

For discussion
on 25 January 2017

Legislative Council Panel on Commerce and Industry

2017 Policy Address

Policy Initiatives of Innovation and Technology Bureau

Background

The Government is committed to promoting innovation and technology (“I&T”) development and set up the Innovation and Technology Bureau (“ITB”) in November 2015 and introduced a number of initiatives with a view to driving the diversified economic development by I&T. These initiatives include fostering technology research and development (“R&D”), encouraging collaboration with Mainland and overseas institutions, promoting “re-industrialisation”, supporting start-ups, helping small and medium enterprises (“SMEs”) upgrade and transform, etc. With the efforts of the stakeholders, the I&T atmosphere is gradually taking shape. The Chief Executive announced the 2017 Policy Address on 18 January, introducing a number of new initiatives to further promote I&T development and setting out the latest progress of the initiatives introduced last year. This paper briefs the Panel on Commerce and Industry on the relevant initiatives.

New Initiatives

“Hong Kong-Shenzhen Innovation and Technology Park” in the Lok Ma Chau Loop

2. On 3 January 2017, the Hong Kong Special Administrative Region (“HKSAR”) Government and the Shenzhen Municipal People’s Government signed the “Memorandum of Understanding on Jointly Developing the Lok Ma Chau Loop by Hong Kong and Shenzhen”, agreeing to cooperate in developing the Lok Ma Chau Loop (“the Loop”) into a “Hong Kong-Shenzhen Innovation and Technology Park” (“the Park”). The Park will be developed with I&T as the main focus, where a key base for cooperation in scientific research, and relevant higher education, cultural and creative and other complementary facilities will be set up.

3. The Park will attract top enterprises, universities and scientific research institutions from the Mainland and overseas to set up laboratories and branches for carrying out research projects either on their own or in collaboration with others. The Park will also promote small and medium start-ups to develop new enterprises and provide young people in both Hong Kong and Shenzhen more opportunities for development and high-quality employment. This will help nurture talents and strengthen the competitiveness of both cities. As a “super-connector”, Hong Kong can bring new opportunities to the economy by fostering the exchange and cooperation of talents, capital and technology among Hong Kong, the Mainland and overseas.

4. The HKSAR Government will construct the infrastructure within the Loop (including site formation and infrastructural facilities) and will suitably lease the formed land within the Loop to the Hong Kong Science and Technology Parks Corporation (“HKSTPC”). HKSTPC will set up a wholly-owned subsidiary company which will be vested with the responsibility to build the superstructure of the Park, as well as to operate, maintain and manage the Park.

5. At present, preparatory work of the statutory outline zoning plan is underway, while other statutory procedures for the road and related works will be conducted in parallel. The Government will consult the relevant Panels of the Legislative Council (“LegCo”) in the first quarter of this year to explore the possibility of early start of the related works, including development of the Loop by phases.

InnoCell

6. HKSTPC is carrying out a study on developing a multi-storey “InnoCell” on a 0.28-hectare site at the corner of Chong San Road and Science Park Road in Pak Shek Kok, providing innovative accommodation-cum-ancillary offices for rental to eligible tenants and incubatees at the Hong Kong Science Park.

7. The objective of the project is to increase the competitiveness of the Science Park by providing suitable accommodation and ancillary offices, thus attracting more high-quality R&D companies and recruiting more overseas and Mainland talents to Hong Kong. HKSTPC is carrying out planning, preliminary design and development cost estimation, etc., of the “InnoCell”. The Government will further discuss with HKSTPC regarding the financial arrangement and will seek funding from LegCo at an appropriate time.

Inno Space

8. To promote the translation of innovative and technological ideas into industrial designs or products, nurture a start-up culture in Hong Kong and support “re-industrialisation”, we plan to engage the Hong Kong Productivity Council to establish an “Inno Space”. The “Inno Space” will provide workspace and technical support to enable users to develop their innovative ideas into industrial design, which may subsequently be translated into products through prototyping.

9. The “Inno Space” will be open to the public, with the main target users being start-up entrepreneurs, secondary or university students and graduates. It will provide tools, equipment and software for design and production of prototypes, with experts available to provide supervision and training to the users, and organise activities related to the promotion of I&T.

On-going Initiatives

Promoting Research and Development

10. We launched the “Midstream Research Programme for Universities” (“MRP”) last December to encourage universities to collaborate with leading research institutions worldwide to conduct more inter-disciplinary and translational research work in focused technology areas, such that more research outcomes could be made available for further downstream research work or product development. The first round of the MRP is open for application, inviting project proposals under the theme “Elderly Health and Care”, particularly those relating to dementia.

11. In addition, the Government will request the University Grants Committee (“UGC”) to complete the review on the allocation of research grants within one year and include assessment criteria such as research impact and effectiveness of knowledge and technology transfer. The Government will also request, through the UGC, universities to refine their knowledge and technology transfer plans within six months and strengthen the role of their knowledge transfer offices in coordinating and commercialising the research output.

12. There are currently 16 Partner State Key Laboratories and 6 Hong Kong Branches of Chinese National Engineering Research Centres (“CNERCs”) in Hong Kong. Given their research excellence in specific technology areas, they have been recognised by the Mainland Ministry of Science and Technology as R&D partners of corresponding State Key Laboratories and CNERCs in the Mainland. We provide an annual maximum funding of \$5 million to each of these institutions and have, since this financial year, extended the funding scope from manpower and equipment to consumables with a view to further enhancing our support to them.

13. In the past year, a number of leading R&D institutions from around the world came to Hong Kong one after another, revealing that Hong Kong’s innovative capabilities have already been recognised worldwide. For example, the Massachusetts Institute of Technology of the United States launched its first overseas Innovation Node in Hong Kong in June; the world renowned Karolinska Institutet of Sweden set up its first overseas research facility in the Science Park in October; the Guangzhou Institute of Biomedicine and Health under the Chinese Academy of Sciences also announced in December that it would set up a “Guangzhou-Hong Kong Stem Cell and Regenerative Medicine Research Centre” in the Science Park.

14. We will continue to seize the opportunities and development potential brought about by the National 13th Five-Year Plan, and the support rendered by the Mainland to Hong Kong in developing I&T, in making Hong Kong a “super-connector” in the arena of R&D and innovation and forging close ties with top local, Mainland and global R&D institutions to promote I&T development.

Developing high valued-added innovation and technology industry

15. The Finance Committee (“FC”) of the LegCo approved in May 2016 the funding proposal for Stage 1 of the Science Park Expansion Programme. The project involves the construction of two 14-storey and 15-storey building blocks in the Science Park, with an estimated development cost of \$4.428 billion. Upon completion of the expansion, the total gross floor area (“GFA”) of the Science Park will increase from 330 000 m² to approximately 400 000 m². The construction work has commenced in August 2016 and is expected to be completed by 2020.

16. In line with the Government's efforts in promoting "re-industrialisation" and to encourage the manufacturing industry to transform into smart production, HKSTPC will undertake two pilot projects in Tseung Kwan O Industrial Estate: the Advanced Manufacturing Centre and the Data Technology Hub. The two projects will provide GFA of about 108 600 m² and 27 000 m² respectively at a total estimated development cost of \$8.248 billion. Relevant funding proposals were approved by the LegCo FC in May 2016. HKSTPC is currently working on the detailed design of these projects. The Data Technology Hub is expected to be completed in 2020 and the Advanced Manufacturing Centre is expected to be completed in 2021/22.

17. The Government is also identifying a site near the Liantang / Heung Yuen Wai Border Control Point for the development of science park and industrial estates, with a view to providing medium to long term supply of research office and factories for research institutions and the I&T industry. In this connection, HKSTPC is conducting a preliminary planning study to look into the suitability of developing this site.

18. Industries enjoying advantages in the process of Hong Kong's "re-industrialisation" include biotechnology, big data, Internet of Things, artificial intelligence and smart city. We are drawing up a list of target companies and universities in the Mainland and overseas, and shall strive to attract their presence in Hong Kong in cooperation with Invest Hong Kong and the various Economic and Trade Offices, thereby strengthening the development of these industries.

Supporting Technology Start-ups

19. Providing support to start-ups is of particular importance to the development of I&T. To strengthen support for local start-ups, we extended the "Public Sector Trial Scheme" late last year to cover incubatees of HKSTPC and Cyberport for trials of their products or services in the public sector. The funding ceiling for each project is \$1 million. We also extended the "Internship Programme" to cover incubatees and SME tenants of HKSTPC and Cyberport to provide funding support for their recruitment of up to two local university graduates as interns, thereby encouraging more university graduates to pursue a career in I&T.

20. We launched the “Technology Start-up Support Scheme for Universities” (“TSSSU”) in September 2014 to provide an annual funding of up to \$4 million to each of the six local universities in supporting the university teams in starting technology businesses and commercialising their R&D results. Since the inception of TSSSU, 169 applications were approved and about \$65.57 million was provided for 122 start-ups. In late 2016, this Panel supported the Government to continue TSSSU till 2019-20 to provide continued impetus to the I&T ecosystem.

21. A number of renowned venture capital (“VC”) funds located in the Mainland and overseas have set up dedicated funds or investment platforms in Hong Kong last year. For example, The Alibaba Group launched a \$1 billion “Hong Kong Entrepreneurs Fund”; Sequoia Capital initiated the “Hong Kong X-Tech Startup Platform” to provide \$300 million funding support for early-stage and angel projects. The moves reflect that our I&T start-up environment is picking up. We obtained the funding approval of the LegCo FC in mid-last year to set up the \$2 billion “Innovation and Technology Venture Fund”, where the Government will co-invest with VC funds in local I&T start-ups at a matching investment ratio of approximately 1:2. We are now drawing up relevant guidelines and criteria for the selection of qualified VC funds as co-investment partners. It is expected that the fund will be launched in mid-2017.

Supporting SMEs

22. We launched the \$500 million “Technology Voucher Programme” (“TVP”) on a pilot basis last November to subsidise local SMEs in using technological services and solutions to improve productivity, or upgrade or transform their business processes. The TVP provides cumulative funding of up to \$200,000 on a 2:1 matching basis for a maximum of three approved projects for each eligible SME. Since its launch, the response from SMEs has been encouraging. As at 16 January 2017, over 700 SMEs have registered on the TVP website.

Promoting I&T culture

23. We will continue to organise the InnoTech Month with various programme partners, including universities, R&D centres, government departments, and non-government organisations, etc., to promote I&T culture. The event attracted more than 240,000 participants last year. Following previous editions, the event will include a large-scale carnival, roadshows, exhibitions, seminars, and workshops, etc., to enable the public to experience the remarkable achievements of Hong Kong in I&T and enhance their understanding and interest in I&T.

Way forward

24. The initiatives that we put forth last year, including various funds and funding schemes, are being implemented one by one. The various infrastructural projects have also started and would be available for use by R&D institutions and high value-added industries in a few years' time. The initiatives introduced this year will further enhance the local I&T ecosystem, increasing Hong Kong's attractiveness to enterprises, R&D institutions and talents from the Mainland and overseas. Nonetheless, in the face of the fierce global competition, Hong Kong must consider how to raise its overall competitiveness. We will continue to study appropriate measures, including tax, financial and other policy incentives, in consultation with our stakeholders with a view to making Hong Kong the priority location in developing I&T.

Innovation and Technology Bureau
Innovation and Technology Commission
January 2017