

Appendix 2



Hong Kong Science and Technology Parks Corporation

Incubation Application Guide

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1. Introduction

The Incubation Programme (the “Programme”) is a 3-year programme provided by Hong Kong Science and Technology Parks Corporation (“HKSTP”). It aims to support the growth and development of technology start-ups (each an “**Applicant**”) in Hong Kong. This guideline (the “**Guide**”) provide information about the application requirements and funding support of the Programme.

2. Application

2.1. Eligibility Criteria¹

- (a) The Applicant must be a HKSAR registered and incorporated technology start-up company limited by shares under the Companies Ordinance (Cap. 622) of the Laws of the Hong Kong SAR.
- (b) The Applicant’s date of incorporation should be no more than five (5) years from the date of submission of the application form to join the Programme.
- (c) The founder(s) of the Applicant and/or the Applicant itself
 - (i) must not currently be a participant of any incubation programmes offered by either HKSTP or Cyberport Management Company Limited; and
 - (ii) may apply to join the Programme even if the Applicant or its founder(s) had previously been admitted into and has finished participating in the incubation programmes offered by HKSTP or Cyberport Management Limited, provided that, the current application made to the Programme is only the second time that the Applicant or its founder(s) are applying to join such programmes.
- (d) The Applicant’s activities must be related to technology such as Electronics, Information & Communications Technology, Material and Precision Engineering or Green Technology.
- (e) The Applicant is willing to commit to comply with the following requirements throughout the Programme:

¹ HKSTP has the sole and absolute right to interpret any terms or conditions in this Admission Criteria. Any disputes in relation to this Admission Criteria shall be determined by HKSTP at its sole and absolute discretion and HKSTP’s determination shall be final and binding on the Applicant.

- (i) The founders of the Applicant collectively (legally and beneficially) must hold at least 51% of the issued shares of the Applicant entity at the time of submitting its application and throughout the Programme Period². Such founders can be individual shareholders, non-operating holding companies (as reflected by the Articles of Association or any other valid supporting documents of such companies) or operating holding companies which fulfill this admission criterion and admission criteria (a) – (c)³.
- (ii) The Applicant must employ at least two full-time staff upon being admitted into the Programme⁴. The terms of employment of all full-time staff of the Applicant must be in full compliance with all relevant legal requirements under Hong Kong law.
- (iii) At least 50% of the Applicant's full-time staff (which, in any event, must not be less than 2 full-time staff) based at the Applicant's business operations at Science Park or such other locations as may be approved by HKSTP in writing (collectively, the "Approved Space") must be engaged in and continue to be engaged in conducting the core R & D activities stated in the Applicant's application as approved by HKSTP.
- (iv) The Applicant must primarily utilize the Approved Space for carrying out R&D activities and not primarily for sales and marketing activities. The Applicant **MUST NOT** under any circumstances utilize the Approved Space for any retail and/or mass production activities.

² The Applicant should make full disclosure of the shareholder(s)' identity and holdings (up to the top level) of the applying entity. Should there be corporate shareholders, they must not be well-established and mature companies that are in the same industry as the Applicant and engaged in R&D of the same or similar products/services as the Applicant.

³ The applicant should make full, accurate and up-to-date disclosure of the identity of its shareholders and of its corporate group structure (up to the ultimate top level holding company). The general guiding principle should be where there are corporate shareholders, they should not be mature companies in the same industry involving R & D of the same or similar types of products/technologies as the applicant.

⁴ The Assessment Panel (as defined in Section 3 of this Guide) may approve an Applicant for admission into the Programme subject to the condition that the Applicant must employ at least two full-time staff by no later than the last day of the third month after the License Agreement start date.

2.2. Application Procedure

- 2.2.1. To apply to the Programme, the Applicant must complete an Application Form and submit the required documents. Please refer to the Application Guide at **Annex 1**. The Application Form must be completed by an authorised representative of the Applicant. HKSTP reserves the right to seek additional information as it deems necessary. An Applicant shall also provide all clarification, information and documents requested by HKSTP from time to time for processing its application.
- 2.2.2. Applicants should note that the maximum space allocated to any successful Applicant (an “**Incubatee**”) is 1,600 sq. ft unless otherwise determined by HKSTP. HKSTP has the sole and absolute discretion to determine the space and location to be allocated to any Incubatee.
- 2.2.3. If an Applicant defers the submission of the clarifications, information and documents requested by HKSTP for processing its application for more than two (2) months, such application shall be deemed by HKSTP as having been withdrawn by the relevant Applicant.
- 2.2.4. The decision from the Assessment Panel for each application shall be final and binding on each Applicant.
- 2.2.5. Unsuccessful Applicants are permitted to submit a new Programme application to HKSTP if three (3) months or more have lapsed since the rejection date of the Applicant’s last application. However, if a new application is substantially the same as a previous ineligible or unsuccessful application, HKSTP has the full and final say on whether or not to process the relevant application.

2.3. Enquiries

Incubation Admission Team
Phone : 2629 6873
E-mail : Incubation@hkstp.org

3. Assessment and Approval

3.1. Eligibility Checks and Assessment Panel

- 3.1.1 All applications received will be reviewed by HKSTP to determine whether they meet the eligibility criteria. Eligible applications will be assessed by a dedicated assessment panel consisting of a range of individuals including many from different disciplines in the field of innovation and technology (the “**Assessment Panel**”). Panel members will be required to adhere to the probity requirements and policy of HKSTP as are applicable from time to time.
- 3.1.2 A list of panel members will only be provided upon written request by any interested party subject to HKSTP’s final discretion. Should an Applicant identify a potential conflict of interest with respect to any panel member (e.g. the Applicant becomes aware that a panel member is a current or former supervisor, colleague or collaborator, or a relative, friend or personal acquaintance of the Applicant), the Applicant should notify HKSTP via email without delay. A potential conflict of interest, once declared, will not adversely affect the application to which it relates, however, the panel will evaluate and process such application without any participation or involvement of the panel member(s) who is/are the subject matter of the conflict in question so as to avoid any potential probity concerns.

3.2. Assessment Criteria

All eligible applications will be evaluated based on the following assessment criteria:

- (a) Innovation and Technology
- (b) Business model
- (c) Background and competence of the core team members
- (d) Core R&D activity(ies)
- (e) The 3-year business proposal prepared by an Applicant

The Applicant may be required to make a presentation of its application to the Assessment Panel.

The Assessment Panel may require the Applicant to address its comments on the application (e.g. scope, budget and milestones, etc.). In such a case, the Applicant may be required to submit additional information together with such other documents as are requested by HKSTP.

3.3. Contractual Agreement

Under the Programme, Incubatees are offered an office space, technology & business development support & services and financial support. Incubatees are required to sign a Licence Agreement and a Funding Agreement (if applicable) with HKSTP.

4. Progress Review

- 4.1. HKSTP will assess the progress status of the Incubatee in achieving its committed milestones under its business proposal contained in its Programme application as approved by the Assessment Panel. Methods of monitoring include on-site visits, demonstration of the relevant solution or product, review of submitted milestone progress reports specifying any progress or achievement in its research and development work, technology/management awards, progress in intellectual property works and study, patent, trademark, registered design, funding received, corporate restructuring such as IPO / joint venture arrangement / mergers and acquisition / spin-off etc. status if applicable, sales orders achieved and number of staff employed; audited financial statements, management accounts, management reports and other supporting documents.
- 4.2. Incubatees will be subject to not less than 6 milestone assessment meetings throughout the 3-year term of the Programme. The first meeting will be held in the 3rd month after an Incubatee has been admitted into the Programme and at every 6 months intervals thereafter.
- 4.3. Any material modification to the Incubatee's business proposal (including but are not limited to change of key team members, deliverables, change of R&D or business scope) shall require prior written approval from HKSTP.
- 4.4. In any circumstance where HKSTP considers the Incubatee as having failed to achieve the committed milestones without any valid and acceptable explanation, the Licence Agreement and Funding Agreement (if applicable) shall be terminated at the sole and absolute discretion of HKSTP. If HKSTP considers that the Incubatee has failed to achieve the committed milestones, but the Incubatee has provided reasons and explanations that are acceptable to HKSTP, the Incubatee will be required to agree on a Performance Improvement Plan ("**PIP**") with HKSTP. In such a case, the Incubatee will normally be required to prepare a PIP for HKSTP's approval that spans a period of up to six (6) months immediately thereafter. Once the PIP is approved by HKSTP and the Incubatee begins to pursue the PIP, if the Incubatee fails to achieve the revised targets or plans within the agreed implementation period of the PIP, HKSTP shall have the right to immediately withdraw all funding support under the Programme from the Incubatee and the Incubatee will be required to vacate the Approved Space in accordance with paragraph 11 of this Guide. It is an Incubatee's responsibility to attend any training, seminar, introductory

workshop, etc., as requested by HKSTP. HKSTP has the sole and absolute right to include this request as part of the milestone assessment requirement. Failure to meet this requirement will be reflected in the milestone assessment and its results.

5. Funding Support

5.1. General Guideline

- 5.1.1. An Incubatee will receive a financial subsidy of HK\$140,000 for its R&D and business development activities after satisfactory assessment by HKSTP at each milestone review meeting. There is no need to provide any payment proof for the subsidy, but the amount should be shown in the Incubatee's audited financial statements.
- 5.1.2. As a general rule, it is not permissible to duplicate support available from other Hong Kong Government funding grants (i.e. no double-dipping of public funding) unless written approval is given by HKSTP on a case-by-case basis. The Incubatee will have to declare to HKSTP if it has received or will receive other funding sources for the same project which has been approved under this Programme

5.2. Maximum Funding Support

- 5.2.1. The maximum funding support for an Incubatee throughout the 3-year Programme term is HK\$1,290,000. The funding support is subject to change from time to time at the sole discretion of HKSTP.

No payment proof required:

(a) Financial Subsidy (Cash Grant) : HK\$840,000

Rental Subsidy (HKSTP's leased area)

(b) The maximum rental subsidy : HK\$450,000

The rental subsidy for the 3-year programme is \$12,500 per month. The unspent balance of the 1st and 2nd year can be carried forward to the 3rd year.

Annex 1

Application Guide

1. Each application must contain the following documents:
 - (a) Application Form
 - (b) Business Proposal (details please refer to **Annex 1 (Schedule 1)**)
2. In addition to the above documents, the Applicant should provide the following supporting documents:
 - (a) Hong Kong Business Registration Certificate;
 - (b) Certificate of Incorporation;
 - (c) Articles of Association;
 - (d) Latest Annual Return (and other acceptable documents) showing the present directors and shareholders;
 - (e) Incorporation document (NNC1 or NNC1G, if the Applicant is a company formed under the Companies Ordinance);
 - (f) Organization Chart, and Corporate Structure if applicable;
 - (g) Latest Audited Financial Statement, if applicable;
 - (h) Curriculum Vitae of all current staff with clear illustration of their academic qualification and working experience;
 - (i) Copy of the academic certificates of the founding team member(s) and the core management member(s) as reported in the Application Form;
 - (j) Copy of the latest MPF remittance statements of the current employees or the duly signed employment letters of the staff;
 - (k) Patent Certificate(s) and/or Patent Application, if any;
 - (l) Other supplementary information if required by HKSTP to process the application.

Annex 1 (Schedule 1)

Notes to Business Proposal

The Business Proposal in Word document with the suggested structure and key points in this Schedule will facilitate the due diligence checking (DD) and assessment of your application.

The milestone summary in the Application Form and the presentation deck for the panel interview shall align with the Business Proposal, which will be filed to the Assessment Panel.

1. Executive Summary (1 page)
2. Products/Solutions to be developed (2 pages)
 - (a) Description on concept, features, and application
 - (b) What problems to resolve?
 - (c) What is the technology employed and why it is better?
 - (d) What are the technology niche and technical challenges?
 - (e) Include pictures or diagrams for illustration if applicable
3. Research and Development (R&D) Content and Plan (2 pages)
 - (a) Current status of development
 - (b) What has been done? What will be done?
 - (c) R & D development schedule
 - (d) The core invention or innovation out of the R & D activities (e.g. patents registered or to be filed etc.)
4. Sales and Marketing Plan (2 pages)
 - (a) Who are the target customers (those who will pay you) and end-users (those who will use the product / solution)?
 - (b) Market size and target market share
 - (c) What is the unique proposition of the product/solution?
 - (d) What is the current sales status?
 - (e) Competitor landscape analysis
 - (f) Pricing and sales strategy.
5. Core Team Members (as required)
 - (a) Organizational chart as of today
 - (b) Background and track records of the core team members
 - (c) Manpower plan in the coming 3 years

6. Finance (1 page)
 - (a) Financial projection in the coming 3 years, including
 - Sales forecast
 - Fundraising plan
 - Cost and profit margin estimation.
 - (b) Cash Flow Status (please refer to the Milestone Summary example on p.19).
7. Incubation Programme Added Value (0.5 page)
 - (a) Which service(s) of HKSTP Incubation Programme will help your company grow and why?

Milestone Summary Specimen (For Reference Only)

Assessment Schedule			0-3	4-9	10-15	16-21	22-27	28-33
Product Development Progress								
Design Work	Original Plan	DIY device kit design (hardware & software)	Cloud Architecture design, smart router design	Design of cameras	Smart camera (Version 2)	-	-	
Prototype / Demo	Original Plan	DIY device kit prototyping & demonstration	Smart router prototype	Cloud platform demo in various media	Smart camera small production	Cloud platform release	-	
Launch	Original Plan	-	Launch DIY device kit	Cloud platform free test for DIY user	Marketing on smart cameras	Marketing on cloud platform	Cloud based smart cameras pilot testing	
Business Development Progress								
Activities	Original Plan	No.	0	1	3	1	2	3
		Details	-	Exhibition	Seminar and participate in Industry Collaboration with CUHK; Establish mentorship relationship	Explore business opportunities of designs with high-potential customers	Product demo; site visits for understanding customer requirements	Exhibition x 2; pilot testing at trial customer and demonstrate to operation
Partners	Original Plan	-	-	Build up partnership with industry associations	-	Research & development partnership with HKUST	-	
Clients	Original Plan	No.	0	1	0	1	2	0
		Details	-	PCCW Ltd	-	Secure contract agreement with trial customer	ABC Technology Co Ltd; XYZ Ltd	-
Sales Revenue (HK\$)	Original Plan	Core Product	0.00	0.00	100,000.00	100,000.00	150,000.00	250,000.00
		Non-Core product	20,000.00	25,000.00	10,000.00	10,000.00	20,000.00	45,000.00
Corporate Development Progress								
I.P. Application	Original Plan	Patent	No.	-	2	-	-	-
			Details	-	US Patent granted and filed	-	-	-
		Trademark	No.	-	-	-	1	-
			Details	-	-	-	US trademark: REG No 123456	-
		Other filings	No.	-	-	-	-	-
			Details	-	-	-	-	-
Awards	Original Plan	No.	-	1	-	1	-	-
		Date & Details	-	Caring company award	-	HKICT award	-	-
Head Count	Original Plan	FT(Tech)	5	5	5	8	10	10
		FT(Non-Tech)	0	0	1	2	2	2
		PT	1	2	2	2	2	0
Organisation Chart	<pre> graph TD CEO[CEO Chan Tai Man (FT) (Based in: HK)] --> MD[Managing Director Mary Lee (FT) (Based in: HK)] CEO --> Sup[Supervisor David Chan (FT) (Based in: HK)] CEO --> Mgr[Manager Patrick Fong (FT) (Based in: HK)] MD --> RA1[Research Assistant WK Chan (FT) (Based in: HK)] MD --> RA2[Research Assistant KY Wong (PT) (Based in: HK)] </pre>							
Shareholder Structure	Original Plan	100% Chan Tai Man						
Funding (HK\$)	Original Plan	Director Loan	400,000.00	-	-	-	-	500,000.00
		External Investment	-	-	-	500,000.00	500,000.00	-
		Govt/Public Fund	-	500,000.00	500,000.00	-	-	-
		Debt Financing	-	-	-	-	-	-
Cash Flow Status (HK\$)								
Original Plan	Opening Cash	100,000.00	100,000.00	175,000.00	285,000.00	350,000.00	420,000.00	
	Additional Funding*	400,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	
	Sales Revenue	20,000.00	25,000.00	110,000.00	110,000.00	170,000.00	295,000.00	
	Total Cash In	420,000.00	525,000.00	610,000.00	610,000.00	670,000.00	795,000.00	
	Cash Out	420,000.00	450,000.00	500,000.00	545,000.00	600,000.00	640,000.00	
	Net Balance	100,000.00	175,000.00	285,000.00	350,000.00	420,000.00	575,000.00	
* Types of Funding includes: Director Loan, External Investment, Government/Public Fund and Debt Financing								
HKSTP Services Used								
General Services MINGLE, Training Courses, Seminars, Biz Consultancy, Investment Matching, Exhibition, Networking, Competition								
Support Services Used	Original Plan	Data Centre and web hosting	Lab Services; Hire student through HKSTP internship program	Training organised by SPARK	Mingle	Press release and product launch in HKSP	Engage in First@Science Park	