Proposal for "Promotion of Innovation and Technology in Hong Kong"
- By Hong Kong Science and Technology Parks Corporation (HKSTPC)

I) **Background of HKSTPC**

- HKSTPC upholds the mission to propel Hong Kong towards being recognised as a world-class hub for selected technologies, namely Electronics, Information Technology and Telecommunications, Precision Engineering, Biotechnology and Green Technology. It provides a dynamic environment and technology driven infrastructure and support facilities that enable companies to nurture ideas, innovate and develop, so helping to build a diversified and sustainable economy for Hong Kong.

- Since its establishment in 2001, HKSTPC manages Hong Kong Science Park, InnoCentre and three Industrial Estates located at Tai Po, Yuen Long and Tseung Kwan O.

II) **Development Highlights**

- Phases 1 and 2 of Hong Kong Science Park have reached a 95% occupancy rate as of Mar 2012, housing 382 companies which together employ over 9,000 employees.

- A total of 10 market-focused laboratories and service centres are set up in the Park to provide technology companies with timely and professional supporting services.

- Construction work for Phase 3 of the Park has commenced and is scheduled to complete by stages from end 2013 to 2016. Phase 3 aims to establish the Territory as the regional green tech hub and the showcase for sustainability practices.

- Apart from hardware support, the Park also runs a series of incubation programmes, ranging from 18 months to 4 years that provide technology start-ups with much needed support to withstand the rigours of the inception period. These include offering rental and operation subsidies, organising business matching activities, and fostering partnerships and collaborations between the industry and academia through consulting, training and research programmes.

- Since 1992, the incubation programmes have successfully nurtured 308 start-up companies (as of March 2012), of which about 75% are still thriving today.

- In December 2011, the Park was designated by The Ministry of Science and Technology (MOST) of The People's Republic of China as a National High-tech Industrialisation Base for Green Technology. This recognition has helped uplift the technological and industrial capacity and level of collaboration between the Park and the Mainland in the green technology area.

- Today we have 11 data centre projects in Tseung Kwan O and Tai Po Industrial Estates (including one to be completed in July 2012), operated by 9 companies with a total investment of around HK$10 billion. These companies include HSBC, Hong Kong Stock Exchange, Google, Pacnet Global, NTT, China Mobile, HKColo, Towngas Telecommunications and Digital/Savvis. This is possibly the largest concentration of data centres in Asia at the moment.

III) **Proposals for Promotion of Innovation and Technology Development**

With the unique qualities and strengths of Hong Kong as an international city, it is indeed an attractive and stimulating place for businesses and talents from the innovation and technology sector to take off. We have outlined here the key initiatives we would recommend to the new Administration in strengthening Hong Kong's position as a regional technology hub.

1. **Enhancement of Administrative Structure**
   - We welcome the new Administration in setting up an Innovation and Technology Bureau to formulate clear and effective industrial and technology policies for driving the city's innovation and technology development with a top priority. The Bureau's responsibilities should be broad enough to ensure the fostering of a culture of innovation and setting policies which can be effectively implemented, not just within its own bureau, but also through other bureaus and departments.

2. **More Policy Supports and Government Investment**
   - A long-term development roadmap backed by sufficient resources is essential for the healthy and sustainable growth of the technology sector. In this regard, we would recommend the new Administration to formulate a 10-year (or longer) policy to support the industries, with a review every five years. This would help attract more investment and talents, especially those working overseas, to return to HK, which would accelerate the development of the city into a hub for innovation and technology.
   - We see resolving land allocation issues a fundamental step towards enabling further expansion of R&D activities and the technology sector. Talks on further expansion of Science Park (Phase 4) and the revitalisation of the industrial estates with the current Administration have been on-going. We look forward to continuing discussions on these initiatives with the new Administration as soon as it takes over office.
   - Industrial, information and technology policies should include infrastructure and incentives to support the development of more data centres, high value add manufacturing, testing and certification, and other industries where Hong Kong enjoys a competitive advantage.

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- R&D spending as a percentage of GDP should be increased from its current 0.78% to 2%. Public spending should be used to induce more private spending.
- We would also stress the significant role of government-induced angel and VC investments in promoting science and technology, especially in nurturing technology start-ups and SMEs, and would therefore recommend the new Administration to set up a HK$2 – 3 billion early stage fund / matching fund. Some good references could be drawn from the more mature U.S market where renowned innovative enterprises, such as Google, Apple and Facebook, all started their business with angel and VC support, and finally became a huge success. This can also increase the private sector R&D investment as a percentage of GDP.
- We also encourage the new Administration to raise government spending on R&D. With the government's stronger commitment and dedication, the private sector will soon follow suit, bringing in more players and opportunities for the industry to flourish.

3. **Incentives for the Industry**
- To take Hong Kong's technology development to the next level, more incentives are needed for the industry. Our proposals include improving and simplifying the vetting system for R&D funding applications, doubling the tax exemption on R&D activities; and increasing the rebate for R&D investments.

4. **Collaborations with the Mainland**
- With HK's proximity to the Guangdong province, where manufacturing infrastructure and labour are made widely available, greater collaboration with the Mainland would help local technology companies to minimise their operation and manufacturing costs. This would eventually speed up R&D commercialisation in Hong Kong.
- Against this backdrop, we urge the new Administration to work closely with the Mainland authorities to utilise the unique combination of strengths of HK/PRD to establish a world-class Innovation Technology Corridor for the pan-PRD region. Potential directions include:
  - Support Hong Kong to develop its clean tech sector as a centre, in particular, for smart buildings, green transportation and resource management, using the city as a test site for sustainable city wide solutions. Support Hong Kong to become the base for internationalisation of Mainland enterprises
  - Align new drug development regulatory and approval processes and in particular the recognition and acceptance of results from clinical trials initiated and approved in Hong Kong for new drug development in Mainland

- o Enable Hong Kong to set up its own IP Office and grant recognition for patents filed and approved in Hong Kong to foster innovation and a professional services ecosystem and so developing Hong Kong into an IP trading hub in Asia.

5. **Training and Retention of Talents**
   - Talent is always the key to the sustainable growth of any industry and the economy. About 37% of university graduates major in science and technology/ engineering annually. However, not all of these science graduates are eventually engaged in technology-related jobs. Meanwhile, technical/ engineering positions are not filled and employers have to look beyond Hong Kong to recruit the right talent. We suggest the new Administration develop and implement programmes to close this gap, for instance, to place suitable talents in Mainland/ overseas technology-related jobs.

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