

LCQ19: Innovation and Technology

Venture Fund

Following is a question by the Hon Charles Mok and a written reply by the Secretary for Innovation and Technology, Mr Nicholas W Yang, in the Legislative Council today (May 22):

Question:

The Government established the Innovation and Technology Venture Fund (ITVF) in September 2017 to encourage applications from venture capital (VC) funds for becoming ITVF's co-investment partners and co-investing in local innovation and technology (I&T) start-ups, so as to fill the funding gap encountered by such start-ups and cultivate an I&T ecosystem. In this connection, will the Government inform this Council:

- (1) since the establishment of ITVF,
 - (i) of the number of enquiries received by ITVF from VC funds,
 - (ii) of the number of investee companies involved in the investment proposals received by ITVF from partner VC funds, with a breakdown by type of business, and
 - (iii) of the ratios of the shares in co-invested start-ups held respectively by ITVF and various partner VC funds;
- (2) of the modus operandi of the Innovation and Technology Venture Fund Advisory Committee, and the number of meetings held by the Committee each month; and
- (3) of the time generally needed by ITVF to decide the acceptance or otherwise of an investment proposal, as well as (i) the number of investment partners from which investment proposals have been received, (ii) the number of investment proposals received and (iii) the percentage of investment proposals accepted, by ITVF so far; the general reasons for declining investment proposals?

Reply:

President,

The Government set up the \$2 billion Innovation and Technology Venture Fund (ITVF) to co-invest with partner venture capital (VC) funds in local innovation and technology (I&T) start-ups at an investment ratio of around 1:2, with a view to encouraging more private investment in local I&T start-ups and building a more vibrant I&T ecosystem in Hong Kong.

Our consolidated reply to the various parts of the question is as follows:

Between September 2017 and January 2018, ITVF publicly invited VC funds

to apply as ITVF's co-investment partners (CP). During this period, we received about 30 enquiries and 14 applications from VC funds. We entered into agreement with a total of six VC funds to become CPs in July and August 2018.

We have so far received 9 investment proposals, with proposed investee companies engaging in the following businesses: financial technology (3); e-commerce (3); supply chain management (1); biotechnology (1); and artificial intelligence (1). Assessment of 3 investment proposals have been completed. The ITVF has invested about \$12 million in two local I&T start-ups which engage respectively in e-commerce and supply chain management. The investment ratios between the ITVF and the CPs concerned were about 1:2. The shareholding ratios involve commercially sensitive information, e.g. company valuations, which is bounded by the confidentiality clauses and cannot be disclosed.

In general, we would notify the CPs our investment decisions shortly after consulting the views of the ITVF Advisory Committee (the Committee) and completing the relevant procedures. The key factors of our consideration include:

- the proposed investee company shall have I&T elements and sufficient business operation in Hong Kong; and
- the business of the proposed investee company shall not be in conflict with government policy or legislation nor involve activities that may bring the Government into disrepute.

The Committee holds meetings on a need basis and handles ITVF-related matters by means of circulation from time to time.