

HKUST Entrepreneurship Fund (“E-Fund”) Investment Guidelines

About E-Fund

1. Aligning with HKUST’s Knowledge Transfer Mission and with a view to strengthening the promotion of entrepreneurship spirit among HKUST stakeholders leading to social and economic impact, the E-Fund, with a fund size of HK\$100M committed by HKUST, is established for the benefit of promising HKUST technology start-up companies.
2. E-Fund is intended to be a capital investment solely for HKUST start-up companies, but not a condition-free grant. It will also help bridge the funding gap of HKUST start-up companies before they could secure sufficient external funding to grow or to expand.

Eligibility

3. E-Fund will only invest in HKUST start-up companies (“Start-ups”), which meet the following eligibility requirements:
 - (a) Private and owned legally and beneficially with at least 10% by faculty member, staff member, student, and/or alumni of HKUST.
 - (b) Established for no more than 7 years when E-Fund makes the initial investment.
4. E-Fund may invest in any Start-up featured with innovative technologies and/or business models. Start-ups should preferably have Hong Kong operations and/or registrations.
5. E-Fund will not make an investment that represents a reputational risk to HKUST. E-Fund will also not make investment in companies involved in activities which are illegal or against public interest, or are linked to countries or regimes subject to United Nations sanctions.

Amount of Investment

6. E-Fund has two investment models, with an initial investment limit of HK\$5M per Start-up:
 - (a) **Co-Investment Model.** E-Fund co-invests with qualified Co-Investment Partners into Start-ups.
 - (b) **HKUST-initiated Investment Model.** E-Fund independently invests in Start-ups without Co-Investment Partners.

Investment Criteria

7. E-Fund will assess the investment opportunities based on the following criteria, including but not limited to:
 - (a) Technology, Intellectual Property (IP) and value proposition of the business
 - (b) Differentiation and quality of the product/service offering
 - (c) Market size and growth potential particularly the target market segment
 - (d) Clear and executable business strategy for long-term success
 - (e) Experience and capability of the company and its team to achieve strategic goals
 - (f) Business model and sustainable competitive advantage

Investment Assessment and Required Documents

8. Selected potential investees may be invited to participate in the due diligence process, during which the following information will be required:
 - (a) General Information
 - (i) Certificate of Incorporation (CI)
 - (ii) Valid Hong Kong Business Registration Certificate
 - (iii) Latest Annual Return (Form AR1/NAR1) (*for company established over 1 year*); or Incorporation Form (NC1/NNC1) (*for newly established company*)
 - (iv) Organizational chart showing team structure, including role(s) of the Person-in-Charge and team members
 - (v) Group chart detailing shareholding ownership structure of all related parent or subsidiary companies, including company names, ownership/voting right percentages, and countries/regions of incorporation/registration
 - (vi) Proof of association with HKUST, such as staff/student card or graduation certificate
 - (b) Business proposal which includes but not limited to executive summary, business and products overview, industry and markets analysis, operational plan and strategies, collaboration with the University and financial forecast
 - (c) IP rights documentation, including evidence of granted patents, certificate of filing, and copyright ownership, and agreements on the sharing of royalties and intellectual property rights with collaborating organizations
 - (d) Other supporting documents (if any)
 - (i) Latest audited financial statements and most updated management accounts
 - (ii) Financial projection and analysis of use of fund
 - (iii) Documents related to funding support from the government and/or other third-party investors
 - (iv) Pre-money valuation
 - (v) Capitalization table (Cap table)
 - (vi) Information and term sheet from potential venture capital investors
 - (vii) Any additional supporting document(s) related

Important Notes to the Potential Investees

9. HKUST is not obligated to provide any funds from the E-Fund to the potential investee or its company.
10. Any decision regarding funding from the E-Fund is at HKUST's sole discretion and is final. HKUST is not required to provide reasons for its funding decisions.
11. The potential investee participates in this process at its own cost and risk. HKUST is not liable for any loss, damage, or expense incurred by the potential investee during the investment assessment process, regardless of funding outcome.
12. The potential investee represents that all information provided to HKUST is true, accurate, and not misleading. HKUST reserves the right to stop the investment process if errors are found, but it may allow corrections if the mistakes are deemed genuine.
13. HKUST reserves the right to verify, investigate, or supplement the information provided by the potential investee, with consent to make enquiries to relevant third parties.
14. HKUST may reconsider the eligibility of the potential investee at any time.
15. Information submitted will not be returned to the potential investee unless HKUST decides to do so.

16. The potential investee should keep all correspondence with HKUST confidential, disclosing it only to necessary personnel. HKUST may require or agree to a confidentiality agreement.
17. The potential investee warrants that the project is original and not available or under development elsewhere in the world.
18. The potential investee warrants that the project and its products/services will not infringe on any other party's intellectual property rights.
19. The potential investee will follow principles of openness, fairness, and competitiveness in procuring goods/services with E-Fund benefits.
20. The potential investee will ensure its personnel comply with these guidelines and any agreements with HKUST.
21. Requests for information are non-committal and do not constitute an offer from HKUST. HKUST is not obligated to award funding or contracts.
22. Investment by the E-Fund is limited to HKUST and its affiliated entities; this notice is not an invitation or offer to invest.

Probity Requirement for Potential Investees/ E-Fund Recipients

23. To maintain openness, fairness and integrity of the HKUST, the potential investees and E-Fund recipients should be aware of the following relevant points:
 - (a) Observe the Prevention of Bribery Ordinance (Cap. 201, Hong Kong Legislation) and ensure all personnel involved in the project do the same, avoiding any solicitation or acceptance of advantages as defined in the Prevention of Bribery Ordinance in relation to the process/project.
 - (b) All potential investees/recipients are required to comply with anti-bribery laws and regulations in foreign jurisdictions when conducting business overseas and/or set up legal entities in foreign locations to support local operations.
 - (c) All potential investees must promptly declare and notify HKUST in writing of any potential or actual conflicts of interest as soon as they become aware of them. A conflict of interest includes, but is not limited to, situations where the private interests of a potential investee/recipient or its personnel conflict with or compete with their role, duties, and impartiality under the E-Fund, such as having a relative working at HKUST.
 - (d) Take all necessary measures (including by way of a code of conduct or contractual provisions) to ensure that its personnel are aware of and comply with the requirements as set out in this provision.
 - (e) All potential investees must not offer, give, or agree to give any person employed by HKUST, or any individuals acting on HKUST's behalf, any gift or consideration as an inducement or reward for: (i) doing or not doing any act in relation to the E-Fund and (ii) showing or not showing favor to any person in relation to the E-Fund.