



# **Innovation and Technology Venture Fund**

## **Guidelines For Application As Co-investment Partner**



**Innovation and Technology Commission**

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The Government of the Hong Kong Special Administrative Region

## **Introduction**

This document provides an overview on the Innovation and Technology Venture Fund (ITVF) and the relevant application procedures for selection of venture capital (VC) funds as Co-investment Partners (CP) of the ITVF.

## **Background**

2. The 2016 Policy Address announced that the Government would set aside HK\$2 billion to set up an ITVF to encourage investment from VC funds in local innovation and technology (I&T) start-ups. The funding for the ITVF was approved by the Finance Committee of the Legislative Council on 12 July 2016.

3. The Government will co-invest with VC funds in local I&T start-ups at an overall ratio of approximately 1:2. It is expected that the ITVF could help local I&T start-ups with funding needs particularly in Series A and B stages, and also provide them with professional management, business and marketing network through the support and participation of venture capitalists.

4. To facilitate monitoring and administration of the ITVF, the Government has incorporated a limited company, named “The Innovation and Technology Venture Fund Corporation” (ITVFC) under the Companies Ordinance. This company will serve as a special-purpose vehicle to co-invest with CPs and perform all necessary investment activities. The ITVFC will be making investment in local I&T start-ups concurrently with the CPs upon invitation of the latter.

## **Eligibility of VC Funds as Our CPs**

5. Under the ITVF scheme, a handful of VC funds will be selected as CPs of the ITVFC. A VC fund, whether it is incorporated in Hong Kong or overseas (**Note 1**) and whether it is a newly established or an existing fund, is welcome to apply for selection as a CP as long as it meets the following eligibility -

- (a) having an investment focus in I&T start-ups;
- (b) having an investment coverage including Hong Kong;
- (c) having a minimum remaining committed capital of HK\$120 million as at the date of application (**Note 2**); and
- (d) having a remaining fund life of at least five years to co-invest with the ITVFC.

### **Note 1:**

Upon selection as a CP, the VC fund concerned should have a place of business in Hong Kong to facilitate communication with local I&T start-ups and the ITVFC.

### **Note 2:**

Upon selection as a CP, the VC fund concerned must provide documents to prove its minimum remaining committed capital of HK\$120 million before entering into the Master Agreement with the ITVFC.

6. Please note that the ITVFC will **NOT** accept applications or investment proposals submitted by individual start-ups directly.

## **Key Features of the ITVF**

### Contractual Relationship

7. Upon selection, the CP will enter into a contractual relationship with the ITVFC. Details including the rights and obligations of each party will be stipulated in a Master Agreement. Key terms of which are provided in **Annex I** for reference.

### Co-investment Arrangement

8. The CP has the obligation to invite the ITVFC to co-invest in local I&T start-ups within a five-year window (“Active Investment Period”). Throughout the Active Investment Period, the CP is responsible for identifying and recommending Eligible Local I&T Start-ups to the ITVFC for co-investment. All Eligible Local I&T Start-ups to be recommended by the CP should meet the eligibility requirements as stated in para.4 of the Key Terms provided in **Annex I**.

### Co-investment Limitation

9. The ITVFC will set its investment limits in each CP and investee company -

- (a) the aggregate amount of ITVFC co-investments with a Co-investment Partner shall be capped at HK\$400 million;
- (b) the aggregate ITVFC investments in the same investee company shall be capped at HK\$50 million; and
- (c) for each investment in an investee company, the ITVFC investment amount shall constitute (i) not more than 40% of the original total target investment amount sought by the investee company, or (ii) HK\$30 million, whichever is the lower.

10. The ITVFC would decline a proposed co-investment under certain conditions which include but are not limited to the following -

- (a) the proposed investee company is unable to meet the eligibility requirements of a local I&T start-up as stated under this scheme;
- (b) the business of the proposed investee company is in conflict with existing or planned Government policies or legislation; or
- (c) there is cause to believe that the proposed investee company may be involved in activities that may bring the Government into disrepute.

### **Procedures for Application as CPs**

11. The ITVF scheme is now open for application as CPs from VC funds until 15 January 2018. Interested VC funds shall make applications by submitting a proposal. The proposal shall contain the information required as set out in **Annex II** and the duly-signed declaration form in **Annex III**.

12. The proposal together with relevant supporting documents and a compact disc containing the electronic version of the aforesaid proposal and documents (preferably in MS Word 2010 or above) shall be delivered to the ITVF Secretariat at the following address during the application period:

Innovation and Technology Venture Fund Secretariat  
Innovation and Technology Commission  
20/F., West Wing,  
Central Government Offices,  
2 Tim Mei Avenue, Tamar,  
Hong Kong

13. ITVF Secretariat may seek advice from an independent Advisory Committee, comprising veterans in the business and investment sectors as well as professionals and academics, on the selection of CPs under the ITVF scheme. Individual VC funds may be invited to a presentation to the Advisory Committee to facilitate consideration of their applications.

14. The VC funds concerned will be notified of the result in writing after the selection process.

### **Enquiry**

15. Further information concerning the ITVF scheme is available at the website of ITC (<http://www.itc.gov.hk/en/funding/itvf.htm>). Please note that ITC may issue supplementary information and guidelines from time to time in respect of the ITVF scheme. Interested VC funds are advised to check the above website for any update before making application. For enquiry, please contact us through the following means -

Mr. LIM Kuen, Manager (ITVF)

Tel.: (852) 3655 5902 or

Mr. K W CHING, Finance Manager (ITVF)

Tel.: (852) 3655 4836

E-mail: [itvf-enquiry@itc.gov.hk](mailto:itvf-enquiry@itc.gov.hk)

**Disclaimers:**

1. *The submission of an application or any proposal by a VC fund (an Applicant) shall be taken to be an acceptance of all the terms of the Disclaimers herein.*
2. *The invitation for submission of applications or proposals under the ITVF scheme does not constitute an offer nor does it constitute the basis of any agreement which may be concluded in relation to the ITVF scheme. The Government reserves the right, without prior consultation or notice, to change the proposed terms of the ITVF scheme, including but not limited to the Guidelines for Application as Co-investment Partner (the Guidelines). The Government also reserves the right to negotiate with any Applicant about the terms of its application and terminate any or all negotiations at the Government's discretion before executing any binding agreement with a successful Applicant. The Government is not bound to give any reasons therefor.*
3. *The Government is not bound to accept any application, and reserves the right to accept or reject all or any part of any application at any time and is not bound to give any reasons therefor.*
4. *This document of the Guidelines shall not in any circumstances affect or limit the interpretation of any agreements that may be made between the Government and a successful Applicant. The co-investment arrangements described in the Guidelines are intended for general information of the ITVF scheme. The actual arrangements are subject to the terms and conditions stipulated in any agreement to be signed with an Applicant upon its successful application as a CP.*
5. *Whilst the information provided by the Government in the Guidelines has been prepared in good faith, it does not claim to be comprehensive or to have been independently verified. Neither the Government, nor any of its officers, agents or advisors, accepts any liability or responsibility as to, or in relation to, the adequacy, accuracy or completeness of the information contained in the Guidelines or any other written or oral information which is, has been or will be provided or made available to any Applicant; nor do they make any representation, statement or warranty, express or implied, with respect to such information or to the information on which the Guidelines are based. Any liability in respect of any such information or any inaccuracy in the Guidelines or omission from the Guidelines is expressly disclaimed. Nothing in the Guidelines nor in any other written or oral information which is, has been or will be provided or made*

*available to any Applicant should be relied on as a representation, statement or warranty as to the intentions, policy or action in future of the Government, its officers or agents.*

- 6. Each Applicant should make its own independent assessment of the proposed terms of the ITVF scheme and consult its own professional advisors in order to assess the risks and benefits of the application, as well as in respect of any financial, legal, tax and other matters concerning the ITVF scheme.*
- 7. All information from an Applicant will be treated as commercially confidential. Except where required by law or where the consent of the Applicant has been obtained, such information will not be disclosed to third parties other than those involved in assessing or advising on the applications or in other aspects of the management or evaluation of the ITVF scheme or the selection of CPs.*



## THE INNOVATION AND TECHNOLOGY VENTURE FUND

### Key Terms of the Master Agreement

#### 1. Execution of the Master Agreement

The Master Agreement will be executed in Hong Kong between the Innovation and Technology Venture Fund Corporation (ITVFC) and the Co-investment Partner for itself and as agent for the Partner Fund, and will be signed on the template of ITVFC which will designate the laws of Hong Kong as the governing laws, and the Hong Kong International Arbitration Centre as the confidential disputes resolution forum. References to “Co-investment Partner” include its Partner Fund.

#### 2. Duration

- a. The Master Agreement shall come into force on the Commencement Date and shall continue and remain in force until the following period, whichever is applicable:
  - i. the expiry of the Active Investment Period (5 years) provided that ITVFC has not accepted any Proposed Investment within the Active Investment Period; or
  - ii. the expiration or termination of the term of the Partner Fund, or as such date may be shortened or prolonged as suggested by the Co-investment Partner with sufficient notice to ITVFC. However, in any case, the duration could not exceed the twelve-year anniversary of the date of the Master Agreement; or

iii. the date of early termination of the Master Agreement by ITVFC due to certain events of default by the Co-investment Partner, the Partner Fund, or their respective related persons (“Termination Event”).

3. Obligations of the Co-investment Partner in Relation to Eligible Local I&T Start-ups Investments

- a. Throughout the Active Investment Period, the Co-investment Partner is obliged to invite ITVFC to co-invest in any potential Investee Companies which qualify as Eligible Local I&T Start-ups. The vehicle to be used for the investment by the Co-investment Partner may either be itself or the Partner Fund identified in the Master Agreement.
- b. For each proposed investment, the Co-investment Partner shall at its own costs prepare an Investment Proposal Report signed by the Investee Company and the Co-investment Partner and a Due Diligence Report of the potential Investee Company. The Investment Proposal Report shall be substantially in the form set out in the Master Agreement. The Due Diligence Report should cover the topics listed in the Master Agreement (to the extent applicable). The Co-investment Partner shall respond to any follow-up queries that ITVFC may have or subsequent discussion related thereto as soon as practicable (but in any case within 3 Business Days). For the avoidance of doubt, due diligence of the Investee Company and where applicable each member of its Group are required.
- c. The Co-investment Partner shall allow one month from the date of submission of all reports and responses for ITVFC to consider whether it will participate in the proposed investment.

- d. In the cases where (i) the Eligible Local I&T Start-up indicates to ITVFC in writing that it does not accept ITVFC's proposed co-investment with good faith and valid reason or (ii) ITVFC decides not to participate in the proposed investment, the Co-investment Partner is allowed to enter into or offer to any third party the proposed investment; *provided* that in the case of (ii), within 3 months, the Co-investment Partner shall ensure neither it nor the Investee Company will invite a third party to make the Proposed Investment on terms that are more favourable in any material respects to the terms than offered to ITVFC.
  
- e. Upon receiving notification from ITVFC that it will agree in principle to participate in the proposed investment within the one-month period mentioned in paragraph 3(c) above, the Co-investment Partner shall:
  - i. at its own costs proceed to negotiate with the Investee Company to produce and sign with the Investee Company a non-legally binding Final Term Sheet, which shall include at least all relevant terms and conditions set forth in the Investment Proposal Report. Any deviation from or addition to the terms and conditions set forth in the Investment Proposal Report provided to ITVFC under paragraph 3(b) shall first be consented to by ITVFC in writing;
  
  - ii. provide a draft legal opinion to be issued by an independent law firm practicing in the jurisdiction of the place of incorporation of the proposed Investee Company (where the proposed Investee Company is not a company incorporated under the laws of Hong Kong) covering such matters to be set out in the Master Agreement;

- iii. provide another draft legal opinion to be issued by an independent law firm qualified to practice in the jurisdiction of the place of incorporation of the Co-investment Partner (or Partner Fund, depending on which entity is the party to the Transaction Documents and where it is not an entity incorporated or formed under the laws of Hong Kong) covering such matters to be set out in the Master Agreement; and
  - iv. seek ITVFC's written approval of the Final Term Sheet and the draft legal opinions as mentioned in paragraphs 3(e)(ii) and (iii) above within one month from the date of signing of the Final Term Sheet.
- f. Upon receiving from ITVFC a written approval of the Final Term Sheet, the Co-investment Partner shall:
- i. provide a written confirmation to ITVFC that the Transaction Documents contain the same terms and conditions with the Investment Proposal Report and the Final Term Sheet (subject to any further changes expressly approved by ITVFC);
  - ii. upon such confirmation, enter into the Transaction Documents and provide at least one counterpart of each Transaction Documents signed by each party to ITVFC for safe-keeping;
  - iii. provide to ITVFC the signed legal opinion in the form approved by ITVFC; and
  - iv. subsequently prepare for all closing and post-closing matters.

- g. Prior to the issuance of the written approval of the Final Term Sheet by ITVFC, ITVFC shall have the right to revoke any in-principle agreement issued to the Co-investment Partner with respect to any proposed investment.
- h. After the issuance of the written approval of the Final Term Sheet by ITVFC, ITVFC shall enter into the Transaction Documents but only after all parties have signed the same, and provided further that the Transaction Documents contain the same terms and conditions as specified in the Investment Proposal Report and Final Terms Sheet without further qualification or contradiction or exception (except for those which have been approved by ITVFC earlier).

#### 4. Eligibility of a local I&T start-up for co-investment

4.1 It should either be a company incorporated in Hong Kong meeting criteria (a) to (c) below :

- a. (i) Local I&T start-up which was incorporated under the Companies Ordinance within the last seven years and (ii) with one of its offices (headquarters or regional office) or its main business operation or its key management or leadership team being located in Hong Kong;
- b. It and its subsidiar(ies) (if any) have been engaging in I&T business, covering any part of the research and development or production chain in Hong Kong, since its incorporation; and
- c. It and its subsidiar(ies) (if any) have a total number of employees (including Hong Kong and overseas offices) being less than 250.

OR

4.2 It should be a foreign company with only one direct wholly-owned subsidiary which is a company incorporated in Hong Kong meeting (a)(i) above (“the Hong Kong Company”), and this foreign company shall either on its own or through the Hong Kong Company comply with (a)(ii) above, and together they and the subsidiaries of the Hong Kong Company (if any) comply with (b) and (c) above.

## 5. Restrictions

Aside from the need that the Investee Company has to comply with the Eligible Local I&T start-up requirement, the following restrictions must be observed:

- a. the aggregate amount of Government co-investments with a Co-investment Partner shall be capped at HK\$400 million;
- b. the aggregate Government investments in the same Investee Company shall be capped at HK\$50 million; and
- c. for each Investment in an Investee Company, the Government investment amount shall constitute (i) not more than 40% of the original total target investment amount sought by the Investee Company, or (ii) HK\$30 million, whichever is the lower.

## 6. Investment Terms and Continuing Obligations in Relation to Each Investment

- a. ITVFC will invest only into shares of the Investee Company concerned, and must invest on the same terms and conditions and at the same time as the Co-investment Partner (including the class of shares to be invested, and rights thereto but subject to any variation as expressly specified). ITVFC generally do not prefer to have board seats on Investee Companies.

- b. ITVFC and the Co-investment Partner will invest into the same legal entity which owns the Eligible Local I&T Start-up, if a holding company structure is or will be in place. The holding company is a 'shell' holding company incorporated overseas and can own only and wholly the Hong Kong Company. Please see illustration in the Annex Ia.
- c. In the case where the Investee Company is the holding company which is a company incorporated overseas, it is a requirement that the amount payable by both the Co-investment Partner and ITVFC for the shares should be paid direct to the Hong Kong Company. It should be that the Investee Company should nominate the Hong Kong Company to receive the proceeds which should be treated as an interest-free shareholder's loan from the Investee Company. The repayment of the shareholder's loan or any part thereof should not be demanded unless with the consent of the Co-investment Partner and ITVFC.
- d. ITVFC will become a passive investor in the Investee Company, and the Co-investment Partner will serve as proxy for ITVFC during the term of Master Agreement, *provided* that the Co-investment Partner shall not vote for ITVFC or serve as a proxy for ITVFC on several specified matters unless ITVFC has expressly authorised on a case by case basis.
- e. The Co-investment Partner will ensure that the Transaction Documents will grant ITVFC with a minimum set of minority rights protection, as stated in paragraph 7 below.
- f. The Co-investment Partner will ensure that the Transaction Documents will grant ITVFC with appropriate information rights customary to deals of similar nature.
- g. The Co-investment Partner will provide expertise, assistance and support to the management team of the Investee Company.

- h. The Co-investment Partner will act in good faith at all times, and take all necessary actions at its own costs as a prudent professional investor would make to protect the value of the Investment and the reputation of ITVFC. For the avoidance of doubt, the Co-investment Partner will not withhold any information from ITVFC which may have a negative impact on the Investment or information in relation to any event which can damage the reputation of ITVFC.

## 7. Minority Rights Protection for ITVFC's Investment

- a. ITVFC must be granted tag-along right with the Co-investment Partner's investment during the term of Master Agreement.
- b. ITVFC must have a tag-along right with respect to any proposed sale of 50% or more of the shares of the Investee Company by any one of its shareholders.
- c. ITVFC must have pre-emptive rights as to any issue of new shares in the Investee Company.
- d. If ITVFC's shares in an Investee Company are convertible preferred shares, the conversion price for ITVFC's shares must be subject to a price adjustment if such Investee Company issues additional securities at a price lower than the then-effective conversion price for ITVFC's shares.
- e. The Co-investment Partner and the Investee Company must not take any actions which may alter rights attaching to ITVFC's shares without the consent from ITVFC.
- f. The Co-investment Partner must seek ITVFC's prior approval for any dealings or transactions between itself and the Investee Company.



- g. ITVFC must have the right to request the Investee Company to make a proposal to redeem ITVFC's stake, in specified circumstances including but not limited to:
- i. if and when the Investee Company decides to pursue a line of business different from the one as reported in the Investment Proposal Report which is not agreeable to ITVFC;
  - ii. the Investee Company ceases to be incorporated in Hong Kong or, if the Investee Company was the holding company of the Hong Kong Company, it has ceased to be such holding company or the Hong Kong Company ceases to be incorporated in Hong Kong;
  - iii. the Investee Company (or any member of its Group) ceases to engage in I&T business in Hong Kong;
  - iv. there is cause to believe that the Investee Company (or any members of its Group) may be involved in activities that may bring the Government into disrepute;
  - v. a Termination Event (details of which is set out in the Termination Clauses contained in the Master Agreement) with respect to the Investee Company (or any member of its Group) occurs; and
  - vi. the term of the Partner Fund ends on its expiry date as stated or revised in accordance with the Master Agreement.
- h. In relation to paragraph 7(g), the Investee Company will be required to provide an independent valuation report on the proposed redemption price. For the avoidance of doubt, the Investee Company shall appoint a valuer nominated by ITVFC.

The valuation fee payable for the valuation per Investee Company will be borne by the Investee Company, with a cap of up to 1.5% of ITVFC's investment amount or HK\$500,000, whichever is higher; any excess amount will be borne by ITVFC.

#### 8. Other Key Obligations of the Co-investment Partner

Co-investment Partner shall inform ITVFC of any material changes in the Co-investment Partner's management team or structure and allow ITVFC to discharge from all obligations of the Master Agreement if any proposed change is not agreeable to ITVFC. For the avoidance of doubt, the obligations for Co-investment Partner will remain in force.

#### 9. Fees and Incentives

- a. ITVFC will not pay any fee whatsoever to the Co-investment Partner or share the expenses incurred by the Co-investment Partner in performing its obligations under the Master Agreement including without limitation to identifying the potential Investee Companies, conducting legal and financial due diligence on the potential Investee Companies, preparation of all necessary documents including the Investment Proposal Report, and the Final Term Sheet, obtaining legal opinions, negotiation with the potential Investee Companies on the terms of the Transaction Documents, obtaining legal advice on the Transaction Documents, managing the co-investments, identifying and negotiating with potential buyers for the co-investments and entering into the sale agreement with the buyers.
- b. ITVFC will provide the following upside incentives

- i. Upon the completion of the sale by ITVFC of all but not some of its shares in any of an Investee Company to a third party/parties, ITVFC shall pay to the Co-investment Partner a performance incentive equal to 35% of realised capital gain arising from the sale of all of ITVFC's shares in that Investee company. The realised capital gain for calculating the carried interest should be a net amount of the cash proceeds actually received by ITVFC from such disposal after deducting all investment cost, fees, expenses, taxes and stamp duty paid or payable by ITVFC for such investment.
- ii. The Co-investment Partner will be provided with an option to purchase the co-invested shares in all of the Investee Companies in which ITVFC has been invited by the Co-investment Partner to invest within five years from the commencement date of the Master Agreement. When this option is exercised, the Co-investment Partner has to purchase all but not some of the shares in all of the Investee Companies under the co-investment portfolio.
  - (1) The option shall be exercisable at a cost of the principal amounts plus relevant interests accrued for the related investments.
  - (2) The interest rates are defined by the rates of fee payables by the Exchange Fund to Government funds and statutory bodies for placements which are published by the Hong Kong Monetary Authority in respect of the relevant years. If the interest rate for a particular year has not been published, interest rate for the latest year shall apply.

(3) For reference sake, the said rates for the last few years were 3.6% (2014), 5.5% (2015), 3.3% (2016) and 2.8% (2017).

## 10. Exit Requirement

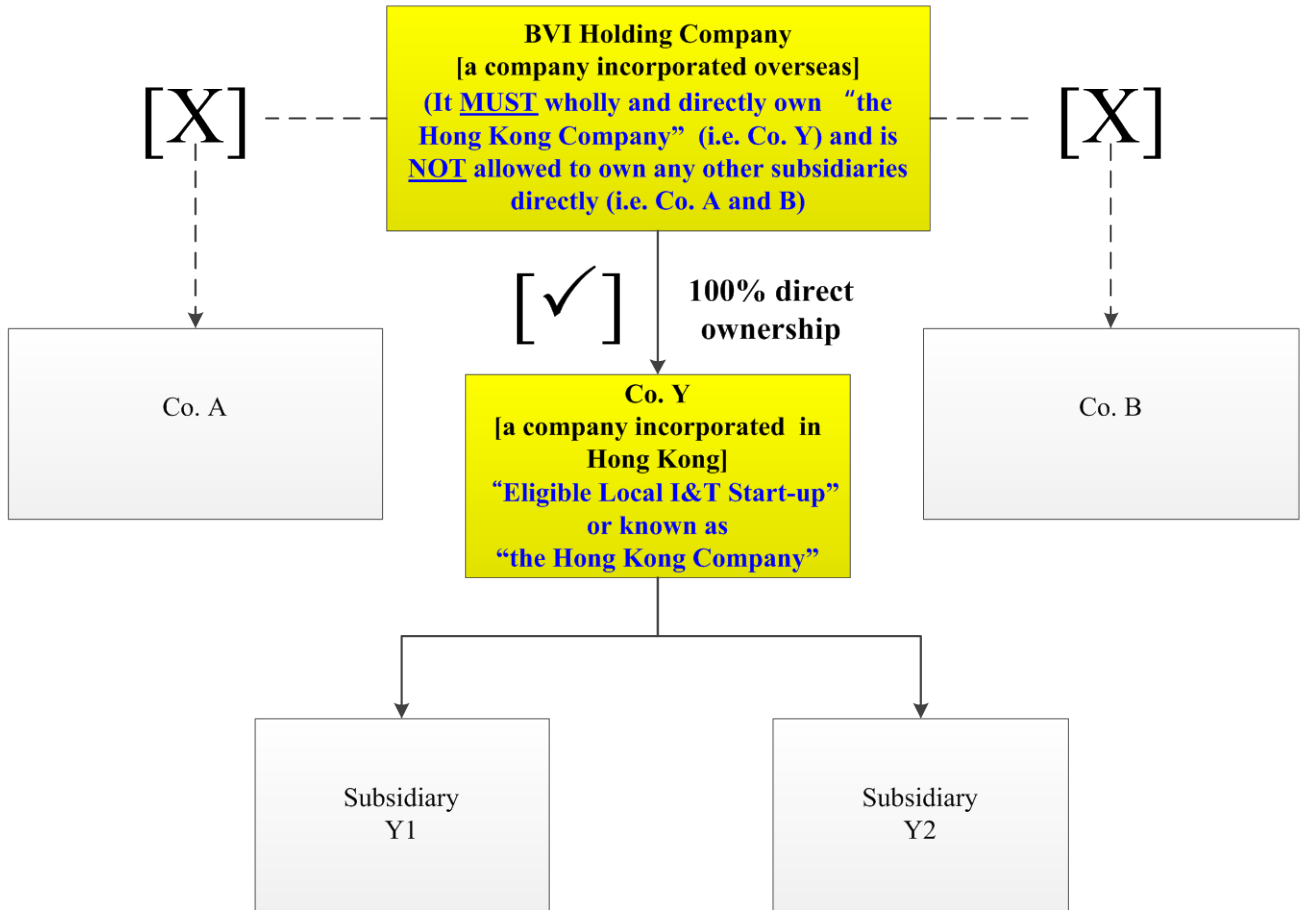
- a. Throughout the validity of the Master Agreement, the Co-investment Partner should locate third party/parties to acquire ITVFC's and the Co-investment Partner's stakes in the related Investee Companies on a commercially reasonable efforts basis. In the case of a proposed sale of all or a portion of the Co-investment Partner's investment in any Investee Company, the Co-investment Partner shall procure each such purchaser to make a Tag-along Offer to ITVFC and acquire ITVFC's investment in such Investee Company on the same price, at the same time, and on the same terms. If the Investee Company redeems its shares from the Co-investment Partner, ITVFC should equally have the similar tag-along redemption right.
- b. Should, at the end of the Master Agreement, ITVFC still hold the shares of Investee Companies, ITVFC may exercise its redemption right as stated in paragraph 7(g) to dispose of these shares.
- c. If the Master Agreement is terminated early by ITVFC due to a Termination Event, the Co-investment Partner must make an offer to the ITVFC to acquire all its stakes in all Investee Companies. The Co-investment Partner will be required to provide independent valuation report on the proposed transaction price. If being requested to do so, the Co-investment Partner shall appoint a valuer to be nominated by ITVFC. The valuation fee per valuation of each Investee Company will be borne by the Co-investment Partner, with a cap of up to 1.5% of ITVFC's investment amount or

HK\$500,000 (per valuation of each Investee Company), whichever is higher; any excess amount will be borne by ITVFC.

## 11. Other Key Terms

Other typical Termination, Indemnities, Confidentiality, Warranties, Conflicts of Interest and other Clauses would be included.

Illustration on Holding Structure



Remark: Co. Y may have subsidiaries (i.e. Y1 and Y2) in Hong Kong or overseas.

## The Innovation and Technology Venture Fund

### Criteria and Marking Scheme for the Selection of Co-Investment Partners

The selection of venture capital (VC) funds as Co-investment Partners of the Innovation and Technology Venture Fund Corporation would be based on the following criteria.

| Attribute  | Weighting (%) |
|--|---------------|
| <b>A. General Background (Passing Mark: 7.5) (Note 1)</b>  | <b>15</b>     |
| (1) Background and history of the VC fund  |               |
| (2) Overall size of the VC fund, in terms of:<br>(i) its investment capital and number of funds under its management globally and in Hong Kong and the respective fund sizes and investment areas<br><br>(ii) its number of staff globally and those in Hong Kong office |               |
| (3) Factors indicating the VC fund's financial capability and strength   |               |
| <b>B. Experience / Performance (Passing Mark: 12.5) (Note 1)</b>   | <b>25</b>     |
| (1) Experience in investing in the I&T sector, particularly in start-ups over the past 10 years  |               |
| (2) Investment focusing on those technology areas ( <b>Note 2</b> ) which have strong application potential and economic value in local and global markets   |               |

| Attribute   | Weighting (%) |
|---|---------------|
| (3) Past performance of its I&T-related funds in terms of return on invested capital and number of successful exits through trade sale or public listing            |               |
| <b>C. Management Team’s Experience (Passing Mark: 15) (Note 1)</b>  |               |
| (1) Expertise and experience of the key executives of the VC fund in investing in technology areas  |               |
| (2) Management, marketing and technical support / advice that can be provided to the I&T companies  | <b>30</b>     |
| (3) Expert support to the VC funds via its international / regional network (e.g. strategic and financial partners, advisors, consultants)                          |               |
| <b>D. Local Resources and Knowledge for Managing the Co-investment Fund (Passing Mark: 15) (Note 1)</b>   |               |
| (1) Size, establishment and structure of the VC’s local office  |               |
| (2) Key full-time local staff and their respective investment experience and expertise, particularly in I&T companies and their knowledge of the local I&T industry | <b>30</b>     |
| (3) Contribution that can be made to the development of the I&T ecosystem in Hong Kong  |               |
| Total:  | <b>100</b>    |
| Overall Passing Mark  | <b>50</b>     |

**Note 1** If a VC fund could not obtain the passing marks required in each attribute, this will be considered as failure in the selection process.



**Note 2** Examples of these technology areas include:

1. Financial Technology and Blockchain
2. Intelligence Manufacturing and Robotics
3. ICT and Next Generation Network
4. Medical and Health Technology
5. Smart City Related Technologies
6. Artificial Intelligence, Internet of Things and Cloud Computing

## **Guidance Notes to VC Funds**

VC funds are advised to refer to the following guidance notes on the assessment of each attribute before preparing the proposal for submission.

### **A. General Background (Total : 15 marks, passing mark: 7.5)**

Please provide the information on the VC fund's history and background, including its reputation in the global and regional private equity market, major successful investments, deal flow, investor base and the details on the overall size of the VC fund.

For the financial capability and strength, the VC fund should show evidence of strong binding commitments by its limited partners and whether its limited partners are credible, reliable, and supportive to the co-investment partnership with the ITVF.

### **B. Experience / Performance (Total : 25 marks, passing mark: 12.5)**

Please provide the VC fund's experience in investing in I&T sector, especially its ability to generate deal flow, its effectiveness in identifying and evaluating potential start-ups with good prospects of scaling up and growth. Please show the VC fund's track record in identifying I&T companies which have strong application potential and the effectiveness of its investment strategy in analyzing, spearheading and capitalizing on the latest trends of I&T development. The track records of the successful exits through trade sale and public listing should be provided.

Furthermore, please provide the experience, if any, in co-investing with governments and quasi-governmental bodies in other economies through fund of funds, co-investment partnership or other modes of co-operation.

### **C. Management Team's Experience (Total : 30 marks, passing mark: 15)**

Please provide the details of the VC fund management team's expertise and experience in investing in specific technology areas. Please describe the VC fund's capability to add value and contribute to the growth and performance of the I&T companies, such as providing mentorship, management, marketing and expert support for development of core business technologies. The extensiveness and coverage of the expert support through its international / regional network and the quality of the experts, advisors and consultants in the network are also the essential factors for consideration.

**D. Local Resources and Knowledge for Managing the Co-investment Fund  
(Total : 30 marks, passing mark: 15)**

Please provide the details of the manpower and structure of the VC fund's local office in Hong Kong as well as the number, experience and expertise of the key local full-time staff. For local office, please state its expected contribution to the local I&T ecosystem, in particular, how it may facilitate more vibrancy and the promotion of I&T development in Hong Kong.

**The Innovation and Technology Venture Fund**

**DECLARATIONS**

1. The Applicant declares and warrants that
  - (a) it complies with and observes all legal and supervisory requirements set out in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap 615 of the Laws of Hong Kong), the Guidelines on Anti-Money Laundering and Counter-Terrorist Financing (for Authorised Institutions), and the United Nations (Anti-Terrorism Measures) Ordinance (Cap 575 of the Laws of Hong Kong); and
  - (b) sufficient and appropriate internal controls systems are in place in order to prevent and detect money laundering and terrorist financing.
  
2. To the best of the Applicant's knowledge, there being no other past, present or future dealings, state of affairs or obligations or commitment that would put the Applicant in conflict with its obligations under the Innovation and Technology Venture Fund Scheme and any agreement from time to time to be entered into between The Innovation and Technology Venture Fund and the Applicant (should the application be successful) except for those as set out below:

Declared and signed by:

\_\_\_\_\_  
(Authorised representative of the Applicant)

Name (Title) : \_\_\_\_\_(\_\_\_\_\_)

Date : \_\_\_\_\_