

LCQ9: Supporting development of innovation and technology industry

Following is a question by the Hon Jimmy Ng and a written reply by the Secretary for Innovation and Technology, Mr Nicholas W Yang, in the Legislative Council today (October 24):

Question:

Some members of the innovation and technology (I&T) industry have relayed to me that although the Government has been actively promoting re-industrialisation and I&T development in recent years, the collaborative measures in areas such as providing relevant talents and supporting the industry are inadequate. Apart from attracting overseas scientific research talents to work in Hong Kong, the Government also needs to actively nurture local scientific research talents, so as to support the long-term development of the I&T industry. At the same time, the Government should provide I&T start-ups with application scenarios, or even take the lead in giving priority to adopting the research and development (R&D) results of local I&T enterprises, as "it sounds weird if our own Government does not support 'Made in Hong Kong' products". In this connection, will the Government inform this Council:

(1) of the number of scientific research talents engaged in the I&T industry in Hong Kong in each of the past three years, with a breakdown of the figures by overseas talents and local ones;

(2) of the number of occasions in which government departments procured, in each of the past three years, I&T products and services researched and developed locally, and the types of products and services involved (set out in a table);

(3) of the number of local I&T start-ups closed down in each of the past three years; given that some I&T start-ups have closed down due to the failure to identify application opportunities for their R&D results, whether the Government made investments and provided manpower support in the past three years to improve the business environment of I&T start-ups; and

(4) whether the Government will enhance its policies on and procedure for procuring I&T products and services, and give priority to adopting the R&D results of local I&T enterprises; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted relevant Government bureaux and departments, our reply

to the four parts of the question is as follows:

(1) According to the statistics by the Census and Statistics Department (C&SD), the total number of personnel (in full-time equivalent) engaging in the innovation and technology (I&T) industry in Hong Kong were 33 660, 35 070 and 35 820 in 2014, 2015 and 2016 respectively. However, the C&SD does not keep information on whether the personnel were local or overseas personnel.

(2) According to the information provided by the Financial Services and the Treasury Bureau (FSTB), the number of procurement cases concerning goods and services under tendering procedures by the Government in the past three years is as follows:

	2015	2016	2017
Goods	248	242	198
Services	375	428	392

The Government does not keep statistics on the number of procurement cases of I&T goods and services researched and developed locally.

(3) The Government does not keep statistics on the number of I&T start-ups that have closed down. Nevertheless, the Government is committed to providing I&T start-ups with comprehensive support and opportunities for trying out its research and development (R&D) outcomes. The Public Sector Trial Scheme under the Innovation and Technology Fund (ITF) subsidises R&D projects funded by the ITF and incubatees/graduate tenants of the Hong Kong Science and Technology Parks Corporation (HKSTPC) and the Cyberport (referred collectively as eligible projects and enterprises thereafter) for the production of prototypes or samples, as well as conducting trials in the public sector. As at end-August 2018, 185 projects have been supported with a funding amount of about \$300 million involving 270 participating organisations.

As for manpower support, the Internship Programme under the ITF subsidises eligible projects and enterprises to hire local graduates as R&D interns, thereby nurturing more I&T talent. As at end-August 2018, the programme has subsidised over 3 500 interns with a funding amount of over \$800 million. Furthermore, we rolled out the Postdoctoral Hub programme in August 2018 to provide funding support to eligible projects and enterprises to recruit postdoctoral talent for R&D work. As at mid-October 2018, the programme has supported over 160 postdoctoral talent with a funding amount of about \$75 million.

Besides, the HKSTPC's incubation programmes provide subsidised office space and shared facilities, financial aid package, technical and management assistance, marketing and development assistance, and access to angel investors and venture capitalists through investment matching events to start-ups in the Hong Kong Science Park focusing on new technologies (such as

electronics, material and precision engineering etc.), biotechnology, and web and smartphone-based technology. As at end-September 2018, 260 incubatees are participating in the incubation programmes, and more than 570 companies have graduated, of which more than 75% of them are still in business.

On the other hand, the Cyberport has also launched an incubation programme to provide information and communication technology start-ups with financial, technical and business consultation support to help them turn creative ideas into concrete undertakings or products. In the past few years, the Cyberport has been expanding its incubation programme. For instance, the annual quota has been doubled from 50 to 100, new clusters such as financial technology and e-commerce have been formed and the financial subsidy has been increased from \$330,000 to \$500,000. As at end-September 2018, a total of 192 companies are participating in the incubation programme, and 314 companies have graduated, of which more than 80% are still in business.

To facilitate start-ups and incubation graduates in commercialising their R&D results and identifying opportunities for market adoption, the HKSTPC, in collaboration with industry leaders, launched the Global Acceleration Academy in April 2017. The HKSTPC will organise workshops for start-ups participating in the programme and, together with the industry leaders, offer advice to applicants for developing products that serve the needs of the industry under a specific theme. Their end-products will be showcased to potential business partners and investors. The HKSTPC has hosted 11 cohorts on various themes such as digital health, logistics technology, artificial intelligence, smart mall, robotics, etc. supporting over 70 start-ups.

In respect of venture funding, the Government has launched the \$2 billion Innovation and Technology Venture Fund to encourage venture capital (VC) funds' investments in local I&T start-ups. The Government will co-invest with the six VC funds selected as Co-investment Partners in local I&T start-ups at an approximately 1:2 ratio. The HKSTPC also launched the Corporate Venture Fund in 2015 to co-invest with angel investors or VC funds on a matching basis in tenants, current incubatees and graduated incubatees of the Hong Kong Science Park. The initial fund of \$50 million allocated in 2015 has been entirely committed in nine projects, attracting some \$673 million from co-investors. The Cyberport set up the \$200 million Cyberport Macro Fund in 2016 to provide seed to Series A stage funding to the Cyberport's start-ups. Five applications have been approved so far.

In addition, the Legislative Council Finance Committee approved in July 2018 the funding proposal of the Government to allocate \$10 billion to the HKSTPC and \$300 million to the Cyberport, part of which will be used for enhancing support for their tenants and incubatees. The HKSTPC and the Cyberport are drawing up relevant implementation details. Relevant initiatives will be launched shortly by phases.

(4) The Chief Executive announced in the 2018 Policy Address that the Government will introduce a pro-innovation government procurement policy in

April next year. By raising the technical weighting in tender assessment, tenders with innovative suggestions will stand a better chance of winning the contracts. The Government will also enhance exchange with the industry and dissemination of procurement information to facilitate the participation of I&T start-ups and small and medium-sized enterprises (SMEs) in government procurement. The FSTB is working out the details to assist procuring departments in implementing the new procurement policy.

With the Government's new procurement policy, the Office of the Government Chief Information Officer (OGCIO) will establish a Smart Government Innovation Lab in 2019 to strengthen coordination and promotion of procurement by Government departments as well as the use of I&T products and solutions from local start-ups and SMEs. The OGCIO will invite the local industry to submit information technology solutions and product suggestions for different public services, arrange trials and technology testing for appropriate proposals in collaboration with concerned departments, as well as provide technical, financial and venue support, thereby creating more business opportunities for local start-ups and SMEs.