

**Legislative Council Meeting on 14 July 2021**  
**Motion on “Commencing a new phase in**  
**Hong Kong’s development of re-industrialization”**

**Progress report**

At the Legislative Council (“LegCo”) meeting of 14 July 2021, the motion “Commencing a new phase in Hong Kong’s development of re-industrialization” moved by Hon Holden CHOW as amended by Hon Jimmy NG was passed. The motion is set out at **Annex**. In consultation with relevant bureaux / departments, we report to Members on the progress of relevant work.

**Promoting “re-industrialisation”**

2. The objective of promoting “re-industrialisation” is to develop the advanced manufacturing industry, which is less land- or labour-intensive, based on new technologies and smart production. It is conducive to further stimulating the demand for research and development (“R&D”), creating quality employment opportunities, and fostering the diversification of economic development. The Government has been adopting a multi-pronged approach in driving the development of “re-industrialisation”. Major initiatives are summarised as follows:

**Infrastructure and I&T land**

3. Quality infrastructure is indispensable for promoting “re-industrialisation”. Besides the renovated Precision Manufacturing Centre, the Hong Kong Science and Technology Parks Corporation (“HKSTPC”) strives to develop various infrastructure facilities in the Industrial Estates (“IEs”), including the Medical Accessory Resilience Supplies Manufacturing Centre, the Advanced Manufacturing Centre and the Microelectronics Centre to encourage manufacturers to set up their production bases in Hong Kong, thereby promoting smart production and “re-industrialisation”.

4. Having regard to the increasing demand for land for scientific research and “re-industrialisation” in Hong Kong, the Government will continue to proactively provide land for short-, medium- and long-term development. As mentioned at the previous meeting, the Government is pressing ahead with the development of the land of IEs, the Hong Kong-Shenzhen Innovation and Technology Park, Phase 2 of the Hong Kong

Science Park Expansion Programme and the Cyberport Expansion Project. The Government will also commence relevant studies on the land that is potentially suitable for I&T or “re-industrialisation” purposes in the long run, and report on the latest developments to relevant committees of the LegCo as appropriate.

## **Talent**

5. Quality technology talents are essential for promoting “re-industrialisation” and developing the smart manufacturing industry. The Government launched the Re-industrialisation and Technology Training Programme (“RTTP”) in 2018 to fund local enterprises on a 2 (Government) : 1 (Enterprise) matching basis for their staff to receive training in advanced technologies, especially those related to “Industry 4.0” (“i4.0”). As at end-August 2021, the RTTP has subsidised over 5 800 staff of enterprises to participate in over 7 500 training sessions in advanced technologies with total funding exceeding \$51 million, covering areas such as i4.0 workflows, automated production lines, etc.

6. The Hong Kong Productivity Council (“HKPC”) has also partnered with the Vocational Training Council and Fraunhofer Institute for Production Technology of Germany, an international pioneer of i4.0, to launch the first professional diploma programme in i4.0 in Hong Kong to enhance relevant training for industry practitioners.

## **Capital**

7. In terms of providing capital, the Re-industrialisation Funding Scheme (“RFS”) launched in 2020 subsidises manufacturers, on a 1 (Government) : 2 (Company) matching basis, to set up new smart production lines in Hong Kong. The funding for each project is capped at \$15 million. As at end-August 2021, the Government has received 27 applications in total. The RFS Vetting Committee has vetted 18 applications and agreed in principle to support 16 of them. The total funding amount is about \$108 million. About half of the applications received (i.e. 12) come from the food manufacturing/processing industry, and the Vetting Committee has agreed in principle to support all of the eight vetted applications. The total project expenditure is about \$143 million. One of the supported applications involves a local food manufacturer setting up a new smart production line for beer. The production line leverages smart technologies, such as Internet of Things, real-time monitoring system and data analytics, to enhance production efficiency and

flexibility, with a view to achieving product diversification, expanding markets and enhancing competitiveness.

## **Technology**

8. The HKPC has been committed to assisting enterprises in moving towards high value-added production, boosting production capacity and saving space and manpower with the help of technology. For instance, the HKPC successfully developed an automated frozen egg waffle production machine for a local company, which highly imitates the manual making of egg waffles. All production processes are automated, with a built-in heat control system, and each step can be adjusted independently. The production machine was trialled in end-November 2020, and has been officially mass-produced since January 2021.

## **Scientific research**

9. In addition to supporting the applied R&D work of universities and five Government R&D centres, the Government provides a series of financial support to encourage enterprises to conduct R&D, including the provision of a two-tiered regime, with up to 300% enhanced tax deduction, for expenditure on “qualifying R&D activities” incurred by enterprises. The total claims for tax deduction on R&D expenditure for the year of assessment 2019/20 were over \$3.2 billion, almost a double increase compared to the year of assessment 2017/18 (i.e. prior to the implementation of the measure). The Government will closely monitor the effectiveness of the measure.

10. In addition, in order to foster technology transfer and the realisation of R&D outcomes for promoting “re-industrialisation”, the Government will continue to fund projects that help upgrade the technological level of the manufacturing and service industries in Hong Kong through the Innovation and Technology Fund (“ITF”), and inject a total of \$9.5 billion to the ITF in two consecutive years. The ITF currently consists of 17 funding schemes, seven of which are applicable to supporting R&D. The ITF has funded over 1 500 R&D projects over the past four years, involving total funding of about \$4.653 billion.

## **Supporting start-ups and fostering commercialisation of R&D outcomes**

11. The Government launched the \$2 billion Innovation and Technology Venture Fund (“ITVF”) in 2017 to encourage venture capital

funds to invest in local I&T start-ups, thus creating a more vibrant I&T ecosystem in Hong Kong. The ITVF co-invests with co-investment partners (“CPs”) at a matching ratio of approximately 1 (Government) : 2 (CPs). As at end-August 2021, the ITVF has invested more than \$120 million in 21 local I&T start-ups and attracted over \$600 million of private investment in the same funding round. In addition, the Technology Start-up Support Scheme for Universities was launched in 2014 to support professors and students of local universities in starting technological businesses and commercialising their R&D outcomes. As at 2019-20, 160 funded start-ups have launched over 200 products or services in the market, over 120 of which have generated revenue from their operation ranging from around \$800 to \$11 million each year.

12. The HKSTPC and Cyberport, as Hong Kong’s I&T flagships, have been providing one-stop support services for start-ups. For example, the HKSTPC has been implementing “HKSTP Incubation” (formerly known as “Incu-Tech”), “Incu-Bio”, and a pre-incubation programme “IDEATION” (formerly known as “Science and Technology Entrepreneur Programme”) to unleash the potential of I&T talents. In addition, Cyberport has been catering for the needs of different start-ups via the “Cyberport Incubation Programme”, “Easy Landing Scheme”, “Cyberport Micro Fund”, “Cyberport Accelerator Support Programme”, and “Overseas/Mainland Market Development Support Scheme”.

### **Opening up business opportunities**

13. In order to support Hong Kong enterprises in upgrading / transforming their operations and enhancing their competitiveness continuously, the current-term Government has injected a total of \$7 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (“BUD Fund”) and the SME Export Marketing Fund (“EMF”), and introduced various enhancements to assist enterprises in expanding into the Mainland and overseas markets. As at end-August 2021, the BUD Fund has approved over \$940 million in funding for over 1 600 applications to help the manufacturing industry with brand building, publicity and promotion, technology upgrading, and establishment of production lines in the Mainland and economies with which Hong Kong has signed Free Trade Agreements (“FTAs”) and/or Investment Promotion and Protection Agreements (including the Association of Southeast Asian Nations); the EMF has approved around \$1.8 billion in funding for over 110 000 applications from the manufacturing industry.

14. The four SME centres of the Trade and Industry Department, the Hong Kong Trade Development Council (“HKTDC”), the HKPC and the HKSTPC provide “four-in-one” one-stop integrated services. As at end-August 2021, the four SME centres have handled over 110 000 enquiries and organised 16 seminars, at which experts were invited to share the most up-to-date information and experience on different trade topics.

15. With our country expanding its domestic demand and substantially boosting the consumption capacity, Hong Kong manufacturers have been actively developing domestic sales in recent years. To help Hong Kong enterprises seize the opportunities, the HKTDC plans to hold the “CHIC HK Shenzhen” event in Shenzhen in the fourth quarter of 2021, with a view to showcasing Hong Kong’s quality brands, specialty products, design and technology to consumers in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”). With the Government’s support, the HKTDC has also signed memoranda of understanding with the Guangdong Province and Shanghai to jointly tap the enormous business opportunities brought about by the national “dual circulation” developmental strategy.

16. The Government has also been actively striving for the business sector entry into various markets, and assisting enterprises in expanding business opportunities. In addition to the FTAs signed with 13 of the Regional Comprehensive Economic Partnership (“RCEP”) participating economies, the Government endeavours to make Hong Kong one of the first batch of economies joining the RCEP after its entry into force. We are actively forging consensus from various sectors in supporting Hong Kong’s accession to the RCEP, so as to create favourable conditions for our early accession. As such, Hong Kong may enjoy a series of facilitating measures and legal protection under the RCEP, which will provide a more competitive platform for enterprises to further expand the trade and investment markets in the region. The above-mentioned initiatives are conducive to fostering the sustainable development of the manufacturing industry (including advanced manufacturing) in Hong Kong, thereby consolidating Hong Kong’s status as an international financial and trade centre in the long run.

## **Conclusion**

17. With Hong Kong’s strong capabilities in scientific research, advantages of internationalisation, and high degree of marketisation, etc., the National 14th Five Year Plan and GBA development will also bring

about endless opportunities for Hong Kong. The Government is determined to promote “re-industrialisation” in Hong Kong on an ongoing basis, including the collaboration with the industry, the academia and research institutes, as well as to listen to the views of LegCo members and different stakeholders, in order to establish a milestone for the development of “re-industrialisation” in Hong Kong with concerted efforts.

**Innovation and Technology Bureau**  
**Commerce and Economic Development Bureau**  
**Innovation and Technology Commission**  
**September 2021**

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Motion moved by Hon Holden CHOW  
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**Motion as amended by Hon Jimmy NG**

That the Government has been actively promoting re-industrialization in recent years by rolling out various infrastructure projects and funding schemes for the development of advanced manufacturing industry based on new technologies and smart production; in this connection, this Council urges the Government, on the existing basis, to formulate a categorical medium-to-long-term development strategy for Industry 4.0, such as fostering the ‘intelligentization’ of traditional industries and their upgrading and restructuring; to support local start-ups in fostering the commercialization of their research and development achievements, and to further provide appropriate support measures, including the provision of industrial sites that can achieve clustering effect and assistance to Hong Kong’s manufacturing industry for exploring more overseas markets (such as the Association of Southeast Asian Nations markets); at the same time, the Government should actively collaborate with Shenzhen and other Mainland provinces and municipalities to enhance the recognition of Hong Kong’s development of manufacturing industry, and strive for the formulation of favourable policies for the development of the Hong Kong-invested manufacturing industry on the Mainland.