

LCQ16: Supporting development of biotechnology enterprises

Following is a question by the Hon Elizabeth Quat and a written reply by the Secretary for Innovation and Technology, Mr Alfred Sit, in the Legislative Council today (August 25):

Question:

It is learnt that quite a number of biotechnology start-ups are often faced with funding gaps during the stages of prototyping and product enhancement. On the other hand, the Financial Secretary announced in the 2020-21 Budget that part of the Future Fund would be set aside to establish a new investment portfolio, named Hong Kong Growth Portfolio (HKGP), to make strategic investments in projects with a Hong Kong nexus. In this connection, will the Government inform this Council:

(1) of the number of biotechnology enterprises funded by the Innovation and Technology Fund in each of the past three years for conducting midstream research activities (covering pre-clinical research and pre-clinical trials), and the total amount of funding involved;

(2) given that a think tank has proposed using the funds of HKGP to invest in (i) deep tech from local universities, and (ii) the biotechnology enterprises in the Shenzhen/Hong Kong Innovation and Technology Co-operation Zone, thereby establishing anchor institutions in the Lok Ma Chau Loop to expedite the development of a biotechnology industrial cluster, whether the Government will consider the proposal; if so, of the details; and

(3) whether, in addition to establishing HKGP under the Future Fund, the Government will collaborate with the industry in establishing more funds to promote the development of local biotechnology enterprises, thereby creating a leverage effect on resource utilisation; if so, of the details?

Reply:

President,

Biotechnology is one of the areas where Hong Kong enjoys clear advantages in innovation and technology (I&T). The Government has all along been fostering the relevant research and development (R&D) on various fronts. Hong Kong has a solid foundation in biotechnology research and an ecosystem that is gradually improving. Currently, we are also Asia's largest and the world's second largest fundraising hub for biotechnology.

After consulting the Financial Services and the Treasury Bureau, my reply regarding different parts of the question is as follows:

(1) There are various funding schemes under the Innovation and Technology Fund (ITF) which sponsor R&D projects on I&T. Among them, Enterprise Support Scheme (ESS) was launched in 2015 to provide dollar-for-dollar matching funding of up to \$10 million for private companies to carry out in-house downstream R&D projects (including pre-clinical research and preliminary clinical trials) with an aim to encourage and assist Hong Kong enterprises to enhance their I&T levels. In the past three years, the ESS Assessment Panel has assessed 304 applications, of which 102 have received support, involving 97 private companies. Private companies and the ITF have contributed about \$307 million and about \$293 million respectively. In 2018-19, 2019-20 and 2020-21, nine, five and 14 biotechnology-related projects were supported by ESS respectively, involving a funding amount of \$31 million, \$19.6 million and \$30.4 million.

(2) To consolidate Hong Kong's status as a financial, transportation, commercial and innovation centre, and to raise Hong Kong's productivity and competitiveness in the long run, the Financial Secretary announced in his 2020-21 Budget that he would use part of the Future Fund to establish a new Hong Kong Growth Portfolio (HKGP) to make strategic investments in projects with a Hong Kong nexus.

A two-tier committee framework, including a Governance Committee and an Investment Committee, has been set up to take forward this initiative. Chaired by the Financial Secretary, the Governance Committee is a high-level advisory committee to provide strategic steering for HKGP and give guidance on matters such as investment mandates and asset allocation. The Investment Committee is chaired by the Secretary for Financial Services and the Treasury, and comprises representatives from relevant government departments to, inter alia, decide on the appointment of general partners.

A project could be regarded as having a Hong Kong nexus if it would be undertaken by a Hong Kong based company, or would take place in Hong Kong, or both; but merits and relevance of individual projects will also be considered. Under the prevailing governance structure, it is the general partners appointed by the Investment Committee to make investments for HKGP. Both the Governance Committee and the Investment Committee will not be involved in the day-to-day vetting of investment projects and individual investment decisions of HKGP.

On the other hand, the Government is taking forward the development of the Hong Kong-Shenzhen Innovation and Technology Park (HSITP) in the Lok Ma Chau Loop in full swing. The vision of HSITP is to become the world's knowledge hub and I&T centre, and one of its priority development areas will be healthcare technologies. The Hong Kong-Shenzhen Innovation and Technology Park Limited (HSITPL) is currently pressing ahead with the works project at full steam with a view to completing the eight buildings in Batch 1 in phases starting from end 2024.

HSITPL will draw up plans as appropriate to attract tenants according to the vision of HSITP and the priority technology areas, also with reference to the experience of I&T platforms around the world in developing appropriate

admission criteria and rental policy with a view to ensuring the international competitiveness of HSITP. For start-ups, HSITPL will also take into account the relevant plans and experience of the Hong Kong Science Park and Cyberport so as to attract more start-ups to HSITP and put in place appropriate incubation programmes and support schemes.

(3) To inject capital and impetus as well as to encourage private investments in local I&T start-ups, the Government set up the \$2 billion Innovation and Technology Venture Fund (ITVF) in 2017 to co-invest in local I&T start-ups together with co-investment partners at a matching investment ratio of approximately 1 (Government):2 (co-investment partners). The ITVF invested in start-ups with businesses covering different areas. For example, one of them is a local start-up which conducts research in DNA sequencing technology.

Furthermore, the Corporate Venture Fund (CVF) of the Hong Kong Science and Technology Parks Corporation (HKSTPC) has also invested in biotechnological start-ups engaging in drug delivery, stem cell technology and cancer treatment research, etc. The CVF was just bumped up to \$600 million. As at end July 2021, the CVF has invested in six biotechnology-related start-ups with a total investment amount of \$66.4 million.

The Incu-Bio Programme of HKSTPC provides funding of up to \$4 million to incubatees engaging in biotechnology. In view of the relatively complex regulatory procedures involved in biotechnology researches, the Programme also offers a targeted funding of up to \$2 million to incubatees for certification or investigational new drug applications, etc. As at end-July 2021, the Programme has supported 45 start-ups, with more than \$61.5 million approved by HKSTPC.