

Speech by S for IT at business luncheon in Seattle (English only) (with photo)

Following is the speech by the Secretary for Innovation and Technology, Mr Nicholas W Yang, at a business luncheon in Seattle co-organised by Greater Seattle Partners and the Washington State China Relations Council on September 16 (US West Coast time):

Mr Coquillard (Executive Director of the Washington State China Relations Council, Mr Nor Coquillard), Mr Henderson (Chief Operating Officer of Greater Seattle Partners, Mr James Henderson), distinguished guests, ladies and gentlemen,

Good afternoon. It is a great pleasure to join you all in the beautiful city of Seattle today, and have the opportunity to share with you our efforts to develop innovation and technology (I&T) in Hong Kong. First, please let me express our heartfelt gratitude to the Greater Seattle Partners and Washington State China Relations Council for making this happen.

In recent months, I am sure you have read, seen or heard from the media about the protests and series of public events happened in Hong Kong. What you read, saw or heard is only part of a complex social, economic and political issue that Hong Kong is facing, and we are capable of solving it on our own. The truth remains that Hong Kong people enjoy the very same open freedom today, as it has had at least for the past 25 years, as confirmed by the Heritage Foundation and furthered by the Fraser Institute, which again ranked Hong Kong as the world's freest economy in 2019. The Hong Kong SAR Government has expressed its sincere desire and presented four concrete actions to pave the way for a constructive dialogue with Hong Kong people across the spectrum to get Hong Kong back on track and move forward again.

I wish to take this opportunity to assure you that the Hong Kong SAR Government remains fully committed to developing I&T as a key economic and social driver, and we treasure each and every collaboration with our partners from all over the world. Indeed, I&T remains top on the policy agenda of this term of the Government, and various initiatives on all fronts to enhance the local I&T ecosystem have been taken forward during the past three-plus years, and will be even so in a more robust manner. Vast opportunities related to the I&T development are just ahead of us.

The key objectives of our I&T policy are to enhance Hong Kong's competitiveness and improve people's daily living. In the past two years since this term of Government took office in July 2017, we have allocated more than US\$12.8 billion (more than HK\$100 billion) to support the I&T development in Hong Kong.

Our Chief Executive laid down a very clear direction to develop I&T in Hong Kong along eight major directions. These include increasing resources for research and development (R&D); pooling together technology talent; providing investment funding; setting up technological research infrastructure; reviewing existing legislation and regulations; opening up government data; pro-innovation procurement; and stepping up popular science education. Our Chief Executive also personally chairs a high-level committee to steer I&T and smart city development, which shows the great commitment that the Government attached to the I&T development.

Let me highlight a few major initiatives under these eight areas. First, to increase the incentives to private companies to invest in R&D, we are providing a super tax deduction from 200 per cent to 300 per cent for expenditure incurred on R&D. For decades Hong Kong had been lagging in terms of R&D investment from the private sector. With this unprecedented super tax deduction, we are hopeful that enterprises will join hands swiftly to achieve our goal of increasing the ratio of Gross Domestic Expenditure on R&D (GERD) from 0.73 per cent in 2014 to 1.5 per cent or higher by 2022.

Second, to strengthen our R&D capabilities, we committed US\$1.3 billion (HK\$10 billion) to establish two key research clusters at Hong Kong Science Park, the "Health@InnoHK", which focuses on healthcare technologies and the "AIR@InnoHK" on artificial intelligence and robotics technologies. These platforms enable top-tier technology enterprises and R&D institutions from around the world to set up their units in Hong Kong to carry out midstream and downstream R&D projects via collaborations with our local universities and research institutions. Since the announcement of the InnoHK initiative, over 60 proposals have been received from a number of global leading universities and research institutions from around the world. I am delighted to see that a number of top-notch universities in the US have collaborated with Hong Kong institutions in submitting InnoHK proposals. We expect the first batch of these cluster institutions will start operation before the end of 2019.

Third, we launched the Technology Talent Scheme last year to nurture more local talents, and also rolled out the Technology Talent Admission Scheme which provides a fast-track arrangement for companies to recruit technology talents from outside Hong Kong. These schemes will not only help build a sustainable pool of technology talents, but can also encourage collaboration among talents from around the world.

Indeed, good innovation comes from collaboration. We are working together with Shenzhen to develop the Hong Kong-Shenzhen Innovation and Technology Park. This roughly one-square kilometre site at the Shenzhen border, called the Loop, will be the largest-ever Science Park for Hong Kong. Together with the three square kilometre site in Shenzhen being developed across the border, this Park will become the ideal place for I&T companies around the world to establish R&D centres to leverage the competitive advantages of both Hong Kong and Shenzhen, and to accelerate their access to the Mainland market. The HKSAR Government has set aside US\$2.6 billion (HK\$20 billion) for the first-phase development of the Loop,

with the first batch of buildings scheduled for completion by 2023.

Let's take a look at what Hong Kong has achieved in recent years. Our local I&T start-ups have blossomed. Hong Kong is among the fastest-growing start-up ecosystems in the world, with over 2 600 start-ups in Hong Kong in 2018, representing a year-on-year growth of 18 per cent. In fact, the double-digit growth has been sustained over the past four years. Four years ago, Hong Kong had no unicorn startup. Today, we have eight unicorns, with more to come. Unicorns are created by VC firms, which are willing to pay top dollar for good deal flows. Another important indicator I want to highlight is the total VC investment in our local start-ups. In 2014, the total VC investment in Hong Kong was only US\$162 million. In 2018, the total VC investment increased almost 13 times to US\$2.27 billion. More than 30 per cent of our local startups involve founders or entrepreneurs from outside of Hong Kong. And you should know that the Hong Kong Stock Exchange topped the NASDAQ in IPOs in six of the past 10 years, including 2018.

Another key I&T policy focus is to develop Hong Kong into a world-class smart city. Smart city development makes wider use of innovation and technology to improve the quality of life for our citizens and the sustainability of our city. We published our first Smart City Blueprint for Hong Kong in December 2017 to map out our five-year strategy under six major areas, namely "Smart Mobility", "Smart Living", "Smart Environment", "Smart People", "Smart Government" and "Smart Economy". There are more than 70 specific initiatives listed in the blueprint. We plan to roll out the Phase 2 Smart City Blueprint within a year.

On top of our robust ICT infrastructure, including 11 submarine cable and overland cable systems and 12 satellites, we are strengthening our digital infrastructure in line with future smart city development. One such major initiative is to provide an electronic identity or eID for all Hong Kong residents as a single digital identity used to conduct government and commercial transactions online. Essentially, this enables our citizens to access all digital government services as well as similar applications in the private sector through a single, secure, easy-to-use and personalised interface. We plan to roll out eID in mid-2020. By then, we expect that eID will be adopted by most of our e-Government services.

Ladies and gentlemen, Hong Kong's development is not just about Hong Kong. Hong Kong is actively participating in the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), which includes Hong Kong, Macao, and nine cities in Guangdong Province of Mainland China. The GBA development generates enormous opportunities via a vibrant consumer market of over 70 million people and a combined GDP of around US\$1.6 trillion, comparable to that of South Korea. The GBA development does have a strong focus on I&T. Being the most internationalised city in the GBA, Hong Kong will play a key role in the GBA development, and particularly in the I&T sector.

With this brief overview, I hope you have a glimpse of Hong Kong's strong commitment to developing I&T, and the opportunities ahead. With a free

market, low taxes and unrestricted flow of goods and capital, I believe that Hong Kong is the best place for I&T companies to leverage on the opportunities brought by the Greater Bay Area. My colleagues in the Innovation and Technology Bureau and at the Hong Kong Economic and Trade Office will be more than happy to assist you to connect to Hong Kong and the vast opportunities in innovation and technology.

Thank you very much.

