the business plan (10%);
- (b) the innovation and technology content (20%);
- (c) the commercial viability of the business (25%);
- (d) the capability of the technology start-up and its team to undertake the R&D work and manage the company (20%);

- (e) the social and/or community impact of the technology start-up's business and R&D work (10%);
- (f) the potential of attracting additional investment to develop the technology and the company (10%), and
- (g) other considerations on the overall application (5%).

36. After the assessment and selection process, the university will forward its recommendations, together with the relevant application forms, to ITC for its final approval. The decision of the Selection Panel and ITC will be final.

37. HKU staff handling the TSSSU@HKU scheme and Selection Panel members will be bound by the confidentiality policy of HKU. Documents submitted to ITC for their vetting will be bound by ITC's confidentiality policy.

Notification and Acceptance of Award

38. Applicants will be notified of the results within five (5) working days of TTO receiving final approval by ITC. This is expected to be about 1 month from the ITC's Cut-off Date.

39. Successful application recommended for funding by the University and ITC (Awardee Company) will be issued an *offer letter*. The *offer letter* may stipulate terms and conditions associated with the award imposed by the University. The award may contain an *Approved Funding Budget* different from the budget requested in the proposal and the applicant may need to revise the relevant parts of the proposal (e.g. milestones, budget etc) to reflect the necessary changes.

40. The applicant is required to return the signed *offer letter* to TTO to confirm the acceptance of the offer within fourteen (14) calendar days from the date of receipt of the offer. The offer will lapse after the said period.

Intellectual Property Rights

41. The Awardee Company will own all *intellectual property rights* (IPR) created by the company from the project funded under the TSSSU@HKU scheme, unless otherwise specified by alternative agreements. Use of any background intellectual property (IP) will be governed by pre-agreed licenses with the University. If the Awardee Company does not use any background IP of the University, it shall so declare. IP developed in collaboration with members of the University will be handled in accordance to the *IPR policies* of HKU. In doubt, the HKU TTO should be consulted.

Disbursement, Reimbursement and Audit

42. The award will be paid into the start-up's designated bank account each year in advance in two instalments.

43. The first instalment will be paid within one (1) calendar month of approval or after completion of company registration whichever comes later. The second instalment will be paid six (6) months later, subject to satisfactory progress and achievement of the agreed milestones.

44. The University will apply for reimbursement from the ITC to repay the cash-*advancement* given to the start-up under the Scheme. According to the requirement of ITC, the funded start-up has to provide the University with:

- (a) a completed reimbursement request form (**Annex B**) for the expenditure incurred during the reimbursable period of the previous Government financial year. *The*

expenses incurred should be 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;

- (b) the statement of expenditure and the auditors' report for the previous Government financial year submitted by the technology start-up, which are prepared in accordance with the 'Notes for Auditors' at **Annex C**, within three (3) months after the end of the previous Government financial year. For example, for 2017-18 financial year, this would be 30 June 2018. This would allow the University some time to work on its report to ITC.

The reimbursement from ITC would therefore be fully used to repay the *cash-advancement* by the University under this Scheme, with any shortfall, unless otherwise agreed by the University in writing, has to be made good by the start-up.

Monitoring and Review

45. As required by ITC, each technology start-up should provide a half-yearly interim report and an annual report on the progress of its business to the University in each Government financial year. The technology start-up should also complete the relevant sections in **Appendix D(ii)** when submitting the annual report to the University.¹

46. The Awardee Company will submit the annual report to TTO within two (2) months of each Government financial year (that is, on or before 31 May of each funded year). The annual report should include, but not limited to, the following:

- i. Status and achievements of the start-up with respect to each of the objectives, milestones and deliverables, in the funded year;
- ii. Business and commercialisation success of the company including revenue, additional funding obtained or injected, merger and acquisition, partnership or major deals that are of material impact to the company etc.
- iii. IPR position of the company in the funded year;
- iv. Any other information that the Awardee Company considers useful.

47. The University will provide support, mentorship and other monitoring functions as required by ITC under the TSSSU scheme. The University will also coordinate all the funded start-ups under this Scheme and provide liaison function with ITC as appropriate.

48. 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 TTO of the University will be responsible for keeping all records and documents in relation to the TSSSU applications and reimbursements, monitoring of the R&D work and commercialisation of the technology start-ups. 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 technology start-ups to ensure their compliance with the guidelines and requirements relevant to the funding support.

49. The University or ITC may terminate an approved TSSSU@HKU award or suspend funding support to an Awardee Company in rare and exceptional circumstances, including but not limited to evidence of mismanagement of funds, involvement in illegal activities by the

¹ If a TSSSU funded technology start-up fails to comply with the funding requirements stipulated by ITC and/or the host university including submission of the required documents (e.g. half-yearly report, annual report, statement of expenditure, auditors' report, reimbursement request (i.e. Annex B to this form), annual assessment of the technology start-up's performance (i.e. Annex E(ii) 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.

start-up, significant departure from the original business proposal without approval etc, or when ITC sees fit to terminate the project in public interest. The University and ITC will reserve the right to demand return of all unspent funds after the termination of the project.

Modifications to Business Proposal

50. Each technology start-up funded by TSSSU@HKU is required to conduct its business and R&D work in accordance with the business proposal as approved for funding by HKU and ITC. Any material modification to the business proposal (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 written approval from the University. ITC will be duly notified of such modifications, and may provide advice to the University on accepting or rejecting such changes. Technology start-ups should fill in Annex E for any material modification to the budget when seeking the approval from the University.

Publicity, Acknowledgement and Indemnification

51. Acknowledgement of the HKU and ITF support should appear on all equipment, facilities, publications, publicity and media events related to an Awardee Company.

52. 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, the Innovation and Technology Commission or the University of Hong Kong.'

53. All Awardee Companies will fully and perpetually indemnify HKU and ITC from all liabilities and shall always keep HKU and ITC whole and harmless from all liabilities and all damages from all actions and activities of said company.

54. General information about each Awardee Company may be publicized through websites and other channels, which the University deems appropriate.

Enquiries

55. All enquiries related to the TSSSU@HKU Scheme should be directed to:

Director, Technology Transfer Office
The University of Hong Kong
Pokfulam, Hong Kong
Phone: +852 2299 0111
Fax: +852 2299 0122
E-Mail: tsssu@tto.hku.hk
Website: <http://www.tto.hku.hk>