



# Group Angel Investment Experience Sharing

- John Lo
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HK\$200

# ANGEL FINANCING IN ASIA PACIFIC

A Guidebook for  
Investors and Entrepreneurs



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In collaboration with Patrick Mooney and Po Chi Wu



# What is Angel Investment?

- Individual as opposed to institutional investors
- In early stage startups (typically not beyond Series A)
- Range of investment amount per investor – USD10K to USD50K
- Range of investment amount per group – USD100K to USD300K +



# Why Group Investment?

- Success of angel investment depends on superior execution on the following:
  - Quantity and quality of sourcing
  - Evaluation and scrutiny of merit
  - Proper and fair valuation
  - Appropriate and professional terms negotiation
  - Proper due diligence
  - Extensive post investment support and monitoring
- On all counts, it is clear a group will likely perform better than one or two individuals
- This is a cardinal principle!



# Two Basic Approaches to Group Angel Investment

- Club Approach
  - No entrustment of fund from one investor (LP) to another party (GP)
  - Easier to establish
  - More participatory
  - Less efficient
- Fund Approach
  - Entrustment of fund, hence securities law issues and liability issues
  - Requires track record of GP to establish
  - Less participatory by LP as GP takes on major responsibility
  - More efficient and quicker action in making investment

# How to Build an Angel Investment Club from Scratch?

## Club Design

- Membership
  - Minimum core group to start : 5 experienced angels or savvy investment professionals
  - Minimum critical mass to be sustainable: around 15
  - Optimal size: 25 to 50

## Member Profile and Recruitment

- Truly interested parties and not joining for socializing or unrelated business reasons
- General criteria – existing angels, aspiring angels from business, financial, professional, technology etc. backgrounds
- Commit to make a minimum of certain amount of investment p.a.
- Membership by referral basis



# Club Administration Issues

- Club entity: either a society under Societies Ordinance or company limited by guarantee
- Form a board with various committees
- Charging an entrance fee and annual fee
- Establish an "official language" - a necessary issue to deal with in HK which will affect the club culture and profile
- Gradually build up operations guidelines regarding how you run the club and how you structure investment process
- Hire an administrative assistant on admin duties
- Establish rules and procedures for presentations and ratings

# Select Issue 1: investment vehicle – how?

Offshore entity like BVI limited company remains best choice

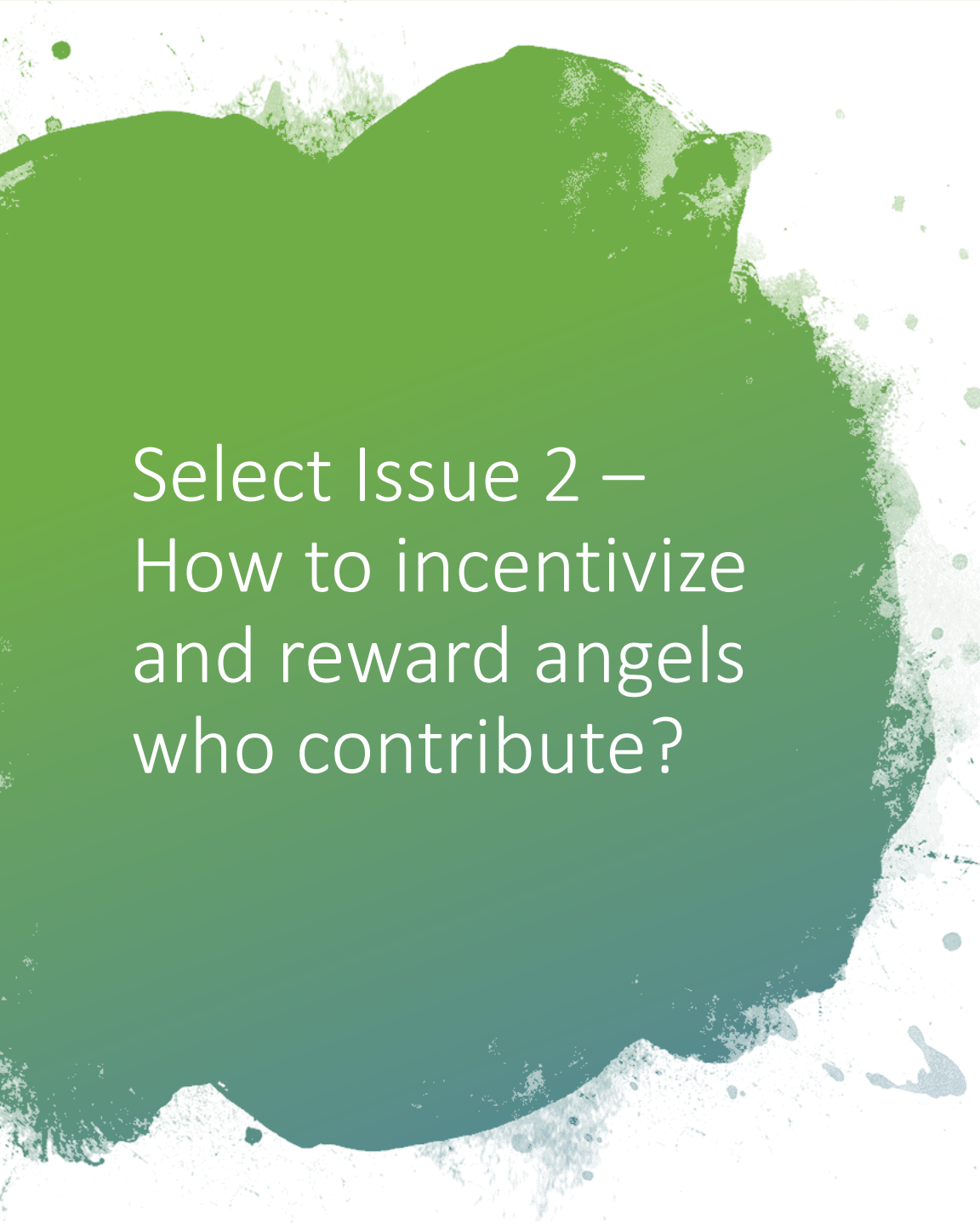
How to deal with the near impossibility of opening of BVI company bank account?

- It is possible to do away with a company bank account given relatively few banking transactions
- Use a trust account of a professional service firm to consolidate fund and set up an on-going trust fund

How to establish the terms and conditions of the investment vehicle?

- Through subscription and shareholders agreement





## Select Issue 2 – How to incentivize and reward angels who contribute?

- Club involvement : voluntary, honorary, no material reward
- Pre-investment:
  - Introduce deals
  - Post-presentation follow-up, including business, management, technical, team due diligence, terms negotiation, valuation assessment, execution of investment
- Post-investment:
  - Serving on the BVI board and responsibility over investment vehicle
  - Monitoring investee, coordinate value-add, communicating to group investors
- Carve out a 5% equity in BVI for above rewards



# Q & A

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