

THE CHINESE UNIVERSITY OF HONG KONG

ITC Technology Start-up Support Scheme for Universities

Guidelines

(Last update: 24 November 2016)

Important Note: TSSSU Application and Reimbursement Guidelines governing Government financial year 2017-18 has not be announced by ITC yet. These Guidelines for the TSSSU Scheme 2017-18 are subject to further refinements and amendment without prior notice. Please contact ORKTS for any updates to these Guidelines before submission of your application.

1. Introduction

- 1.1. 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 support to six local universities to encourage their students and professors to start technology businesses and commercialise their R&D results.
- 1.2. As with other institutions under the scheme, TSSSU will be available to CUHK, on a reimbursement basis for expenses incurred in the corresponding Government financial year, subject to the annual funding ceiling of HK\$4 million per year, to support technology ventures from the CUHK community.
- 1.3. At CUHK, TSSSU is operated through the Office of Research and Knowledge Transfer Services (ORKTS) and governed by the Committee on Advancement of Student Innovation and Entrepreneurship (CASIE). The deadline for CUHK recommendation of companies to ITC is 28 February 2017 in this instant exercise. As between ITC and CUHK, in case there is any disparity between the ITC TSSSU Application and Reimbursement Guidelines and the Guidelines in this document, the former should prevail.
- 1.4. The vetting panel will include also representatives from Hong Kong Science and Technology Parks Corporation (HKSTPC). Applicant teams will be evaluated independently by HKSTPC for admissions to an incubation programme in addition to the TSSSU programme. Successful applicant teams can decide whether to accept the offers from HKSTPC.

2. Funding Scope

- 2.1. A successful applicant (“Start-up”) may be funded for not more than three years subject to the availability of the TSSSU funding. In any case, each annual funding must be applied with a separate application every year. The application submitted by an applicant receiving funding in a previous year will be re-evaluated along with applications from new applicants. The funding is capped at HK\$500K per year. The operating budget (“Budget”) submitted along with the application must comply with the TSSSU funding criteria, with milestones approved by a Vetting Panel appointed by CUHK. The decision of the Vetting Panel is final and conclusive.

2.2. Items to be included in the Budget should be reasonable and proportionate in the following areas:

- essential items for setting up and operating the Start-up (e.g. furniture and equipment, legal and accounting services, rental of necessary and suitable premises, manpower, etc.);
- expenditure on R&D (e.g. manpower, equipment, other direct costs, etc.);
- promotion of the Start-up and marketing of their project deliverables.

2.3. Following expenses are NOT funded under TSSSU:

- Rental expenses that are irrelevant to the operation of the Start-up;
- Costs of forming associations or membership subscriptions;
- Investment of any kind except for normal deposit of funds in the bank accounts of the Start-up;
- Repayment of any loan (including but not limited to student loan) taken out by the Start-up and/or its members and employees, and/or any member of the Start-up team;
- Any trip that is unnecessary or irrelevant to the execution of the operation of the Start-up;
- Entertainment expenses that are unnecessary or irrelevant to the operation of the Start-up;
- Fees charged to the Start-up arising from general services (e.g. office administrative services, etc.) provided by CUHK;
- Any expenditure item that is unnecessary or irrelevant to the operation of the Start-up;
- Any events or activities inconsistent with the laws or regulations of Hong Kong or other applicable jurisdictions.

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.

2.4. Funding will be allocated through upfront payment and two instalments to the bank account of the Company (see 3.2) upon successful achievement of agreed milestones and compliance with the Budget. Twenty five percent (25%) of the second instalment will be temporarily withheld. Once all the receipts and invoices of the entire financial year are submitted and verified, the remaining unpaid expenditure will be reimbursed. All TSSSU-funded companies must return all unused upfront payment and instalment at the end of the financial year.

2.5. If the Start-up has made reasonable progress in its R&D work and/or business performance in the funded year, CUHK may recommend the Start-up for continued funding under TSSSU for the application of the next Government financial year upon the availability of funding from ITC. The Company will be assessed by the business consultant who has been providing mentorship to the Start-up during the reimbursable period. The assessment will be reviewed, discussed, and adjusted by the Steering Committee in a pre-screening session. The Steering Committee will report the progress of the pre-screening session to the vetting panel and recommend whether this company should be nominated for the TSSSU funding.

- 2.6. Any item or part thereof already funded by the Government, a Government subvented body/institution or CUHK will NOT be funded by TSSSU (i.e. no double payment is allowed for the same part of an expenditure item).
- 2.7. Subject to the conditions of approval as set out in 3.8, TSSSU fund can be used to reimburse for the time cost of a CUHK full-time non-professoriate employee (e.g., research assistant, postdocs, etc.) to the CUHK's "appointment funding source" of the employee concerned if he or she will support a TSSSU startup during the University's usual office hours. If a TSSSU company chooses to use TSSSU fund to pay for the time cost, the cost can be labelled as "contract service" and listed as an item under "Other Direct Costs" in the Budget. The Company should obtain the level of reimbursement from Bursary through ORKTS.
- 2.8. As in most start-up companies, founding members of the start-up company are financially rewarded primarily by the value of the company that they grow. While TSSSU fund can be used to pay salaries for founding members as well as employees of a company, a salary cap is set for the founding members who are granted shares.
 - Monthly salary for a founding member who has a bachelor degree: up to \$12,000
 - Monthly salary for a founding member who has a postgraduate degree: up to \$17,000

3. Eligibility

- 3.1. The technology involved in the application must be CUHK-related.
- 3.2. The applicant must be a company already registered under the Companies Ordinance for no more than 24 months before the date specified by ITC¹. The 24-month eligibility requirement does not apply to a start-up which is recommended for the TSSSU funding for the second or the third year.
- 3.3. The number of shareholders of the Company must be at least two and can include CUHK alumni and individuals external to the CUHK community. Active members of CUHK (current full-time students, professors, or alumni graduated within the last 12 months) should be the majority of shareholders of the Company.
- 3.4. A Start-up team may have any mix of the following CUHK members:
 - (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.

For CUHK, the eligible status is defined automatically at the time when the application is submitted. A team member who is an academic staff member and also an alumnus/alumna will be considered a staff member (instead of an alumnus/alumna).

¹ The relevant date for the 2017-18 Government Financial Year is 28 February 2017, whereas the relevant date for the 2018-19 and 2019-20 Government Financial Year is 28 February 2018 and 28 February 2019 respectively.

- 3.5. The Start-up team must appoint a Person-In-Charge (“PIC”) who should be a Director of the Company with authority to sign on behalf of the company and legally bind the Company, and to engage in the Company’s business. The PIC is responsible for (a) overseeing the operations of the Company, and (b) liaising with ORKTS on matters relating to the funding under TSSSU. According to ITC, the PIC is required to hold a senior position with savvy knowledge of the technology start-up and can be reached by CUHK during normal business hours. The PIC MUST also be either a Professor or a student/graduate. A visiting professor whose contract with CUHK is scheduled to expire before the end of the current TSSSU financial year can serve only as a member but not a PIC. A research staff member (e.g. Research Associate, Research Assistant, Postdoc) can serve only as a member but not a PIC. Also, a full time CUHK employee, according to CUHK Staff Handbook, cannot work full time for the company.

For the avoidance of doubt, the PIC CANNOT join other concurrently active teams funded by TSSSU.

- 3.6. Since a TSSSU applicant must be a registered company, all CUHK full-time staff members who participate in the operation of the Company will be in a situation of engaging Outside Practice (“OP”) for their Outside Business Activity (“OBA”). They should therefore acquaint themselves with the relevant University regulations on OP (Staff Handbook Chapter B7) and OBA (Staff Handbook Chapter B17), particularly with respect to apparent/potential conflict of interests and commitment situations. While pursuing a full-time employment at the University and a business initiative under company registration at the same time, the PIC and team members of the TSSSU Company who are CUHK full-time staff members will have ongoing dual/multiple roles to play. To avoid being challenged for conflicting roles, PIC and team members should avoid and/or make proper declaration in such situations. For instance, a way to manage this in the daily operation is to segregate the time and the place of work for the Start-up from University duties.
- 3.7. When TSSSU was first launched in Government financial year of 2014-15, the University has approved a special arrangement to enable CUHK full-time staff members to engage in their TSSSU-OBA in accordance with the following regulations governing OP:
- (a) Professoriate staff engaging in TSSSU-OBA conducted locally in Hong Kong within the approved time limit of not more than 1 day per week for all remunerative outside professional activities are not required to take their own accrued leave provided that the release will not cause any inconvenience to the respective Department/Unit. However, they shall apply for their accrued own leave for activities conducted outside Hong Kong.
 - (b) Non-professoriate staff, including research appointees, may conduct TSSSU-OBA outside of the appointee’s normal office hours and the University’s usual office hours, or during their own accumulated leave.
- 3.8. Beginning the Financial year of 2016-2017, CASIE has extended a further special arrangement to enable a non-professoriate staff team member to engage in TSSSU-OBA during the University’s usual office hours (Monday to Friday), subject to the below conditions:
- (a) The parent Department/Unit and the Faculty of the staff member concerned are agreeable to the expected beneficial outcome of the proposed TSSSU-OBA and confirm that proper arrangements can be made to cover the staff member’s University duties.

- (b) The Start-up should arrange to reimburse the CUHK's "appointment funding source" of the corresponding staffing cost (see 2.7).
 - (c) The non-professoriate employee should not receive any extra income from the Start-up by supporting the Start-up during office hours. However, the Company may offer shares to the CUHK employee as long as the shares will not be converted to cash during the TSSSU funding period.
 - (d) At the end of the TSSSU funding period, the CUHK non-professoriate employee shall cease to support the Company during the University's usual office hours (except for the grace period arrangement as provided under 3.13).
- 3.9. Notwithstanding of the special arrangements as set out in 3.7 and 3.8 above, CUHK full-time staff members who will be/are involved in a TSSSU Company should acknowledge that their work for the Start-up is not part of the duties for their employment with the University per se.
- 3.10. The PIC or team members who are full time CUHK staff members should discuss their TSSSU-OBA with the Department Chairpersons/Faculty Deans early to ensure that the engagement is in alignment with the strategic development and manpower plan of the Department/Faculty. To facilitate staff engagement in TSSSU, the PIC and team members should set out at the application stage their roles and nature of involvement in the Company, and their estimated time involvement in Appendix to Annex A. The account will facilitate consideration and endorsement of their applications by the Department Chairpersons/Faculty Deans.
- 3.11. As part of the terms of approval, the PIC and each team member of a TSSSU Company who are CUHK full-time staff members will be required to review and re-affirm the nature and extent of their commitment in the TSSSU initiative in a TSSSU-OBA Document. The PIC and each team member will undertake the Start-up as per the terms of approval, including inter alia, reporting changes/actual operation in an adjustment/annual report, and filing an end-of-term report in due course.
- 3.12. If the PIC withdraws from the Start-up team, the replacement must also be a member of CUHK as specified in 3.5 and 3.6 above for the Company to remain eligible under TSSSU.
- 3.13. Subject to the endorsement of the Department Chairperson and the Faculty Dean/Supervising Officer, a University appointee of a TSSSU company may be allowed to have time release for up to 6 months (the "grace period") after the date when the company is notified that it will no longer be funded by TSSSU. The time release in the case of a teaching staff should be within the allowable limit of the OP regulations and in the case of a non-teaching staff, based on the staffing cost reimbursement arrangement. The grace period is to allow the appointee to phase out his/her active professional involvement in the company. After that, the appointee may continue his/her investment in the company in accordance with the OBA regulations, i.e. without time release during the University's usual operating hours and should consume his/her own accumulated leave/rest days for the related business activity. If the TSSSU company is already in the third (final) year of the funding period, the aforementioned grace period will not be applicable.

4. Screening Criteria

The Vetting Panel will take the following into account during assessment of applications.

4.1. Innovation and technology content of the business

- Potential for knowledge transfer;
- Intellectual property position, including patents, copyrights, trademark, know-how, etc.;
- Stage of technology development and readiness for application;

4.2. Commercial viability of the business

- Well-defined business and budget plan;
- Well thought-out market analysis (e.g. opportunities, entry barriers, competitions, etc.);
- Viable and realistic milestones and deliverables;
- Potential in generating economic impact;
- Whether the Start-up has secured other sources of funding apart from the TSSSU;

4.3. Team expertise and commitment

- R&D and management capabilities of the team;
- Drive and commitment of team members;

4.4. The social and/or community impact of the start-up's R&D project(s)

- Products and services that improve the quality of human life;
- Positive social impact to the society;

4.5. CUHK specific requirements

- Whether the technology involves CUHK intellectual property ("IP").

5. Application Procedures

5.1. The Applicant is required to complete an application form according to the template in Annex A.

5.2. The Applicant is required to state clearly concrete project milestones and a budget showing all expenditures and justifications. The budget must be consistent to the Funding Scope as stipulated in Section 2.

5.3. The application form, with endorsement from an authority of the relevant Department and Faculty in Section F and/or Appendix, and Supporting Documents as listed in Section C of Annex A, must arrive in ORKTS at **Rm 301, Pi Ch'iu Building** by **5:00pm on Friday, 13 December 2016²**.

² Late submission will NOT be accepted. Company Registration document should be ready before submission to ITC by 28 February. Companies should proceed to apply for bank account number immediately after documents are ready.

- 5.4. All applications will be reviewed by the CUHK members of the Vetting Panel. Shortlisted applicants will be invited to attend an interview to give a short presentation and answer questions in front of the full Vetting Panel including external advisors in mid-January 2017.

6. Result Announcement

- 6.1. Results will be announced **by end of January 2017**. Applicants will receive a confirmation email from ORKTS. Successful applicants are required to confirm whether they accept that the application would be recommended to ITC for further examination within THREE calendar day after result announcement.
- 6.2. Revised budgets, if required, must be submitted to ORKTS via email before **5:00pm on Friday, 10 February 2017**.

7. Rules and Conditions for Awarded Teams

- 7.1. All awarded Companies are required to enter into an Award Agreement with CUHK upon confirmation from ITC of their eligibility and applications.
- 7.2. The awarded companies will be continually monitored and assessed by ORKTS. Awarded companies are required to complete and submit to ORKTS the following documents:
- An annual reimbursement request (**Annex B**) submitted before 31 May for the expenditure incurred during the reimbursable period³ of the previous Government financial year, when the related activities have been conducted and the related services and goods have been delivered.
 - Auditors' reports and statement of expenditures (see **Annex C** Notes for the Auditors) submitted before 31 May. Technology start-ups should handle the keeping of books and records, etc. to facilitate auditors to conduct a reasonable assurance engagement in accordance with the requirements stipulated in Annex C.
 - Reports on the progress of the business submitted semi-annually before 30 October and annually before 30 June to ORKTS and Bursary for assessment.
 - Reports on matters such as new IP generation, incomes and revenues of the business, etc. in **Annex D(ii) submitted** before 30 June.
- 7.3. CUHK will appoint a Business Consultant to assist and monitor the development of the awarded Start-ups. The Business Consultant and any authorized person acting on behalf of the Government shall be allowed to perform random checks of documents, records, etc. of the awarded companies to ensure their compliance with the guidelines and requirements relevant to TSSSU.
- 7.4. If any CUHK IP is involved, the companies should make necessary licensing arrangement according to CUHK IP Policy. If any non-CUHK IP ownership is involved, the companies are

³ The reimbursable period refers to the period from the day ITC notifies CUHK of funding support to the technology start-up, to the end of the relevant Government financial year.

responsible to conduct all necessary due diligence and clear all IP related issues with CUHK via ORKTS prior to the application.

- 7.5. CUHK reserves the right to own a certain percentage of shares in an awarded Start-up. Such arrangement will be made on a case-by-case basis.
- 7.6. Any material modification to the recommended business proposal of a start-up (including but not limited to change of key team members of the start-up, deliverables, business scope, or the amount of the TSSSU funding, etc.) will require prior approval from CUHK.
- 7.7. Any material modification to the budget should be reported in **Annex E** when seeking the approval from CUHK.
- 7.8. The Commissioner for Innovation and Technology and any authorized person acting on behalf of the Government may conduct random checks of the documents, records, etc. of the company to ensure their compliance with the ITC Application and Reimbursement Guidelines for TSSSU, this document, and requirements relevant to the funding support.

8. Risk Assessment

- 8.1. Once an application is approved for TSSSU, the CUHK Business Consultant may conduct a risk assessment to determine the overall risk level of the Company.
- 8.2. The result (risk level) of this assessment does not determine eligibility for funding but will affect, among other things:
 - (a) The frequency of progress reporting;
 - (b) How often the instalments can be provided to the Company;
 - (c) The amount of funds to be held back (holdback);
 - (d) The frequency of site visits; and
 - (e) The need to submit documents and proofs for supporting claims.

9. Intellectual Property

- 9.1. A TSSSU-funded company is encouraged to adopt existing CUHK IP. In doing so, the company should contact ORKTS to obtain a proper license before using the CUHK IP to develop a product. Likewise, if the company shall adopt non-CUHK IP, the company must obtain proper licenses from the relevant outside parties before using such IP.
- 9.2. CUHK does not automatically claim ownership rights on new IP that is conceived and developed independently by students and alumni during the operation of the Start-up. However, if new IP is conceived by a CUHK professor or researcher and the new IP is related to his or her employment with CUHK, the IP belongs to CUHK.
- 9.3. For CUHK postgraduate students who have been granted graduate assistantships or research assistantships and may have signed a patent/copyright release at the time of appointment, the IP of their invention during the course of the operation of the Start-up may belong to CUHK.

- 9.4. New IP jointly conceived and invented by a company with a CUHK employee in a TSSSU funded Start-up shall belong jointly by the company and CUHK. Such jointly invented new IP must be reported to ORKTS of CUHK as soon as the IP is conceived.
- 9.5. Other IP issues can be found in the CUHK's *Policy on Research, Intellectual Property, and Knowledge Transfer* ("CUHK IP Policy").

10. Publicity and Acknowledgement

- 10.1. As requested by ITC, acknowledgment of ITF support should appear on all equipment, facilities, publications, publicity and media events related to a TSSSU-funded Start-up.
- 10.2. Similarly, acknowledgment of CUHK should also appear on the list of materials listed in item 10.1.
- 10.3. The following disclaimer should be included in any publications and media events related to an ITF-funded start-up –

‘Any opinions, findings, conclusions or recommendations expressed in this material or 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.’

11. Enquiries

Office of Research and Knowledge Transfer Services, The Chinese University of Hong Kong

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