

Invitation for Proposal
Regarding Fund Managers of the
Investment Portfolio under the
New Capital Investment
Entrant Scheme

27 November 2024

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1. Purpose of Document

- 1.1 This document is an invitation for proposal (“IFP”) to facilitate the assessment process for appointing fund managers to identify, implement and manage the investments for the Investment Portfolio (“CIES IP”) under the New Capital Investment Entrant Scheme (“New CIES”).

2. Background

- 2.1 The Hong Kong Investment Corporation Limited (“HKIC”) is wholly owned by the Government of the Hong Kong Special Administrative Region (“HKSAR”). The HKIC is tasked to set up and oversee the management of the CIES IP. According to the requirement of the Government of the HKSAR, an eligible applicant under the New CIES must make investment of a minimum of HK\$30 million in permissible investment, including placing HK\$3 million into the CIES IP. According to the HKIC’s latest estimate, the size of the CIES IP under the New CIES is expected to be at least HK\$300 million by the end of this year. Investment of such capital is expected to start in the first quarter of 2025.
- 2.2 As announced in November 2024 and among other things, the operational arrangements of the CIES IP are set with a view to:
- (a) Fully realising the function of the CIES IP for the long-term development of Hong Kong’s economy and society; and
 - (b) Joining hands with multi-disciplinary stakeholders to accelerate in tapping into and strategising the planning for the cutting-edge impetus for growth for the future of Hong Kong.
- 2.3 More detailed information about the HKIC and the CIES IP can be found on the HKIC website: www.hkic.org.hk.

3. Investment Mechanism Under the CIES IP

- 3.1 The fund managers are expected to identify, implement and manage the investments for the CIES IP based on a mechanism with key features as below.
- 3.2 **Investment Areas**
- (a) To invest in at least two new applications or new themes that could bring innovative advancements to Hong Kong’s technology or commercial transformation, aligning with Hong Kong’s advantages, positioning and needs, with the promotion of cross-jurisdictional development of technological applications as the long-term direction; and
 - (b) To focus on the exploration and incubation with Hong Kong market as a basis.

3.3 **Investment Stage and Type**

- (a) To primarily invest in companies and teams in their development stage.

3.4 **Investment Terms**

- (a) The mandate of the CIES IP managed by each fund manager (the “Managed Portfolio”) to be no less than HK\$50 million;
- (b) Capital to be fully invested having regard to the aforementioned themes within two years of the Managed Portfolio’s establishment; and
- (c) The life of each Managed Portfolio to be seven years starting from 1 January 2025.

3.5 **Investment Progress**

- (a) To compile consolidated reports regarding the investment progress on a regular basis to keep investors posted about the operation and performance.

4. Format of the Response

- 4.1 The response to be submitted in relation to this IFP should contain the following information:

- Part A – Organisation
- Part B – Team
- Part C – Investment Strategy, Track Record & Proposed Themes
- Part D – Development Plans in and for Hong Kong
- Part E – Conflict of Interests and Risk Management
- Part F – Fees and Terms

The ensuing sections outline the basic information required for further consideration. Each interested institution for the aforesaid role of fund manager (“Applicant”), and to be considered as part of the appointment review process, should prepare its response in strict compliance with the sequence and format required in the ensuing sections, but any additional information is welcome. Please keep the information within 7 pages, for Part A – Part E, including any additional appendices or annexes, and within 1 page for Fees and Terms (Part F).

Part A – Organisation

Please give a brief overview of your firm, including:

- (a) History and presence of headquarters and offices;
- (b) Asset under management;
- (c) Investors base; and

- (d) Organisation structure including supporting functions and number of employees across headquarters and offices.

Part B – Team

Please provide details of the following:

- (a) Size, credential, experience and stability of the investment team;
- (b) Specify whether the management and decision-making personnel, including but not limited to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer (or personnel with equivalent positions), reside and are based in Hong Kong (generally to be in Hong Kong for more than 180 days during a calendar year);
- (c) Total number of employees and among which reside and based in Hong Kong (generally to be in Hong Kong for more than 180 days during a calendar year); and
- (d) Total number of members in the investment team. Specify whether the fund manager entity holds Securities and Futures Commission Type 9 regulated activity (asset management) license, and the number of investment professionals (accredited to such entity) who hold such license.

Part C – Investment Strategy, Track Record & Proposed Themes

Please provide details of the following:

- (a) Overall investment philosophy and strategy of the fund manager and whether the fund manager has credential and experience in making and managing venture capital investments;
- (b) Details and performance of the individual funds, with metrics including gross multiple on invested capital (MOIC), gross internal rate of return (IRR) and fund loss ratio; and
- (c) Proposed new applications or new themes that could bring innovative advancements to Hong Kong's technology or commercial transformation as required above.

Part D – Development Plans in and for Hong Kong

Please provide details of the following:

- (a) Business expansion plans in Hong Kong of the fund manager; and
- (b) Action plans (if any, existing or to be proposed) for investee companies to contribute to the future development of Hong Kong.

Part E – Conflict of Interest and Risk Management

Please provide details of the following:

- (a) Potential conflict of interest with your other mandates and proposed measures to mitigate such conflicts; and
- (b) Investment decision-making process, risk management and compliance framework and procedures.

Part F – Fees and Terms

Please provide details of the proposed fee structure and terms, including but not limited to management fee, administrative and partnership expenses (as % of the fund commitment), carried interest, hurdle rate and fund manager's commitment and other expenses, if any.

5. Selection Criteria

- 5.1 The HKIC will seek to select fund managers based on the following criteria: organisation, team, investment strategy, track record, proposed themes, development plans in and for Hong Kong, conflict of interest, risk management and fees and terms.
- 5.2 Priority will be given to qualified fund managers meeting the following criteria:
 - (a) Headquartered in Hong Kong, with clear and concrete business expansion plan which demonstrates its long-term commitment to Hong Kong;
 - (b) Having (i) the management and decision-making personnel, including but not limited to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer (or personnel with equivalent positions), and (ii) more than half of its employees, residing and based in Hong Kong (generally to be in Hong Kong for more than 180 days during a calendar year);
 - (c) The fund manager entity and all members of its investment team (accredited to such entity) holding licenses for the Securities and Futures Commission Type 9 regulated activity (asset management);
 - (d) Established for at least 5 years;
 - (e) Asset under management of no less than HK\$200 million;
 - (f) With successful experience in raising capital from institutional investors and making venture capital investments; and
 - (g) Committed to ensuring concrete action plans of investee companies to contribute to the future development of Hong Kong.
- 5.3 Your response should be submitted in strict compliance with the sequence and format specified in Section 4.
- 5.4 Late or incomplete response will not be considered.

- 5.5 The technical response (Part A – Part E under Section 4.1 above) and fee response (Part F under Section 4.1 above) should be submitted separately. The fee response would only be considered upon meeting a minimum threshold of the technical response.
- 5.6 Notwithstanding anything set out in this IFP, the HKIC reserves the right to disqualify an Applicant on the grounds, among other things, that the Applicant has engaged, is engaging, or is reasonably believed to have engaged or be engaging, in any act or activity that constitutes or is likely to constitute an offence under the Prevention of Bribery Ordinance (Cap.201), or that is reasonably considered by the HKIC to be prejudicial to the interests or reputation of the HKIC or the HKSAR Government, or prejudicial to national security or the public interest of Hong Kong.

6. Enquiries Contact

- 6.1 Any questions regarding this IFP should be directed to:

CIES_IP_submission2024@hkic.org.hk

7. Submission of Response

- 7.1 Electronic submission of response to this IFP, in the format specified in Section 4 “Format of the Response”, should be delivered by email **ONLY** (under two separate email covers, one for technical response and one for fee response) to the following email address:

CIES_IP_submission2024@hkic.org.hk

with email subject marked: “**Response to Fund Manager IFP for the CIES IP – Technical**” and “**Response to Fund Manager IFP for the CIES IP – Fee**” respectively, no later than 18.00 of 10 December 2024 (Hong Kong Time).

Failure to comply with the above submission requirement would render the submission disqualified.

Late submission or incomplete responses will not be considered by the HKIC. It is the responsibility of the Applicants to ensure their responses (electronic copy) reach the HKIC at the above address before the stated closing time, taking into account circumstances such as file size, internet and electronic transmission delay. Responses submitted via a uniform resource locator (URL) of public/private cloud storages (e.g. Google drive, Dropbox) embedded in the above email submissions will not be considered by the HKIC.

- 7.2 If tropical cyclone signal No.8 or above is hoisted, or black rainstorm warning signal or “extreme conditions after super typhoons” announced by the HKSAR Government is/are in force at any time between 9.00 a.m. and 12.00 noon on the IFP closing date, the IFP closing time will be postponed to 12.00 noon on the

first working day after the tropical cyclone signal No.8 is lowered, or the black rainstorm warning signal or the “extreme conditions after super typhoons” announced by the HKSAR Government has/have ceased to be in force.

8. Timetable for Response Review Process

- 8.1 Evaluation of the responses will be carried out in December 2024.
- 8.2 Fund managers who receive no further contact or information from the HKIC by 31 December 2024 may assume that they will not be considered further for this purpose.

9. General Conditions of this IFP

- 9.1 Applicants shall note that anything contained herein is for guidance only and does not in any way constitute a contractual relationship between the HKIC and any Applicant.
- 9.2 In issuing this IFP, there is no implied obligation for the HKIC to select any of the responses submitted, nor is the HKIC bound to accept the response of the lowest cost or any one of the responses received.
- 9.3 This IFP is issued on the understanding that no Applicant will charge the HKIC for any costs on preparing the response, submitting samples, etc. Each Applicant should also be prepared, at no charges to the HKIC, to answer further enquiry from or provide supplementary information to the HKIC on details of its response and/or attend subsequent interviews or meetings. For the avoidance of doubt, each Applicant shall bear all the costs incurred in the preparation of its response.
- 9.4 Each Applicant should ensure that it fully understands the scope of the services required as well as the terms and conditions of this IFP.
- 9.5 Each Applicant should respond to this IFP on the basis that, if ultimately being selected, it will be appointed to have sole responsibility for providing the services described in this IFP and/or those proposed in the Applicant’s own response submitted. Any limitation of responsibility that the Applicant wishes to negotiate should be clearly stated, with justifications, in its response.
- 9.6 The HKIC has the full discretion in the selection and appointment of the fund manager. The HKIC will not disclose its considerations, reasons, terms and conditions for the appointment, or the non-appointment, to any Applicant irrespective of whether its response is accepted. The HKIC may however disclose if the HKIC considers it appropriate (and without further reference to, or consent from, the fund manager), the award of the contract, the engagement and identity of the fund manager, the product/service to be provided, any

estimated fees, costs and expenses, and any other information relating to this IFP.

- 9.7 The Applicant shall not assign, sell, dispose of or subcontract, in whole or in part of the services required in this IFP without the prior written consent of the HKIC.
- 9.8 The Applicant shall submit to the HKIC all advertising, marketing or other publicity material relating to the appointment, services, systems and equipment in connection with this IFP wherein the HKIC's name is mentioned or implied. The Applicant shall not publish or use any such advertising, marketing or other publicity material without prior written consent of the HKIC.
- 9.9 All information and documents submitted by the Applicants will not be returned and will be disposed of by the HKIC after three years from the last date of submission specified in this IFP.
- 9.10 The HKIC reserves the right, and at the sole discretion of the HKIC to exercise this right, to negotiate with any or all fund managers about the terms of the service agreement.
- 9.11 The Applicant shall take all necessary measures in ensuring no unauthorised disclosure, loss or leakage of confidential or personal data. The Applicant shall treat as confidential all information supplied by the HKIC which is designated as confidential by the HKIC or which is by its nature clearly confidential provided that this clause shall not extend to any information which is already public knowledge or becomes so at a future date (otherwise than as a result of a breach of this clause).

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