

The Hong Kong University of Science and Technology

Operation Plan 2017/18

for

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

Objective of the Scheme

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”), initially for three years, to provide funding to six local universities¹ to support their teams in starting technology businesses and commercialising their research and development (“R&D”) results. ITC will continue TSSSU for another three years from 2017-18 to 2019-20. 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. ITC will provide an annual funding of up to \$4 million to the University on a reimbursement basis for expenses incurred in the 2017-18, 2018-19 and 2019-20 Government financial years. (For example, expenses incurred from 1 April 2017 to 31 March 2018 will be reimbursed, subject to the requirements stipulated in relevant guidelines, in the 2018-19 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 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. Each technology start-up will be funded with an annual funding capped at \$1.2 million. While the University may recommend a technology start-up for continued funding under TSSSU for more than one year

but not more than three years¹, 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 for not more than two years as of the cut-off date: **01 February 2017**. 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.

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

- (a) undergraduates/graduates/postgraduates;
- (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 Technology start-up must be owned at least 10% by a member of the University.

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.

¹ The three-year period should count consecutively from the first year that a start-up is approved for TSSSU funding. For example, if a start-up was first approved for funding in 2016-17 (Year one) and only applied for continued funding in 2018-19 (Year three), it will not be eligible for seeking further funding in 2019-20 (Year four).



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

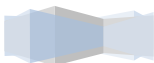
7. The TSSSU funding should be used in a reasonable, proportionate and proper manner in the following areas for achieving the objective set out in paragraph 1 above -

- (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\$7,000 per calendar month for a part-time or student internship for a student studying in one of the tertiary educational institutions in Hong Kong;
- (b) up to HK\$12,500 per calendar month for a staff graduated with a Bachelor degree; and
- (c) up to HK\$18,000 per calendar month for a staff graduated with a Master degree or above.

However, the funded start-up can top-up the remuneration for the staff concerned with its own money or funding.

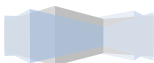


9. Any expenditure item or part thereof which is already funded by the Government, a Government subvented body/institution or the host university or third parties will however **not** be funded under TSSSU, i.e. no double payment is allowed for the same part of an expenditure item.

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 adjustment 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) costs of forming associations;
- (e) investment of any kind except for deposit of funds in the bank accounts of the funded technology start-ups;
- (f) repayment of any loan (including but not limited to student loan) taken out by the funded technology start-ups and their members and employees;
- (g) any trip expenses;
- (h) any entertainment expenses;
- (i) fees charged to technology start-ups arising from general services (e.g. office administrative services, etc.) provided by the universities;
- (j) any expenditure item that is unnecessary or irrelevant to the operations of the technology start-ups;
- (k) any expenditure item already funded from other funding source as indicated in (9); and
- (l) 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. HKUST will notify ITC if it has equity position in any funded technology start-up.

Application Arrangements

Application

13. It is required that each technology start-up should complete the application package (**Annex A and Annex A(i)**). 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 has established a selection panel comprising a mix of assessors with relevant expertise and experience, including the followings:

- HKUST Representatives
 - Associate Vice-President for Knowledge Transfer (Chairperson)
 - Director of HKUST Technology Transfer Center
 - Chief Executive Officer of HKUST R and D Corp. Ltd
- At least two Domain Experts

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

- (a) Innovation and Technology Content of the Business (30%);
 - Preference will be given to the 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 their operation plan, hiring plan, financial projection including cash flow projection, etc.

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

- 1) Call for Applications by November 2016;
- 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 a presentation on its business plan, 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 period²;

² The reimbursable period refers to the period from the day ITC notifies the University of the funding support to the technology start-up to the end of the relevant Government financial year (i.e. 31 March).



- 7) A letter of agreement will be signed between the University's designated unit and the approved technology start-ups after ITC notifies HKUST for the funding support.

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 F**). The technology start-up should also complete the relevant sections in **Annex D(ii)** when submitting the annual report to the University.³

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 equal to one-fourth of the awarded annual funding to each of the approved technology start-ups after receiving the following:

³ 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, annual assessment of the technology start-up's performance (i.e. Annex D(ii)) and half-yearly/annual reports (i.e. Annex F) etc.] in good time and in good quality, its subsequent application(s) for TSSSU funding support and other ITF funding support might be affected.



- (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; and
- (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.

19. After the initial instalment, eligible expenses incurred in the Government financial year will be reimbursed on a half-yearly basis. To receive further funding instalment on a half-yearly basis 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 or up to 31 March);
 - 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; and
 - iii. the statement of Expenditure and the Auditors' Report prepared in accordance with the 'Notes for Auditors' (**Annex C**).
- (b) a completed relevant sessions in **Annex D(ii)** when submitting the Annual Report; and
- (c) a completed Half-yearly/ Annual Report (**Annex F**).

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

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 submitted (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 technology start-up company shall provide a written notice to RDC when the initial instalment has been used up.

23. The Chief Executive Officer of RDC would be the contact point with ITC on operational matters such as reimbursement processing, and the Associate Vice-President for Knowledge Transfer of HKUST 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

24. 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** for any material modification to the budget when seeking the approval from the University. The University would have to notify ITC of the modifications.

Publicity and Acknowledgement

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



26. 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.’

Enquiries

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

Telephone: (852) 2358 7913

Email: tsssu@ust.hk

Fax: (852) 2358 1493

