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# Suggestions On Innovation & Technology Development And The Re-industrialization Policy

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## 1. Introduction

This paper will focus on Innovation and Technology Development.

Hong Kong has appeared to be lagging behind in innovation and technology development in the last decade. However, the crux is not that we lack of brave and committed entrepreneurs attempting to do innovation and technology development; we do have sufficient research and development facilities, as well as capable talents who can make great contributions to innovation and technology development.

In order to achieve innovation goals, there must be a market for the innovated product or services. One may argue that if the innovation is sensible, able to create value, and priced at the right level; innovation results will only work with a proven market demand and a practical productization strategy.

This reality has somehow indicated that a ‘Market’ must exist for innovation and promotion, customer services, business strategies and management experts, which brings out the journey and the activities required from ‘Concept’ to ‘Market’; accompanied with the funding and other business expertise required to support the innovative entrepreneurs to go through the journey towards success.

In light of this gap, we would like to offer a few suggestions for the Panel to consider as part of the Policy.

## 2. Suggestions on Innovation and Technology Development Policy

The suggestions are as follows:

- Bridging R&D with Manufacturing and Production
- Encouragement and Support for Innovative Entrepreneurs
- Broader Perspective of Research Facilities
- Talents Development, Recruitment and Retention
- Markets Facilitation
- Funding and Business Services Support throughout the Concept to Market Journey

### 2.1 Bridging R&D with Manufacturing and Production

Certain commodities are now deemed to be vital to Hong Kong in case of down times and emergencies (eg. face masks), it is important to review from ground up and identify a list of such commodities and establish corresponding manufacturing and production lines as a defensive measure.

Closer bonds should be established between industry and universities to facilitate knowledge transfer and realization of R&D efforts. Innovation and research should be encouraged towards a direction of practicality and integration, by means of awards and subsidies as recognition.

The positioning of ASTRI should be set as example and attract like-minded companies to step up as bridges between research/patents with production. As such room can be filled by larger corporations with corresponding branding strategies, incentive measures can be in the form of tax exemption.

## 2.2 Encouragement and Support for Innovative Entrepreneurs

It is common to see that one of the resources that an entrepreneur with innovative idea on technology development lack, is funds to start on research and development.

Before the internet bubble exposed, talented people can acquire investment funds through an idea or proposal on a few pieces of paper. Some won and many lost big times. We understand this fund-raising approach is not healthy and not secured. However, we also need to acknowledge the fact that Hong Kong is not a traditional technology investment enthusiastic city and certainly not common in the wealthy private sector as there are so many other investment opportunities with decent returns. This investment climate has not changed too much. ‘True Angels’ are not easy to find in the financial market these days.

To combat with this situation, perhaps the Government may consider assuming the role of ‘True Angels’. The suggested scope of this funding support is as follows:

- Funds should be in a range of HKD2,000,000 to HKD5,000,000.
- The Government may consider replenishing the funds back through dividends over a number of years.
- The Entrepreneur is required to demonstrate a sound business plan and has the experiences and capability to deliver the project.
- The Entrepreneur is free to use the funds in any way that is beneficial to the approved project.
- The application process must be as simple as possible.
- The approval process must be fast and slightly lax in order to avoid killing of great ideas.
- Conditional funding support can be considered. For example: if the Entrepreneur fails to deliver a prototype that meets some percentage of the specification in reasonable or agreed time, the Entrepreneur may be asked to repay some portion of the subsidy to the Government.

It should be noted, the ‘First Million’ of funds is always a challenge for the Entrepreneur. If the Government may offer help to these people, they would stand a chance to get additional funds from other sources to sponsor the life of the research and development.

### **2.3 Broader Perspective of Research Facilities**

Over the years, the Government has put quite a bit of focus in promoting Universities, Science Parks, Cyberport, and other funded research institutes as research facilities which may have priority consideration for project funding supports, e.g. project funds can be applied by private ICT companies in partnership with a university. Science Park Tenants may receive so and so subsidies, etc..

This may sound a bit unfair to thousands and thousands of companies which may also have the capability to innovate and conduct technology development.

It is therefore suggested that the innovation and technology development community should be treated equally and united as a whole.

### **2.4 Talent Development, Recruitment and Retention**

Talent is the key to success of innovation and technology development. It is important to strengthen Hong Kong’s research capacity and collaborations with ICT industries in the innovation system for a virtuous cycle of talent development and economic growth. It is recommended to build up a critical mass of talents through mega research institutes for Hong Kong to create more stable research and development opportunities. This mega research institutes Do NOT need to be restricted within a particular complex; it can be connected to any ICT companies in HK through a satellite research facility concept.

The recruitment of talents can be from anywhere around the world. However, the attraction for overseas talents to work in Hong Kong may require more than just career development. The living and social facilities, environment, law and order, etc. should be upkept to high standards.

The next question is how to retain the talents. Sense of achievement, pleasing rewards, the living and work environment are common and important. However, one of the factors that people may overlook is that Talented people, in general, enjoy to work like people with similar professional qualification and standing; and adopt the same professional code of practices.

It is therefore suggested to include professional development and recognition in the Policy to encourage the practitioners in the innovation and technology development arena to seek professional qualification, e.g. Professional Engineer, Chartered Engineer, and so forth.

Incentive can be given to Entrepreneurs with relevant professional qualifications when they apply for funding support.

## 2.5 Market Facilitation

As discussed in the Introduction that the market for the innovative products or services are extremely critical to any innovation and technology development. There are a number of areas that the Policy may facilitate market creation as follows:

- The Government can encourage a **“Use Hong Kong ICT First”** culture in the public and private sectors. A clear internal message in the Government can be conveyed that there SHOULD NOT be a “Play Safe” mindset which drives preference to select ICT products and services from international ICT brands over Hong Kong ICT companies.
- The Government can consider taking lead in using ICT products and services from Hong Kong ICT companies. The products provided by these companies should be developed in Hong Kong and the manpower to support the services should be resided within Hong Kong. The purchase of Hong Kong ICT products and services is suggested to be at least 50%.
- In order to broaden the ICT demands for Hong Kong ICT companies, the Government can consider some incentives or tax allowance if the local companies elect to purchase ICT products and services from Hong Kong ICT companies. Imagine if more organizations in public and private sectors have elected to put into action to “Use Hong Kong ICT First”, more showcases for home grown ICT products can be presented. This will be extremely useful reference cases for the Hong Kong ICT companies when they try to expand and compete in the overseas markets.
- The definition of Hong Kong ICT companies or Products may have criteria as follows:
  - Owner or the Major Shareholder must be permanent resident of Hong Kong
  - The Product (Solution) must have at least 70% of the work developed in Hong Kong or by permanent residents of Hong Kong
  - The core product or service must be invented / created / innovated in Hong Kong; i.e. not imported from overseas

- The Government can also consider a “Collective Approach” to export the Hong Kong ICT products and services internationally starting with China and Asia Pacific, i.e. A Brand Hong Kong ICT Initiative. This should be more than the good work that Trade Development Council (TDC) has been doing. Some “Hong Kong Brand” building effort is necessary and advertisements through TV and other means are necessary to create awareness to the overseas users / buyers / partners about the Hong Kong ICT products and services.
- The Government can consider to fund some ICT commercial associations to form representative offices in overseas countries to serve and support the overseas buyers or partners.
- A good example of this successful ‘Export Effort’ is the Performing Business from Korea (TV series, Comedies, Pop Music), Cosmetics, and recently Korean Food. It is estimated that the “PSY Gangnam Style” has made billions in a couple years some years ago.
- The relationship with China should be broadly leveraged in order to get a place for the Hong Kong ICT products and services as an elite choice for the public and private sectors in China. It is also understood that there may be protectionism within the China market. The facilitation for the place can be joint venture basis with Chinese ICT companies.

## **2.6 Funding and Business Services Support throughout the Concept to Market Journey**

We should understand that the seed funds to support research and development is simply part of the measure in the whole Concept to Market Journey.

If the Government can take lead as the first group of users to innovative products and services, it would certainly help the Entrepreneurs to test and fine tune their products and services.

But when the products or services are ready to launch to broader market locally and overseas, the funds, the promotions, and the professional business services support become critical. Whether the innovative products or services may boost or not boost may depend very much on whether the Entrepreneurs are able to secure additional funds and relevant professionals to take this forward. Note that capable and experienced business professionals, and promotions are always costly.

If the Entrepreneurs can acquire funds for market launch from private equity, this would be great. But, what if, they have a proven product, but unable to take to the next step due to lack of funds.



It is therefore suggested to the Panel to consider to second round (i.e. marketing and business professional support related) to help the Entrepreneurs to take their innovation forward.

The formation of this funding support can be on JV basis with private equity, or fully supported by the Government. The returns from investment can be taken from the profit that the Entrepreneurs make.

Suggest the Government to consider widening vetting committee and consider the process thoroughly before announcing a policy / funding program. Eg. We know there are many thousands of applications for D-Biz program, but the capacity of vetting process and procurement process are very challenging now. How to facilitate the approval process is also important.

### **3. Conclusion**

It is believed that Hong Kong still has a good opportunity for Innovation and Technology Development to make great contributions to the economy and to the society as a whole.

There is quite a bit of work in front of us, and a lot of facilitation that the Government may need to do.

We, BCS (Hong Kong Section), a long-established ICT Professional Organization, will certainly assist HKSAR in anyway possible for the benefit of Hong Kong and the ICT Community in Hong Kong.