



# **Innovation and Technology Venture Fund**

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

**(October 2021)**



**Innovation and Technology Commission**

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The Government of the Hong Kong Special Administrative Region

## **Introduction**

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

## **Background**

2. The Hong Kong Special Administrative Region Government set up the HK\$2 billion ITVF scheme to encourage more private VC funding to invest in local innovation and technology (“I&T”) startups so as to create a more vibrant I&T ecosystem in Hong Kong. Under the scheme, the ITVF will co-invest with selected VC funds in local I&T startups at a ratio of approximately 1 (ITVF) : 2 (CP).

3. To facilitate administration of the ITVF, a limited company, The Innovation and Technology Venture Fund Corporation (“ITVFC”), has been set up. It serves as a special-purpose vehicle to co-invest with CPs and perform all necessary investment activities. The ITVFC invests in local I&T startups concurrently with the CPs upon invitation of the latter.

4. The ITVFC currently has 11 CPs and has co-invested around HK\$142 million in 22 local I&T startups. The investee companies cover a wide range of businesses including financial technology, e-commerce, supply chain management, biotechnology and artificial intelligence.

5. To further explore co-investment opportunities, the ITVF now invites a new round of applications with a view to selecting more CPs to join the scheme.

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

6. A VC fund, whether incorporated in Hong Kong, Mainland China or overseas (**Note 1**) and whether a newly established or an existing fund, is welcome to apply for selection as a CP if it meets the following criteria-

- (a) having an investment focus in I&T startups;
- (b) having an investment coverage including Hong Kong;
- (c) having a minimum remaining committed capital of HK\$120 million (**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 startups 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 at the time of signing the Master Agreement with the Government.

## **Key Terms of the Master Agreement**

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 (“MA”). For details on the key terms of the MA, please refer to **Annex I**.

## **Procedures for Application as CPs**

8. The ITVF scheme is now open for application as CPs from VC funds and the deadline for application is 31 January 2022. Interested VC funds are invited to make applications by submitting (i) an application form (a template is provided at **Annex II**), (ii) the required documents and any other supplementary documents, and (iii) the duly-signed declaration form at **Annex III**.

9. The application form together with relevant supporting documents should be submitted to the ITVF Secretariat by 31 January 2022 by email (itvf-enquiry@itc.gov.hk).

10. The selection of CPs will be based on the criteria set out at **Annex IV**. The 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.

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

## **Enquiry**

12. Further information concerning the ITVF scheme is available at the website (<https://www.itf.gov.hk/en/funding-programmes/supporting-start-ups/itvf/>). 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 an application. For enquiry, please contact –

Mr. LIM Kuen, Manager (ITVF)

Tel.: (852) 3655 5474

Enquiry email:

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

## **Disclaimers:**

- 1. The submission of an application 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 under the ITVF scheme constitutes neither an offer nor 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 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 or 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 kept strictly 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

- 1.1 The Master Agreement (“MA”) will be executed in Hong Kong. The laws of Hong Kong will be designated as the governing laws and any dispute will be resolved first by mediation and if necessary by arbitration in accordance with the Hong Kong International Arbitration Centre Domestic Arbitration Rules.

#### 2. Duration

- 2.1 The VC Fund shall have at least a fund life of five years for co-investment at the time of signing of the MA. In general, the duration of the MA will be the fund life of the Partner Fund, and in no case the duration could exceed 12 years. Upon signing the MA, the “Five-year Active Investment Period” will commence and the Innovation and Technology Venture Fund Corporation (“ITVFC”) will co-invest actively with the Co-investment Partners (“CP”) in local innovation & technology (“I&T”) startups.
- 2.2 If no one single co-investment is ever made in the first two years since the commencement of the MA, the ITVFC reserves the right to terminate the MA with the CP or at its discretion provide a further grace period for the first co-investment to be completed.



### 3. Key Obligations of a CP

- 3.1 Throughout the Active Investment Period, the CP is obliged to invite the ITVFC to co-invest in all potential Investee Companies (“IC”) which qualify as eligible local I&T startups.
- 3.2 For each proposed investment, the CP shall at its own costs prepare and submit the required documents, including an Investment Proposal Report and a Due Diligence Report, to the ITVFC for deciding whether to go ahead with the proposed investment.
- 3.3 The CP shall actively identify and execute exit opportunities for both the CP and the ITVFC before the end of the MA.
- 3.4 The CP shall take all necessary actions as a professional investor to protect the interests of the Government and enhance the values of the investment.

### 4. Key Principles

- 4.1 The ITVFC has discretion in deciding whether to invest in (or withdraw from) any proposed investment. In making such decision, the ITVFC will consider, among other things, the following factors related to an IC:
  - (a) whether it has sufficient Hong Kong presence, “I&T elements” and meets the definition of “Eligibility of a Local I&T Startup for Co-investment”; or
  - (b) whether it violates any current or planned legislation or government policies.

## 5. Eligibility of a Local I&T Startup for Co-investment

5.1 The IC should be either (i) a company incorporated in Hong Kong, or (ii) an offshore company with only one direct wholly-owned subsidiary incorporated in Hong Kong, or (iii) other company structures as approved by the ITVFC on a case by case basis.

5.2 The IC shall meet all of the following criteria:

(a) the IC or its wholly-owned subsidiary was incorporated under the Companies Ordinance within the last seven years and with one of its offices (headquarter or regional office) or its main business operation or its key management or leadership team being located in Hong Kong;

(b) the IC or any of its subsidiar(ies) (if any) engages in I&T business, covering any part of the research and development or production chain in Hong Kong; and

(c) the IC and all of its subsidiar(ies) (if any) have a total number of employees (including Hong Kong, Mainland China and overseas offices) being less than 250.

## 6. Restrictions

6.1 The ITVFC will co-invest with the CP at a matching ratio of approximately 1 (ITVF) to 2 (CP). Apart from that, the following restrictions must be observed:

(a) the aggregate amount of Government investments with a CP shall be capped at HK\$400 million;

- (b) the aggregate Government investments in the same IC shall be capped at HK\$50 million; and
- (c) for each Investment in an IC (whether under the same completion date (viz., same round) or with different completion dates pre-scheduled over a period of time (viz., multiple rounds)), the Government investment amount shall constitute (i) not more than 40% of the original total target investment amount sought by the IC, or (ii) HK\$30 million, whichever is the lower.

## 7. Fees and Incentives

7.1 The ITVFC will not pay any fee whatsoever to the CP or share the expenses incurred by the CP in entering or performing its obligations under the MA, such as carrying out due diligence and preparation of transaction documents for itself and the ITVFC, but the ITVFC will provide the following upside incentives.

- (a) Upon the completion of the sale by the ITVFC of all but not some of its shares in an IC to a third party/parties, the ITVFC shall pay to the CP a performance incentive equal to 35% of realised capital gain arising from the sale of all of the ITVFC's shares in that IC. The realised capital gain for calculating the carried interest should be the net amount after deduction of Government Investment cost plus interest which could have accrued on such cost at the rate further specified below.

(1) The interest rates are defined by the rates of fee payable 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. For reference, the said rates for the last few years were 4.6% (2018), 2.9% (2019) and 3.7% (2020).

- (b) The CP will be provided with a call option to purchase the co-invested shares in all of the ICs in which the ITVFC has been invited by the CP to invest within five years from the commencement date of the MA. When this option is exercised, the CP has to purchase all but not some of the shares in all of the ICs under the co-investment portfolio. It shall be exercisable at a cost plus interests which could have accrued on such principal amounts (viz the interest rate as specified in paragraph 7.1(a)(1)). The call option can be exercised at most twice within the five years after the commencement of the MA.

## 8. Exit Requirement

- 8.1 Before the end of the MA, the CP should locate third parties to acquire the ITVFC's and the CP's stakes in the related ICs on a commercially reasonable efforts basis.
- 8.2 Should the ITVFC still hold the shares of ICs at the end of the MA, the ITVFC may exercise a redemption right to request the ICs to redeem the ITVFC's stake at a price based on an independent valuation.
- 8.3 If a CP commits a defaulting event, e.g. wilful misconduct and violation of criminal law, before the end of the MA, the ITVFC has an option to request the defaulting CP to acquire all of the ITVFC's stakes in all ICs based on an independent valuation.

8.4 If an IC commits a defaulting event, e.g. no longer an eligible local I&T startup or involving in activities that may bring the Government into disrepute, before the end of the MA, the ITVFC has an option to request the defaulting IC to acquire the ITVFC's stake based on an independent valuation.

## 9. Other Key Terms

9.1 The tag-along rights, pre-emptive rights, information rights, typical termination provisions due to default, indemnities, confidentiality, warranties, conflict of interests and other protective clauses should be included.

## The Innovation and Technology Venture Fund

### Application Form for Selection as Co-investment Partner

VC funds shall submit the application by completing this form and provide the required documents and any other supplementary documents as attachments. The following checklist is summarised for your easy reference.

Item	Attachments to be submitted
1.1	Private Placement Memorandum
1.1	Limited Partnership Agreement
1.1	Subscription Agreement
1.1	Presentation Deck of the VC Fund
1.2	Corporate Legal Structure
1.3	Shareholding Structure
1.6	Assets Under Management <b>(Note)</b>
1.7	Invested Capital <b>(Note)</b>
1.12	Concentration of Accounts <b>(Note)</b>
1.15	Code
1.15	Handbook
1.15	Manual
2.2	Organisation Chart
2.3	Brief Background of the Key Persons
2.4	CVs of All Key Investment Professionals
4.3	Performance Data (by Fund) <b>(Note)</b>
4.4	Performance Data (by deal) <b>(Note)</b>
5.1	Information of the Proposed Team for the ITVF Scheme

**Note: Please provide the required information using the templates provided in the relevant sections.**

If there is any other attachment to be provided, please specify:

Item	Attachments to be submitted

<b>A GENERAL BACKGROUND</b>
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### 1.1 Fund Description

Please provide the basic information of the VC fund proposed to be partnered with the ITVF for co-investment.

<b>VC Fund</b>
Legal Name: Place of incorporation: Registration number: Target fund size: Committed fund size: Fund type (closed-end or open-end): First closing date: Final closing date: Fund term and extension period (if any): Investment period end date: Investment mandate: GP's commitment (if any): Number of limited partners: Fee structure: Carried interest/hurdle: A brief description of VC Fund and its core competences as compared with similar funds in the market:
<b>General Partner</b>
Legal Name: Place of incorporation: Registration number:
<b>Investment Advisor</b> <i>(if an investment management agreement is in-place)</i>
Name: Place of incorporation: Registration number:
<b>VC Firm</b>
Name: Place of incorporation: Registration number: Headquarter address: HK office address:

[Attachment: Private Placement Memorandum, Limited Partnership Agreement, Subscription Agreement, and Presentation Deck of the VC Fund](#)

## 1.2 History

Please provide a brief history of the firm since inception with emphasis on its asset management operations and VC investment activities.

Please provide the history of the operating unit and/or subsidiary in which your VC investment operations are conducted.

[Attachment: Corporate Legal Structure](#)

## 1.3 Ownership

Please describe the ownership of the firm, including details regarding the percent owned by individuals currently active in the firm including affiliated companies or joint ventures.

Please provide a chart of the legal/control structure of the whole group.

Who are the founding members of the firm? In what capacity are they still involved with the organisation?

Within the past ten years, have there been any significant developments in your organisation, including ownership transition events, ownership changes and organisational restructuring?

[Attachment: Shareholding Structure](#)

## 1.4 Lines of Business and Respective Revenue Contribution

Please describe the firm's lines of business and show the approximate contribution of each business to the firm's total revenue. Categories may include, but are not limited to, commingled funds, separate accounts, advisory services, administration business, etc.

If the firm is a subsidiary of a group, please state the revenue contribution of the firm as a percentage to the group.



## 1.5 Branch and Affiliate Offices

Please list all branch and affiliate offices, including if applicable any existing office in Hong Kong or plan to set up office in Hong Kong. Please describe the functions performed at these offices and how they contribute to the overall investment and business objectives of the VC Fund.

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## 1.6 Firm's Assets Under Management ("AUM")

Please provide the following figures **by completing the template and saved as attachment for submission**: (a) AUM by asset class, (b) AUM by account type, (c) AUM by LPs location, and (d) AUM by LPs type.

[Attachment: Template for Assets Under Management](#)



Template\_1.6-Asset under Manager

## 1.7 Firm's Invested Capital (VC Only)

Please provide the following figures **by completing the attached template and saved as attachment for submission**: (a) Invested Capital by account type, (b) Invested Capital by deal type, (c) Invested Capital by stage, (d) Invested Capital by asset location, and (e) Invested Capital (Commingled funds only) in the past 10 years

[Attachment: Template for Invested Capital](#)



Template\_1.7-Invested Capital.xlsx

## 1.8 Financial Condition

Please submit the firm's latest annual report filed with its respective governing bodies and the latest audited financial report. Indicate reasons for any recent material changes in the firm's financial condition.

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## 1.9 Business Plan

Please provide a summary of the firm's business plan for the next five years. Address any points you feel are pertinent, including but not limited to the following:

- a) The steps to ensure that the quality of investment management service grows with assets under management.
- b) Any plan for expansion, in terms of fund raising plan, geographical location and function (e.g. investment management, research, marketing, risk management, operations, information technology and client services).

## 1.10 Regulatory Compliance

Is the firm registered with any regulatory and/or supervisory bodies? What is your fiduciary classification?

Please state the date of last inspection by the regulators, and any major findings identified by the regulators. Please state whether the firm's policies in respect of soft commission, trade execution, compliance monitoring and indemnity insurance/performance bond are in compliance with regulatory requirements.

## 1.11 Business Relationship

Please provide a list of professional counterparties the firm maintains a significant or noteworthy business relationship with and state the length of such relationship. These counterparties shall include, where applicable, the following:

- (a) administrators/custodians;
- (b) legal counsel;
- (c) auditors;
- (d) banks; and
- (e) other important business partners.

### 1.12 Concentration of accounts

Please provide the total 10 accounts of the VC Fund and top five accounts of the firm's AUM **by completing the attached template and saved as attachment for submission.**

[Attachment: Template for Concentration of Accounts](#)



Template\_1.12-C  
oncentration of Ac

### 1.13 Litigation

Has the firm (or any partner, employee or associate thereof, whilst acting in an investment business capacity) been the subject of any regulatory investigation, business litigation, legal action or disciplinary action in the past 10 years? Please provide details of the incident(s), if any, and the remedial action(s) taken by the firm. Please also provide details of any current material customer complaints against the firm or any of its partners, employees or associates.

### 1.14 Compliance

Please describe the firm's internal controls to ensure compliance with investment guidelines and regulations by the firm. Please state your compliance monitoring procedures, personnel involved, their reporting line and responsibilities, and how regularly they review the compliance reports. How are the results of monitoring investments documented and communicated to management? Are there any procedures in place to ensure any weaknesses identified are promptly resolved?

### 1.15 Code of Ethics

Does the firm maintain a code of ethics, standards of practice handbook and office manual governing the professional conduct of the employees? Please provide such code, handbook, and manual.

[Attachment: Code, Handbook, and Manual](#)

### **1.16 Investment in the Firm's Own Funds**

What is the firm's policy on investment by the firm, its senior management, agents, employees and persons acting on its behalf in (a) the firm's own funds and (b) in the underlying funds and in the portfolio companies?

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## **B PERSONNEL**

### **2.1 Number of Employees**

Please provide the total number of employees of the firm and breakdown by business, functions and locations.

### **2.2 Functional Structure**

Please provide an organisation chart of the firm by functions, indicating primary responsibilities and reporting lines.

[Attachment: Organisation Chart](#)

### **2.3 Key Persons**

Please provide a brief background of the firm's key persons with regard to the management of the Fund. Details should include:

- (a) name;
- (b) official title;
- (c) age;
- (d) location;
- (e) responsibilities;
- (f) education;
- (g) professional qualifications;
- (h) working experience;
- (i) length of service in the firm;
- (j) equity stake in the firm; and
- (k) criminal records.

[Attachment: Brief Background of the Key Persons](#)

### **2.4 Investment Team**

Please explain how investment professionals are organised within the firm. Please include written biographies for all key investment professionals.

Please provide descriptions of the meaning behind titles held if applicable. For example, delineate the significance between associate vs. analyst, partner vs. managing partner etc.

[Attachment: CVs of All Key Investment Professionals](#)

**2.5 Back Office Team**

Please address the depth and level of experience within your back office team.

**2.6 Governing Committees**

Please explain the role and composition (including name, title and tenure) of any committees involved in managing the firm. These include, but are not exclusive to, the following: Board of Directors, Operating Committee, Executive Committee, Senior Management Committee, Asset Management Committee etc.

## **C INVESTMENT STRATEGY AND PROCESSES**

### **3.1 Investment Philosophy**

What is the VC Fund's investment philosophy? What are the investment criteria?

### **3.2 Investment Process**

Please describe in detail your investment process including the following areas:

- (a) Origination/Deal sourcing
- (b) Valuation policy
- (c) Due Diligence for VC investment
- (d) Research and database involved
- (e) Screening process, annual deal flows in the past 5 years, investment rate
- (f) Decision-making and approval process (role and composition of Investment Committee)

### **3.3 Portfolio Monitoring**

Please explain how the portfolio company will be monitored, particularly in terms of achieving the business plan. How often do you communicate with the portfolio company?

### **3.4 Identification and Monitoring of Risks**

Please state the types of risks that are specific to VC investments and how they are monitored. Please include the following:

- a) **Valuation risk.** How do you ensure the underlying funds in your portfolio are reasonably priced? Do you have any systems/models in place to assist you in the process?
- b) **Leverage.** How do you define leverage? What is the acceptable level of leverage for VC funds? Does the firm also apply leverage to any of its VC funds and why?
- c) **Cash flow uncertainty.** How do you resolve the cash flow uncertainty at the portfolio company level?
- d) **Operational risk.** How do you control/monitor operational risk of the firm and the underlying funds? Is there any disaster recovery plan?
- e) **Liquidity risk.** How do you manage the risk arising from the illiquid nature of VC investments?
- f) **Litigation risk.** What are the issues that LPs should note and how can such risks be minimised?
- g) **Exit risk.** Do you analyse exit risks (market liquidity, timing, probability and other exit options) before investing?
- h) **Concentration risk.** Do you set limits for concentration and how are the limits determined?

### 3.5 Risk Management Tools

Please describe specific safeguards to minimise investment risk. Describe the firm's quantitative risk management tools. How extensive do you apply your risk management models in making your investment decisions?

### 3.6 Value Creation Capabilities

Please describe your value creation capabilities that would add value to the portfolio companies. Include areas such as market intelligence network, margins improvement, industry know-how, business network etc.



### 3.7 Current fund-raising activities

Please provide a brief description (e.g. size, portfolio construction, investment strategy, investment stages, geographic allocation, vintage year) of the current and expected fund raising activities of the firm covering all VC mandates. In case there are other existing and/or prospective VC-dedicated mandates that are similar to the mandate of the VC Fund (which applies as a co-investment partner of the ITVF Scheme), please provide further information on the similarities, and elaborate further on how the potential conflicts (e.g. in terms of deal allocation) would be mitigated.

## **D INVESTMENT PERFORMANCE**

### **4.1 Performance Analytical Tool**

Which performance analytical tool(s) does the firm use to evaluate its investment results?

### **4.2 Benchmark**

Which benchmark is used for your VC funds? Do you use other yardsticks against which to measure your performance? How are they determined?

### **4.3 Historical Performance Data (by fund)**

Please provide historical performance data of ALL prior VC funds managed by the firm as of 30 September 2021 **by completing the attached template and saved as attachment for submission.**

[Attachment: Template for Performance Data \(by Fund\)](#)



Template\_4.3-Per  
formance(by Fund)

### **4.4 Historical Performance Data (by deal)**

Please provide historical performance data of ALL prior individual VC investments made by the firm as of 30 September 2021 **by completing the attached template and saved as attachment for submission.**

[Attachment: Template for Performance Data \(by Deal\)](#)



Template\_4.4-Per  
formance Data(by

#### 4.5 **Highlight of Historical Performance**

Based on the above performance history, were there any special circumstances that you wish to highlight?

## **E LOCAL PRESENCE AND SUPPORT**

### **5.1 Proposed Team for the ITVF Scheme**

Please provide a proposed team of investment, client servicing and other professionals for the ITVF Scheme.

Please provide the biography of the team members responsible for the ITVF Scheme and indicate their work location.

[Attachment: Information of the Proposed Team for the ITVF Scheme](#)

### **5.2 Client Servicing**

What is the firm's policy on client servicing, including client query turnaround time, portfolio reporting deadline and frequency of portfolio review?

### **5.3 Value-added Support**

Please outline other support that is considered relevant to the ITVF Scheme.

### **5.4 Experience in Managing Co-Investment Partnership**

Please describe your experience in managing co-investment partnership with other institutions. If the Fund is selected as our co-investment partner, is it allowed to allocate the eligible local I&T investment opportunities according to the 1:2 ratio under the ITVF Scheme?

## 5.5 Reporting

- a) Do you adhere to any industry guideline on VC investment reporting?
- b) Do you hire third-party to assess the valuation of each VC investment under VC Fund?
- c) How often is the valuation of each VC investment calculated?
- d) What kinds of reports do you produce for your clients at fund, portfolio and company levels? How frequently and timely are they produced? Please provide sample reports.
- e) Can you produce customised reports for the ITVF Scheme?

## 5.6 Contribution to the I&T ecosystem in Hong Kong

Please specify if your firm has supported any local startups and contribute to the development of the I&T ecosystem in Hong Kong.

## 5.7 References

Provide contact information of three references, including executives of portfolio companies and major LPs of the Fund. Can we contact them directly if needed?

**The Innovation and Technology Venture Fund**

**DECLARATION FORM**

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), the Guidelines on Anti-Money Laundering and Counter-Terrorist Financing (for Authorised Institutions), and the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575); 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 (Post Title) : \_\_\_\_\_ (\_\_\_\_\_)

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

## The Innovation and Technology Venture Fund

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

The selection of venture capital (VC) funds (*Note 1*) as Co-investment Partners of the Innovation and Technology Venture Fund (ITVF) Corporation would be based on the following criteria:

Attribute ( <i>Note 2</i> )	Marks
<b>A. General Background (Passing Mark: 7.5)</b>	<b>15</b>
Background of the VC fund	
Firm's history, ownership, lines of asset management business, branch and affiliate offices, regulatory compliance, involvement in litigation	
Factors indicating the fund's financial capability and strength	
<b>B. Personnel (Passing Mark: 12.5)</b>	<b>25</b>
Expertise and years of experience of the key persons in investing in I&T startups in Hong Kong and other jurisdictions	
Expertise and years of experience of the investment team in investing in I&T startups in Hong Kong and other jurisdictions	
Number of employees in each of the business, functions and locations	
Governing committees and organization chart of the VC fund by functions	

Attribute ( <i>Note 2</i> )	Marks
<b>C. Investment Strategy and Processes (Passing Mark: 12.5)</b>	<b>25</b>
Investment philosophy of the VC fund	
Expertise and experience in early-stage investments, covering deal sourcing and screening approach, due diligence process, decision making process	
Valuation methodologies on early-stage investments and post-deal monitoring processes	
Expertise and experience in value creation for the portfolio companies (e.g. support on management, financing, business development, marketing, technical advice etc.)	
<b>D. Investment Performance (Passing Mark: 7.5)</b>	<b>15</b>
Historical performance of all funds managed by the firm with benchmark	
Historical performance of all VC investments, indicating successful exits through trade sale or public listing	<b>20</b>
<b>E. Local Presence and Support (Passing Mark: 10)</b>	
Proposed team and resources and any other value-added support for the ITVF Scheme	
Experience in managing co-investment partnership	
Size, establishment and structure of the local office in Hong Kong	
Contribution that can be made to the development of the I&T ecosystem in Hong Kong	<b>100</b>
Total:	



*Note 1* In this document, VC firm means the fund management firm as the **General Partner** and **Partner Fund** means the VC fund to be partnered with the ITVF for co-investment.

*Note 2* If a VC fund could not obtain the passing mark required in each attribute, this will be considered as failure in the selection process.

## 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 application form for submission.

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

Please provide a brief background of your VC fund with emphasis on its history since inception, asset under management, ownership, legal structure, lines of asset management business, branch and affiliate offices, financial condition, business plan, regulatory compliance and involvement in litigation (if any).

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

Please provide the asset under management by business, by account type, by stage, by asset location, by client location and by client type.

Please provide the investment status of prior VC funds, indicating the investment amounts that met the eligibility of I&T companies defined under the ITVF scheme.

### **B. Personnel (Total mark: 25, passing mark: 12.5)**

Please provide a brief background of the key persons and investment team, with details including name, official title, age, location, responsibilities, education, professional qualifications, working experience, length of service in the firm and years of experience in VC investment.

Please provide an organization structure by functions (e.g. investment team, support team, investment committee, client service team etc.) and the total number of employees by locations and functions.

Explain the role and composition of all governing committees, e.g. Board of Directors, Investment Committee, Operating Committee, Asset Allocation Committee etc.

**C. Investment Strategy and Processes (Total mark: 25, passing mark: 12.5)**

Please describe the investment strategy and targeted portfolio construction of the VC fund.

Please describe the expertise and experience in early stage investment, especially its deal sourcing capabilities and screening approach, due diligence process, decision making process and post-deal monitoring process. Please describe the valuation methodologies on early-stage investments and risk management measurements.

Please describe the VC fund's expertise and experience in value creation which contributes to the growth and performance of the portfolio companies (e.g. support on management, financing, business development, marketing and expert support for development of core business technologies). The extensiveness, coverage and quality of the professional support through its international/regional network are also the essential factors for consideration.

**D. Investment Performance (Total mark: 15, passing mark: 7.5)**

Please provide historical performance data of all prior VC funds and each VC investments, and via case studies, demonstrate (i) its capabilities to identify I&T companies which have strong application potential and (ii) the effectiveness of its investment strategy in analyzing, spearheading and capitalising on the latest trends of I&T development.

Please indicate the successful exits through trade sale or public listing and lessons learnt from the failure investments.

**E. Local Presence and Support (Total mark: 20, passing mark: 10)**

Please state the firm's 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.

Please describe the experience in managing co-investment fund or separate managed account. 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.