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Panel on Commerce and Industry

Meeting on 17 August 2021

**Updated background brief on measures to support re-industrialization
in Hong Kong**

Purpose

This paper provides background information on the measures provided by the Administration to support re-industrialization in Hong Kong. It also provides a summary of the views and concerns expressed by members of the Finance Committee ("FC") and the Panel on Commerce and Industry ("the Panel") during previous discussions on the subject.

Re-industrialization policy

2. In the 2016 Policy Address, the Chief Executive introduced the initiative of re-industrialization and announced that it was a potential new area of economic growth for Hong Kong. To grasp the opportunities brought about by the fast development in information and communications technology, it has been the Administration's intention to attract high value-added industries that are suitable to be based in Hong Kong so that traditional labour-intensive industry could migrate to smart production.

3. Chaired by the Financial Secretary, the Committee on Innovation, Technology and Re-industrialization was set up in April 2017 to collect views and suggestions from the innovation and technology ("I&T") sector on matters relating to local I&T and re-industrialization in a high-level and cross-bureaux setting.

4. The Administration considers that high-end manufacturing will provide quality jobs for local I&T talents, particularly young graduates, and will generate needs for research and development ("R&D"), which is conducive to raising R&D investment by the industries, thus contributing to robust and sustainable development of the R&D work of local universities and research institutes. The Administration has been creating favourable conditions for re-industrialization along the following four major fronts:

- (a) to provide suitable infrastructure to create more space for sustainable development;
- (b) to provide appropriate financial support to encourage industrial R&D and create new advanced manufacturing industries;
- (c) to provide technological support to drive the upgrading and transformation of industries; and
- (d) to nurture and pool talents to boost the productivity and adaptability of the labour force.

5. The Administration introduced the Re-industrialization 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".¹ According to the Administration, as at end-February 2021, RTTP has approved 1 116 applications for registering public courses and funding of over \$29 million for 3 740 trainees to receive over 4 640 trainings in advanced technologies.

6. FC approved on 15 May 2020 the injection of \$2 billion into the Innovation and Technology Fund for launching the Re-industrialization Funding Scheme ("RFS"). RFS was launched in July 2020 to subsidize manufacturers, on a 1(Government): 2(company) matching basis, to set up new smart production lines in Hong Kong. The funding ceiling is one-third of the total project cost or \$15 million, whichever is lower. According to the Administration, the response of the industries to RFS has been positive since its launch. As at end-March 2021, the Administration has received 13

¹ First introduced by Germany in the early 2010s, Industry 4.0 is a term applied to the rapid transformation in the design, manufacture, operation and service of manufacturing systems and products. The designation of Industry 4.0 signifies that this is the world's Fourth Industrial Revolution. For details about the concept of Industry 4.0, please refer to paragraphs 2.1 to 2.4 of the Information Note on "Measures to promote re-industrialization in selected places" ([IN15/19-20](#)) prepared by the Research Office of the Legislative Council Secretariat.

applications, and about 230 enquires under RFS.

Previous discussions

7. The Panel discussed the Administration's measures to promote re-industrialization at its meetings on 17 July 2018, 21 May 2019 and 16 June 2020. Members had also expressed views on the policy of re-industrialization in Hong Kong at the special meetings of FC to examine the Estimates of Expenditure 2020-2021 and 2021-2022. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Re-industrialization policy

8. Members called on the Administration to formulate a comprehensive blueprint and a set of performance indicators for re-industrialization, and to appoint an inter-departmental task force to press ahead with the policy issues of re-industrialization. Some members suggested that the Administration should set short, medium and long term goals, including an indicator for the share of the manufacturing sector in the Gross Domestic Product, in order to promote re-industrialization effectively. There was also a view that the Administration should strengthen its publicity effort to promote the development of re-industrialization in Hong Kong.

9. The Administration advised that it had been fostering favourable conditions for re-industrialization in terms of infrastructure, technology, talent, funding and scientific research. While re-industrialization was currently implemented under a cross-bureau/department collaboration mechanism, the Innovation and Technology Bureau would explore the feasibility of setting up an inter-departmental task force as and when necessary. The Administration adopted an open-minded attitude towards the suggestion of setting a target for the share of the manufacturing sector in the Gross Domestic Product. That said, it must first set its development goals and roadmaps and improve the work on infrastructure, support and talent nurturing.

10. In order to promote re-industrialization, some members suggested that the Administration should explore more collaboration with the other cities of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") to achieve synergy.

11. The Administration advised that the Greater Bay Area would offer tremendous development opportunities for Hong Kong. The Administration would organize delegations comprising aspiring young entrepreneurs, scientists

and researchers to visit the Greater Bay Area cities in search of development opportunities.

Commercialization of research outcomes

12. Members called on the Administration to provide adequate support to help the local R&D sector, including local universities, realize and commercialize their R&D outcomes. Some members suggested that the Administration should encourage enterprises which pilot-used local R&D outcomes to retain part of the relevant production lines in Hong Kong, or to relocate their production lines back to Hong Kong. Some other members expressed concerns that it was not easy for the manufacturing industry to find suitable land in Hong Kong for setting up advanced manufacturing facilities.

13. The Administration advised that it had been proactively promoting the realization and commercialization of local R&D outcomes in Hong Kong. In particular, the Public Sector Trial Scheme had significantly contributed to realization of R&D outcomes through actual implementation to identify areas of enhancement and step-by-step improvements to meet the needs of clients. The Administration had also been actively creating favourable conditions for the industries, through promoting re-industrialization, to encourage enterprises to relocate their production lines back to Hong Kong. The Advanced Manufacturing Centre ("AMC") was under construction in the Tseung Kwan O Industrial Estate for promoting smart production and catering for modern production processes with less spatial requirement. The future AMC would aim at linking up the upstream capability of Hong Kong with midstream and downstream manufacturing processes.

Re-industrialization funding schemes

14. Noting that high-end manufacturing in Hong Kong would give new impetus to economic growth, members called on the Administration to strengthen the support for smart production lines and enhance traditional manufacturing industries by offering more incentives in areas such as tax concessions and rental subsidy to attract overseas and Mainland I&T talents and enterprises to set foot in Hong Kong.

15. The Administration advised that it was committed to developing high value-added manufacturing industries which were based on new technologies and smart production and did not require much land and manpower. Such high-end manufacturing industries would provide local I&T talent, especially young people, with quality employment opportunities. In this connection, the Administration launched RFS and RTTP which subsidize manufacturers to set

up new smart production lines in Hong Kong, with an aim to inject impetus into traditional industries, and local companies to train their staff in advanced technologies respectively.

Council motion and questions

16. At the Council meeting of 14 July 2021, Members passed a motion on "Commencing a new phase in Hong Kong's development of re-industrialization" urging the Government to, among other things, formulate a categorical medium-to-long-term development strategy for Industry 4.0. The wording of the motion is hyperlinked in the **Appendix**.

17. Members also raised questions relating to re-industrialization in Hong Kong at various Council meetings. The relevant hyperlinks are in the **Appendix**.

Latest position

18. The Administration will update the Panel on 17 August 2021 on the re-industrialization policy in Hong Kong.

Relevant papers

19. A list of relevant papers is in the **Appendix**.

Measures to support re-industrialization in Hong Kong

List of relevant papers

Date of meeting	Meeting	Paper
17 July 2018	Panel on Commerce and Industry	<p>Administration's paper on "Government's measures to promote 'Re-industrialisation' and the latest development of the Hong Kong Science Park and Industrial Estates" (LC Paper No. CB(1)1238/17-18(04))</p> <p>Updated background brief on the development of Hong Kong Science Park and Industrial Estates, and the policy on re-industrialization prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1238/17-18(05))</p> <p>Administration's follow-up paper (LC Paper No. CB(1)299/18-19(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)1402/17-18)</p>
21 May 2019	Panel on Commerce and Industry	<p>Administration's paper on "New measures to promote 're-industrialisation' " (LC Paper No. CB(1)1046/18-19(03))</p> <p>Updated background brief on the re-industrialization policy and Industrial Estates prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1046/18-19(04))</p> <p>Minutes of meeting (LC Paper No. CB(1)1248/18-19)</p>
23 October 2019	Council	<p>Question No. 20 on "Innovation, technology and re-industrialisation" raised by Hon WU Chi-wai (Government press release)</p>

Date of meeting	Meeting	Paper
29 October 2019	Panel on Commerce and Industry	<p>Administration's paper on "2019 Policy Address - Policy initiatives of Innovation and Technology Bureau" (LC Paper No. CB(1)34/19-20(05))</p> <p>Minutes of meeting (LC Paper No. CB(1)246/19-20)</p>
17 March 2020	Panel on Commerce and Industry	<p>Administration's paper on "Latest development of the Hong Kong Science Park and Industrial Estates" (LC Paper No. CB(1)449/19-20(03))</p> <p>Updated background brief on the Hong Kong Science Park and Industrial Estates prepared by the Legislative Council Secretariat (LC Paper No. CB(1)449/19-20(04))</p> <p>Minutes of meeting (LC Paper No. CB(1)604/19-20)</p>
7 April 2020	Special meeting of the Finance Committee to examine the Estimates of Expenditure 2020-2021	<p>Report on the examination of the Estimates of Expenditure 2020-2021 (Chapter XVI: Innovation and Technology, paragraph 16.2-16.9)</p>
21 April 2020	Panel on Commerce and Industry	<p>Administration's paper on "Latest progress of the Innovation and Technology Fund" (LC Paper No. CB(1)535/19-20(03))</p> <p>Updated background brief on the funding schemes under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (LC Paper No. CB(1)535/19-20(04))</p> <p>Minutes of meeting (LC Paper No. CB(1)780/19-20)</p>

Date of meeting	Meeting	Paper
<p>24 April 2020 8 May 2020 15 May 2020</p>	<p>Finance Committee</p>	<p>Administration's paper on the Re-industrialisation Funding Scheme and equity in the Hong Kong Science and Technology Parks Corporation for developing a Microelectronics Centre (FCR(2019-20)40)</p> <p>Minutes of meeting on 24 April 2020 (LC Paper No. FC305/19-20)</p> <p>Minutes of meeting on 8 May 2020 (LC Paper No. FC278/19-20)</p> <p>Minutes of meeting on 15 May 2020 (LC Paper No. FC77/20-21)</p>
<p>16 June 2020</p>	<p>Panel on Commerce and Industry</p>	<p>Administration's paper on "Innovation and Technology Development and the Re-industrialisation Policy in Hong Kong" (LC Paper No. CB(1)738/19-20(03))</p> <p>Updated background brief on the innovation and technology development and re-industrialization policy in Hong Kong prepared by the Legislative Council Secretariat (LC Paper No. CB(1)738/19-20(04))</p> <p>Minutes of meeting (LC Paper No. CB(1)934/19-20)</p>
<p>17 March 2021</p>	<p>Council</p>	<p>Question No. 7 on "Supporting manufacturing industry and promoting re-industrialization" raised by Hon Abraham SHEK (Government press release)</p>
<p>15 April 2021</p>	<p>Special meeting of the Finance Committee to examine the Estimates of Expenditure 2021-2022</p>	<p>Report on the examination of the Estimates of Expenditure 2021-2022 (Chapter XVI: Innovation and Technology, paragraph 16.32-16.38)</p>

Date of meeting	Meeting	Paper
2 June 2021	Council	Question No. 5 on "Re-industrialization in Hong Kong" raised by Hon Holden CHOW (Government press release)
23 June 2021	Council	Question No. 14 on "Promoting development of innovation and technology as well as re-industrialization" raised by Ir Dr Hon LO Wai-kwok (Government press release)
14 July 2021	Council	Motion on "Commencing a new phase in Hong Kong's development of re-industrialization" moved by Hon Holden CHOW and amended by Hon Jimmy NG (Wording of the motion passed)