

**For discussion
on 19 November 2024**

**Legislative Council
Panel on Commerce, Industry, Innovation and Technology**

**Innovation and Technology Fund:
Hong Kong-Shenzhen Innovation and Technology Park
Incubation Support Programme for Life and Health Technology Start-ups**

PURPOSE

This paper seeks Members' support for the creation of a new dedicated subhead with a commitment of \$200 million under the Innovation and Technology Fund ("ITF") to launch the Hong Kong Shenzhen Innovation and Technology Park ("HSITP") Incubation Support Programme for Life and Health Technology Start-ups ("Incubation Programme").

BACKGROUND

2. The Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone ("Co-operation Zone")¹ is one of the major co-operation platforms among Guangdong, Hong Kong and Macao under the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035", forming a significant opportunity for Hong Kong to develop into an international innovation and technology ("I&T") centre and integrate into the national development. In order to promote the development of "one zone, two parks" under the "One Country, Two Systems" principle, the Hong Kong Special Administrative Region Government ("HKSARG") takes forward in full swing the development of the Hong Kong Park in Loop (i.e. HSITP). With the completion of the first phase planning, the gross floor area ("GFA") of the HSITP has been doubled to 1 million square metres and contains various clusters to establish a diverse I&T ecosystem with different industry themes (including life technology, artificial intelligence, advanced manufacturing, and industry,

¹ The Co-operation Zone consists of the 87-hectare Hong Kong Park and the 300-hectare Shenzhen Park on the other side of the Shenzhen River.

academic and research sectors) as well as a talent accommodation zone, and commercial and ancillary facilities.

3. Life and health technology has become one of the core areas in the global I&T landscape. Hong Kong has strong capabilities in life and health scientific research, and our research outcomes are widely recognised across the globe, bringing enormous opportunities to the development of life and health technology in Hong Kong. One of the important missions of the HSITP is to develop the life and health industry and build a life and health technology ecosystem. To this end, the HSITP will provide both hardware and software support correspondingly.

4. In terms of hardware construction, four of the eight buildings under Batch 1 of Phase 1 are wet laboratory buildings, involving a GFA of about 60 000 square metres. The Hong Kong-Shenzhen Innovation and Technology Park Limited (“HSITPL”)² is now liaising with research teams and enterprises (including start-ups) in different stages and of various sizes, with an aim to attract them to set foot in the Loop. The first batch of tenants from the life and health technology industry is expected to move in starting from 2025. The construction of the wet laboratory buildings will render essential support to the development of the life and health technology ecosystem.

5. For software construction, the Government has proposed in the 2024-25 Budget to allocate \$200 million to provide assistance to life and health technology start-ups in the HSITP in the form of incubation and acceleration programmes, etc.

6. Drawing from the experiences of various places, I&T parks will usually put in place dedicated incubation programmes for start-ups to provide support services, including initiation, incubation and acceleration services, with a view to attracting potential start-up teams and enterprises to establish presence. I&T parks will also incubate and promote the development of these start-ups in phases. For instance, teams or start-ups with entrepreneurial aspirations require financial support, basic knowledge on entrepreneurship and technical support during the initial stage with a view to transforming their innovative ideas into businesses or tangible products. Subsequently, during the incubation stage these

² The HSITPL was set up in 2017 as a wholly-owned subsidiary company of the Hong Kong Science and Technology Parks Corporation, and vested with the responsibilities to build superstructure of the HSITP, as well as to operate, maintain and manage the same.

start-ups still require further support to conduct market survey, product trial, product testing, marketing and business expansion, so that their products can be launched in the market and enable their businesses to grow rapidly. These start-up teams and enterprises are an integral part of the I&T ecosystem. The incubation programmes can help expedite the transformation of innovation ideas from these start-up teams and enterprises into products and services to be launched in the market, which in turn can reduce the risk involved in entrepreneurship and raise the success rate of the start-up teams and enterprises.

THE INCUBATION PROGRAMME

7. In view of paragraph 5 and 6, the HSITPL plans to launch the Incubation Programme to provide funding and comprehensive support services for potential start-up teams and enterprises engaging in life and health technology, so as to further promote the development of the life and health technology industry in Hong Kong, and attract more enterprises and talents engaging in the research and development (“R&D”) of this discipline to establish a presence in the HSITP, contributing to an internationally competitive life and health technology ecosystem in the HSITP. To this end, we recommend creating a new dedicated subhead with a commitment of \$200 million under the Innovation and Technology Fund (“ITF”) for the implementation of the Programme. Paragraph 8 to 16 sets out the Programme details.

8. Depending on the needs of the life and health technology start-ups and enterprises at different stages of development, the Incubation Programme will provide targeted support at the initiation stage, incubation stage and acceleration stage. Specifically, the support provided by the Incubation Programme will cover areas of basic knowledge, market study, solution enhancement, prototype design, minimum viable product, proof of concept, as well as preparation for market launch and consultation with industry experts. It aims to accelerate the growth of the selected teams and enterprises, facilitate the commercialisation of their innovations and R&D outcomes for market launch and business expansion.

Target beneficiaries

9. The Incubation Programme only accepts applications from start-up teams and enterprises incorporated in Hong Kong under the Companies Ordinance (Cap. 622) and engaged in the life and health technology industry³. In particular, only start-ups which have already established their presence in the HSITP and engaged in life and health technology are eligible for the support services in the incubation and acceleration stages under the Incubation Programme.

Funding scope

10. The Incubation Programme provides precise support services to address the needs of start-up teams and enterprises engaging in life and health technology at different development stages as follows:

(a) The Initiation Stage

The Incubation Programme will provide funding for the selected start-up teams and enterprises at the initiation stage, so as to encourage them to transform their conceptual proposals with potential into business plans. Meanwhile, the selected teams and enterprises will also be provided with entrepreneurship support services and training, including but not limited to training on presentation skills, product development, building of partnership networks as well as branding and market promotion, in order to enhance their basic entrepreneurship knowledge and skills, and assist them to refine their research proposals. Start-up teams and enterprises are required to submit plans on how to implement their projects in the HSITP in their applications for the Incubation Programme.

(b) The Incubation Stage

The Incubation Programme will provide selected start-ups with support in terms of incubation services and funding to conduct market analysis, product R&D, pilot-scale production, animal testing and clinical trial on human, and production registration, so as to support enterprises which are still in the early stage of basic R&D to foster commercialisation of their technology outcomes and production of product prototype.

³ The scope of life and health technology includes but not limited to cell and gene therapy, bioinformatics and biology, biomedical engineering, advanced therapy, medical diagnostics, drug and vaccine development, and clinical trial.

(c) The Acceleration Stage

The Incubation Programme will provide additional funding for selected start-ups to accelerate their development, with a view, upon completion of their product prototype, allowing them to commercialise their products for launching in the market and expand their businesses in and beyond Hong Kong.

Application procedure

11. The application details for the Incubation Programme at various stages, including the selection process, assessment and disbursement criteria, and the approval mechanism, will be proposed by the HSITPL and endorsed by its Board of Directors, such that suitable arrangements can be made in accordance with the actual circumstances of the HSITP. The assessment will be conducted by the assessment panel set up by the HSITPL (members will comprise individuals who possess substantial technological, business or investment experience), and advice will be sought from professionals where necessary. Applications which have passed the assessment will be recommended to the Business Development Committee under the Board of Directors of the HSITPL for final approval. In addition, all selected projects funded by the Incubation Programme should not have previously received, nor are receiving, subsidies from other Government funding programmes and those administered by government-subsvented bodies.

Disbursement of funds

12. Selected teams and enterprises funded by the Incubation Programme are required to submit to the HSITPL reports on their development plans and project progress regularly, as well as their annual audited statements of accounts or financial statements. Instalments of fund will only be disbursed upon meeting project milestones as set out in the funding agreement and acceptance by the relevant vetting committee. In case of non-compliance with the requirements of the Incubation Programme or unsatisfactory progress of the project, the HSITPL may cease to disburse funds.

Governance regime

13. The HSITPL is responsible for processing applications, assessing, checking project progress, disbursing funds, conducting site visits or spot checks, and promoting the Incubation Programme. The HSITPL will draw up guidelines, including the requirements on the usage of funds, procurement arrangements, reporting and auditing requirements, disbursement of grants and return of residual funds, etc.

14. The Innovation and Technology Commission (“ITC”) will disburse funds to the HSITPL in the form of reimbursement in accordance with its actual needs for and progress of the implementation of the Incubation Programme. The HSITPL will open a dedicated account and keep a separate book of account for the funds concerned, and submit an annual audited statements of accounts of the Programme to ITC every year. ITC will discuss with the HSITPL the specific arrangements on management, operation, finance and supervision.

15. Apart from monitoring the implementation of the Incubation Programme, the Government will continue to monitor and oversee the work of the HSITPL through its Board of Directors and relevant committees.

Expected benefits

16. We anticipate that the Incubation Programme will be conducive to attracting start-up teams and enterprises engaging in life and health technology with development potential to establish their presence in the HSITP, thereby expediting the development of its life and health technology ecosystem. It is estimated that the funding of the Incubation Programme can be used to provide services for over 70 start-up teams/enterprises⁴ within two years. In addition, the Incubation Programme will also encourage more capable local start-ups to engage in the research and industry development activities of the life and health discipline, contributing to the development of Hong Kong into an international I&T centre.

⁴ Depending on the actual operational situation, it is possible that some enterprises can receive support in more than one stage.

FINANCIAL IMPLICATIONS

17. Subject to Members' support, we will seek approval from the Finance Committee ("FC") of the Legislative Council ("LegCo") to create a new dedicated subhead with a commitment of \$200 million under the ITF in order to launch the Incubation Programme.

18. The breakdown of the estimated expenditures of the Incubation Programme is set out as follows:

Items	Estimated expenditure (\$ million)
(a) Expenditure for the initiation stage	3
(b) Expenditure for the incubation stage	132
(c) Expenditure for the acceleration stage	65
Total	200

19. Preliminary estimates of the cash flow related to the Incubation Programme are set out as follows:

Financial year	Estimated cash flow (\$ million)
2024-25	—
2025-26	30
2026-27	55
2027-28	55
2028-29	60
Total	200

The annual cash flow will vary depending on the content and implementation progress of the approved projects, and the funding amount required to be disbursed under the Incubation Programme.

IMPLEMENTATION TIMETABLE

20. Subject to Members' support, we intend to seek funding approval from the FC in 2025. The HSITPL will launch the Incubation Programme upon approval of funding.

ADVICE SOUGHT

21. Members are invited to support the Government to seek funding approval from the FC to create a new dedicated subhead under the ITF to launch the Incubation Programme.

**Innovation, Technology and Industry Bureau
Innovation and Technology Commission
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