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**Report of the Subcommittee on Matters Relating to the Promotion of
New Industrialization**

Purpose

This paper reports on the deliberations of the Subcommittee on Matters Relating to the Promotion of New Industrialization (“the Subcommittee”).

Background

2. The Administration promulgated the [Hong Kong Innovation and Technology Development Blueprint](#) (“I&T Blueprint”) on 22 December 2022 to establish a clear development path and formulate systematic strategic planning for Hong Kong’s innovation and technology (“I&T”) development over the next 5 to 10 years. I&T Blueprint sets out four broad development directions, one of which is to enhance the I&T ecosystem and promote new industrialization in Hong Kong.

3. On one hand, advanced manufacturing drives the momentum to promote economic growth, stimulates the development of more industries and creates high-quality employment opportunities. On the other hand, it makes Hong Kong’s economy more diversified and resilient in the face of adversity. To realize the goal of promoting the development of advanced manufacturing, the Government aspires to assist the manufacturing sector in transforming into a high-end, high-tech manufacturing sector based on advanced production technologies, such as the Internet of Things, artificial intelligence (“AI”) and big data.

4. The Administration will formulate relevant policy measures in five areas, namely infrastructure, scientific research, technology, capital and

talent, to assist traditional industries in upgrading and transformation through I&T for achieving new industrialization in Hong Kong.

The Subcommittee

5. On 8 April 2022, the House Committee appointed the Subcommittee to study matters relating to the promotion of new industrialization. Hon Jimmy NG and Hon Holden CHOW are respectively the Chairman and Deputy Chairman of the Subcommittee. The terms of reference and membership of the Subcommittee are set out in **Appendices 1 and 2** respectively.

6. Since the commencement of work in May 2023, the Subcommittee has held a total of five meetings¹ and conducted four local visits to facilities related to the promotion of new industrialization.

Deliberations of the Subcommittee

Objectives of promoting new industrialization and industry development

7. The I&T Blueprint promulgated by the Administration on 22 December 2022 set forth development targets, including raising the contribution percentage of manufacturing sector to Gross Domestic Product (“GDP”) (at basic prices) from 1.2% in 2016 to 5% in 2032. Members consider that in calculating the contribution percentage of manufacturing sector to GDP, the Administration should explore whether the production activities of Hong Kong businesses outside Hong Kong should be covered to better reflect the contribution of industry to Hong Kong’s economy.

8. In response to questions raised by members on the core industries for Hong Kong’s future development, the Administration has advised that Hong Kong has an edge in developing biotechnology and AI. It will further explore with the industries ways to apply AI technology to production. Meanwhile, semiconductor and microelectronics industries are also key development directions, and the Administration will also set its sight on the development of advanced manufacturing and new energy industries, etc.

¹ The first meeting was held on 30 May 2023 to elect the Chairman and Deputy Chairman as well as discuss the schedule of meetings and discussion items of the Subcommittee.

Industrial services sectors

9. Members are of the view that “industry” is not limited to turning materials into products, but should include other supporting services, such as maintenance and logistics, yet the economic contribution of the latter is often not reflected in government statistics. Members have suggested that the Administration should formulate corresponding policies to promote the development of high-end industrial services sectors. The Administration concurs that industrial production activities could drive a wide range of professional service sectors, including logistics, testing and certification, intellectual property conversion, etc. With the setting up of large-scale production lines by an increasing number of strategic enterprises in Hong Kong, equipment maintenance and other support services would become particularly important. Facilitating the development of related service sectors will help boost the production of accessories locally and increase employment, contributing to the vibrant development of the ecosystem. The Administration will review how the contribution of the industrial services sector to the economy can be better reflected.

Provision of land and facilities for innovation and technology development

10. Members note that the Hong Kong Science and Technology Parks Corporation (“HKSTPC”) currently manages three InnoParks in Tai Po, Yuen Long and Tseung Kwan O, with the provision of specialized multi-storey industrial buildings therein, including the Precision Manufacturing Centre, the Medical Accessory Resilience Supplies Centre and the Advanced Manufacturing Centre (“AMC”). HKSTPC is exploring the provision of more advanced manufacturing space, while taking forward the construction of the Microelectronics Centre (“MEC”) in the Yuen Long InnoPark. In addition, the San Tin Technopole (comprising the Hong Kong-Shenzhen Innovation and Technology Park (“HSITP”) in the Lok Ma Chau Loop (“the Loop”)) can provide the land needed for new industrialization.

11. Expressing concern about the long lead time for the development of the San Tin Technopole (comprising HSITP), members call on the Administration to provide short-term sites for I&T development, including considering the allocation of part of the site in Tseung Kwan O Area 137 for I&T use. The Administration has advised that the first three buildings of Batch 1 of the first phase development of HSITP will be completed gradually from the end of 2024. The relevant policy bureaux will continue to strive for the restoration of the sites in the Lok Ma Chau Loop which had been used for the emergency hospital and community isolation facilities to I&T development purposes as soon as possible. As for Tseung Kwan O Area 137,

the plan is to develop the area into a new community primarily for housing purpose instead of I&T or industrial uses.

12. Members consider that the development of new industrialization is premised on land supply, and urge the Administration to formulate policies and planning on the supply of industrial land. The Administration has advised that one of the directions is to develop the San Tin Technopole (comprising HSITP) into pilot transformation bases for industries with international competitiveness. To this end, the Administration plans to earmark part of the area in HSITP specifically for “industry-academia-research” development, while introducing ancillary measures to facilitate the conduct of pilot trials by industries. Industry planning of the development of new I&T land in the San Tin Technopole (outside of the Loop) is now underway for the sake of taking forward the relevant ancillary services of incubation and transformation for pilot trials. The Administration will also consider reviewing different modes of land grant, including the incorporation of different technologies, etc.

13. Members have asked whether the Administration will construct industrial buildings on its own for the industrial development in Hong Kong at more favourable rents to assist in the upgrading and transformation of the industries. The Administration has responded that one of the directions of developing new industrialization is to construct purpose-built facilities to help enterprises, whether in new or traditional industries, make use of the facilities and technologies to enhance their production capacity as well as efficiency of production lines.

14. Members have pointed out that the Administration can draw reference from the “Industry’s Going Upstairs” programme in Shenzhen and make use of industrial buildings yet to be revitalized into offices for the purpose of promoting new industrialization. The Administration has responded that facilities such as AMC and other data technology hubs have already been developed along this “Industry’s Going Upstairs” mode. However, the Administration has explained that such approach may not be able to fully address the demand for industrial land as various industries have different requirements in respect of the surrounding environments, handling of dangerous goods, vibration proof and isolation installation, building height, etc.

Scientific research and technology transfer

15. Members note that the Administration has been encouraging enterprises to conduct research and development (“R&D”) in Hong Kong.

Apart from providing relevant tax deduction to enterprises, funding support is also provided through the Innovation and Technology Fund (“ITF”). In addition, the Administration has allocated \$10 billion for the establishment of the InnoHK Research Clusters (“InnoHK”) at the Hong Kong Science Park (“HKSP”) to encourage top local and overseas universities and research institutes to collaborate for the setting up of research laboratories in Hong Kong to undertake R&D work and translate research outcomes into applications.

Research and Development Centres under the Innovation and Technology Commission

16. Members are of the view that more efforts should be made to facilitate the translation of original I&T outcomes into products or services by local universities. Members have enquired about the work of the five Research and Development Centres (“R&D Centres”) under the Innovation and Technology Commission (“ITC”) for promoting the development of new industrialization.

17. The Administration has advised that the five R&D Centres serve to coordinate applied research and facilitate technology transfer to the industry, create a vibrant I&T ecosystem, and act as a focal point for technology collaboration among the Government, industry, academia and research sectors. Each centre has its own specific field of R&D expertise and technology, and works closely with universities and the industry in encouraging R&D investment from local private enterprises with a view to enhancing their technological know-how and facilitating technology transfer and commercialization.

18. Pointing out that the five R&D Centres under ITC have not been remarkably effective in commercializing their R&D outcomes, members have suggested that the centres should be repositioned. Instead of requiring them to make commercial gain through commercialization of R&D outcomes, consideration should be given to having the R&D Centres provide the industry with required technologies free of charge or at a low cost. The Administration has responded that the R&D Centres have helped the industry achieve upgrading and transformation through technology development in collaboration with the industry. The Administration has pointed out that it is the R&D Centres’ public mission to transfer applied R&D results to the industry to support the upgrading and restructuring of enterprises, and the purpose of applied R&D and technology transfer is not for profits. The Administration has been encouraging collaboration between the R&D Centres and the industry to facilitate technology transfer from the R&D

Centres to the industry, so as to address industry pain points and commercialize the R&D deliverables. As a matter of fact, about 60% of the projects currently undertaken by the five R&D Centres involve industry participation. The Administration will continue to encourage the R&D Centres to assist the industry in the application of scientific research to enhance competitiveness.

Innovation and Technology Fund and InnoHK Research Clusters

19. Members have enquired how ITF and InnoHK would encourage R&D and facilitate the translation of R&D outcomes into practical applications by relevant organizations. The Administration has advised that the Enterprise Support Scheme under ITF provides dollar-for-dollar matching funding for private companies to carry out in-house R&D projects at a funding ceiling of \$10 million for each approved project, with a view to encouraging private enterprises to invest in R&D.

20. The Administration has also pointed out that the objective of establishing InnoHK is to develop Hong Kong as a hub for global research collaboration. There are currently 29 research laboratories jointly established by top universities and research institutes from Hong Kong and around the globe for conducting R&D with the objectives of developing international I&T exchange and collaboration and commercializing R&D outcomes.

Research, Academic and Industry Sectors One-plus Scheme

21. Members note that with an allocation of \$10 billion, the Administration has launched the Research, Academic and Industry Sectors One-plus Scheme (“RAISE+ Scheme”) to facilitate collaboration among the industry, academia and research sectors by provision of funding to encourage and support universities to translate original R&D outcomes in deep technology into products or services for entry into the commercialization stage. To provide greater incentives for university teams to commercialize R&D outcomes with translational potential, university teams/inventors will be entitled to no less than 70% of the distribution of relevant intellectual property benefits.

22. Expressing concern that as of April 2024, it has been half a year since the launch of the RAISE+ Scheme in October 2023, but funding has yet to be granted, members ask whether the process would be expedited. The Administration has responded that the RAISE+ Scheme was launched in October 2023, and the deadline for submission of applications was end-

November 2023. After a rigorous vetting process, ITC informed the universities concerned of the result of their applications before end-March 2024. ITC is now determining the amount of funding support for individual applications, having regard to the specific circumstances of each case. Funding will then be granted subject to approval by the Steering Committee and completion of follow-up work with the universities. The universities are satisfied with the overall application process and approval time frame.

23. Members note that only about 30% of the applications received under the RAISe+ Scheme are supported and they have enquired about the reasons for not giving funding support for the rest of the projects. Members have suggested that in order to benefit more universities, advice should be provided to those unsupported projects so that the universities concerned can improve their projects and submit applications again in the subsequent application period.

24. The Administration has responded that a rigorous selection process would be conducted for individual applications received under the RAISe+ Scheme, including peer review as well as commercial viability assessment on all applications made by experts engaged by ITC. After discussion and vetting by the Steering Committee, recommendations for funding approval will then be submitted to the Commissioner for Innovation and Technology for approval. For unsupported projects, the Administration will provide guidelines to the relevant research teams and encourage them to improve the contents of their projects for subsequent applications.

25. Members have suggested that the Administration should encourage research teams interested in joining the RAISe+ Scheme to indicate in their applications that products successfully derived from their R&D would be produced in Hong Kong, so as to contribute to I&T and industrial development in Hong Kong. Members have also suggested that efforts can be made to encourage successful projects under the RAISe+ Scheme to set up production bases in Hong Kong through the proposed New Industrialization Acceleration Scheme (“NIAS”) to showcase Hong Kong’s achievement in commercializing R&D outcomes.

26. The Administration has responded that the promotion of I&T is not only about upstream basic research, but also requires integration with the transformation of R&D outcomes in the midstream as well as commercialization and industrial development in the downstream so as to build up the local technology industry system and promote employment. Therefore, there is a requirement for projects under the RAISe+ Scheme that at least half of the work procedures should be conducted in Hong Kong,

including some core R&D components or possibly the conduct of test batch production and pilot batch production or even commercial production in the future.

Technology Start-up Support Scheme for Universities

27. Members note that the amount of investment received by some start-ups under the enhancement measure of the Technology Start-up Support Scheme for Universities (“TSSSU”) has increased. The Administration has advised that as an indication of the effectiveness of the scheme, over 60% of the start-ups participating in TSSSU have launched popular products and services in the market, and more than 70% of the start-ups have received further capital injections.

28. Members have enquired about the Administration’s assistance for start-ups which have not received further capital injections. The Administration has advised that whether an enterprise can continue to receive capital injections would depend on market environment and investors’ perception, and the success of an enterprise cannot be judged solely on the basis of the availability of capital injections.

Assisting downstream manufacturing industries

29. Members have enquired about the Administration’s assistance for downstream manufacturing industries and midstream enterprises in identifying and applying R&D outcomes. The Administration has advised that it will introduce and match application solutions for these enterprises. At the same time, different departments and relevant public organizations would be encouraged to make use of new technologies in respect of AI, data, autonomous driving, etc., which will in turn encourage enterprises to develop and provide services by making use of R&D outcomes.

30. Members are of the view that I&T development in Hong Kong is often confined to the upstream and midstream aspects, without due attention paid to the downstream services of product sales. Members have suggested that the Administration adopt a market-driven approach in promoting the development of new industries and introduce more measures to open up the market so that enterprises would be incentivized to produce while investing in R&D. The Administration concurs that the development of new industrialization should be market-led, with the market being the driving force for the development of industries as a whole. The Administration has introduced many policy initiatives to attract high-end manufacturing

industries and strategic enterprises to Hong Kong, thereby driving the development of the entire market.

Public Sector Trial Scheme

31. Members note that the Public Sector Trial Scheme (“PSTS”) is a measure in support of the commercialization of R&D outcomes, but they observe that public organizations are not proactive in trying out technology products, and that some products have been shelved after trial. Members expect public organizations to proactively facilitate the development of I&T products or services in Hong Kong, and they have enquired whether policies would be adopted to take the lead in procuring local R&D products. The Administration has responded that ITC has set up the PSTS Helpdesk to facilitate start-ups or various technology enterprises to discuss the use of technology products and services offered by them with policy bureaux, departments or public organizations as appropriate. According to the Administration, the initiative has been well received by various sectors, with numerous examples of successful matching. Under PSTS, the Administration has also provided funding to assist enterprises in conducting relevant trials and promoted wider application of new technologies by different departments to enhance their services. The Administration has added that a pro-innovation government procurement policy was raised as early as in the 2018 Policy Address. By raising the technical weighting in tender assessment, tenders with innovative suggestions would stand a better chance of winning the contracts. Exchange with the industry and dissemination of procurement information would be enhanced to facilitate the participation of I&T start-ups as well as small and medium-sized enterprises (“SMEs”) in government procurement.

32. Members have enquired about the development of the relevant products or services in the private market after trials by various departments. The Administration has responded that PSTS has facilitated the application of many different technologies by various public organizations and assisted in the development of relevant technologies. It will consider further refining PSTS to facilitate wider application of the products or services under the scheme in different sectors.

33. The Administration has added that many technologies deployed under PSTS have just had their applied R&D completed and have not been extensively adopted in the market. PSTS provides a good application scenario to help I&T enterprises to produce prototypes. Once further improved by the enterprises, these technologies would be ready for market launch. The Administration would assist in the further “realization” and even

the international launch of these technologies or products through various channels, including promotion and publicity as well as the organization of events.

34. Members have pointed out that in implementing PSTS, government departments often enquire whether the products to be put to trial have obtained the relevant certifications. Members are of the view that it may take a long time to obtain all the certifications, and some products can be put to trial conditionally before certification. Members have suggested that the Administration could assist such companies in conducting trials before fully obtaining certain certification. The Administration has responded that product certification could be essential for some technologies, such as medical-grade biotechnology, and whether other individual products could be put to trial before certification should also be considered having regard to the actual situation.

Provision of pilot facilities

35. Members observe that even though some I&T enterprises have achieved certain R&D outcomes, they are unable to proceed to the production stage of the outcomes due to the lack of pilot testing. Members have enquired whether pilot facilities would be provided to promote downstream development. Given that a pilot industrial park has already been established in Guangdong Province, members have enquired about the Administration's plan to complement the division of work in pilot testing within the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") or among other cities in Guangdong Province.

36. The Administration has advised that it plans to establish pilot transformation bases for industries with international competitiveness in the Loop. For example, regarding the development of the microelectronics industry, the third-generation semiconductor industry has been selected for development. Two pilot lines would be set up by the Hong Kong Microelectronics Research and Development Institute at MEC, and an industrial cluster would be established in the vicinity of MEC. The Administration has stressed that instead of solely relying on the Government's efforts, the development of pilot testing would require the cooperation, participation and investment of the whole industrial system, as well as the establishment of pilot or transformation platforms specific to individual industry sectors.

37. Members have expressed concern that the total investment requirements of the proposed NIAS is on the high side as a whole, and it

might be difficult for traditional industries intending to conduct product or technology R&D or pilot testing to benefit from it. Members have asked the Administration to consider lowering the application thresholds of NIAS and allow enterprises to apply for funding to set up prototype rooms for prototype production using Hong Kong-developed technology or small-batch production. Members are of the view that this would help attract more overseas brands to set foot in Hong Kong and enhance Hong Kong's I&T capability while boosting the development of supply chain management as a whole.

38. The Administration concurs that the development of pilot testing would help foster a better I&T ecosystem. Under NIAS, depending on the circumstances of individual cases, funding support can also be provided for pilot facilities if such facilities are specialized facilities necessary for the production process or the relevant facilities are essential ancillary equipment.

Attracting top-notch innovation and technology enterprises outside Hong Kong to set up business in Hong Kong

39. Members have expressed concern about the Administration's progress in attracting I&T enterprises. Members note that to accelerate the development of new industrialization, the Administration is actively attracting top-notch I&T enterprises from overseas and the Mainland to set up or expand business in Hong Kong, as well as encouraging enterprises to invest in the setting up of relevant R&D centres and pilot transformation bases. Various channels, including co-organizing roadshows, symposiums and outbound visits, have been utilized to maintain close liaison with industry stakeholders and reach out to more enterprises. Members have asked the Administration to make timely announcement on enterprises having made a presence in Hong Kong, follow up with such enterprises on their operations after their establishment in Hong Kong and provide them with appropriate support. The Administration has responded that it has been proactively attracting Mainland and overseas I&T enterprises to set up business in Hong Kong. Many Mainland and overseas enterprises have expressed interest or plans to start new business in Hong Kong, and the Administration has so far negotiated with about 100 technology enterprises with intention to set up or expand their businesses in Hong Kong. These enterprises mainly fall into three major areas of industries with strategic importance: life and health technology, AI and data sciences, as well as advanced manufacturing and new energy technologies. In this regard, the post of Commissioner for Industry (Innovation and Technology) has been created to steer the strategies on new industrialization, including working with government bureaux/departments on formulating appropriate

facilitating measures to attract high-potential and representative strategic I&T enterprises or advanced manufacturers to set up/expand their businesses in Hong Kong.

40. Members have suggested that consideration be given to attract specific industries in the Mainland (e.g. aerospace technology enterprises) to set up smart production lines in Hong Kong. The Administration has responded that several enterprises engaged in the measurement and control of satellites have already moved into the Tseung Kwan O InnoPark.

41. Members note that the Office for Attracting Strategic Enterprises has successfully attracted a number of enterprises to set up business in Hong Kong. Members enquire whether policies would be specifically formulated for these enterprises which have already made a presence in Hong Kong, with a view to further attracting more enterprises of various kinds to establish supply chains in Hong Kong, which would then form industrial clusters. The Administration has responded that its current policy directions for taking forward Hong Kong's I&T development are exactly about bringing in enterprises to Hong Kong for branching out into other upstream and downstream industrial chains and attracting ecological partners to form industrial clusters.

Attracting Hong Kong-invested enterprises outside Hong Kong to relocate back to Hong Kong

42. Members have enquired about the Administration's measures to attract enterprises which have moved their production bases elsewhere to relocate back to Hong Kong. The Administration has advised that it will, through the Hong Kong Productivity Council ("HKPC") and relevant trade associations, contact and invite Hong Kong-invested enterprises in GBA or other places to relocate back to Hong Kong to set up production lines.

Admitting talent from outside Hong Kong

43. Members note that the Administration has all along adopted various measures to expand the local talent pool, including the launching of the Top Talent Pass Scheme ("TTPS"). The Administration has advised that it will continue publicity and promotion efforts to attract talent outside Hong Kong to come here for development. Members have asked the Administration to assist in job matching between I&T talent admitted to Hong Kong under TTPS and local enterprises in new technology industries, and to organize relevant recruitment activities for professionals who have come to Hong Kong or assist them in job matching.

44. The Administration has advised that the Hong Kong Talent Engage Office of the Labour and Welfare Bureau would keep in touch with incoming talent, and provide them with various information and support through online and offline activities and services. In addition, an “early and pilot implementation” approach would be adopted under the proposed NIAS for strategic new technology enterprises which have established a presence in Hong Kong to admit non-local technical staff in shortage in Hong Kong.

45. Members have suggested that the Administration consider working with enterprises engaged in new industries in respect of publicity and promotion efforts in the Mainland as well as conducting job matching, so as to admit more Mainland talent to engage in I&T work in Hong Kong through the Government’s TTPS. The Administration has advised that Cyberport and HKSP have organized career fairs, employment and entrepreneurship sharing sessions and other activities for top talent to connect and match with enterprises.

Nurturing local innovation and technology talent

46. Members note that the Administration has provided funding support for staff of local enterprises to receive I&T training on a 2:1 matching basis through the New Industrialization and Technology Training Programme (“NITTP”). Besides, HKPC has launched quite a number of professional courses related to smart industries. Members have asked the Administration to further enhance the skills of local middle and low-skilled labour in the light of the development of new industrialization. The Administration has advised that through NITTP, it will continue to subsidize eligible enterprises to train their local staff. Moreover, in recruiting enterprises to Hong Kong, the Administration would encourage them to participate in the training of local talent or bring in talent to assist in the relevant training work.

47. Members have called on the Administration to encourage secondary school students to take mathematics, science and technology related subjects, and proactively promote the development of vocational and professional education and training (“VPET”) to enable more young people to pursue development relating to science, technology or engineering in the future. In response, the Administration has advised that the Education Bureau would put emphasis on developing VPET in parallel with the traditional academic articulation pathway to provide quality and diversified study pathways with multiple entry and exit points for young people with different aspirations and abilities.

48. Members note that HKPC has actively promoted and organized various technology and technical education activities and courses to enhance the understanding and interest in I&T among primary and secondary school students and educators. Members have enquired about the specific measures in place to infuse the elements of new industrialization into the primary and secondary curricula for primary and secondary school students' participation in the development in this regard. The Administration has advised that it will promote the organization of more factory-school cooperation activities by trade associations to enhance students' understanding of industrial development.

Strengthening innovation and technology collaboration with the Mainland

49. Members note that one of the major strategies for promoting new industrialization under the I&T Blueprint is to deepen I&T collaboration with the Mainland. The Administration has briefed the Subcommittee on the key initiatives on I&T collaboration with the Mainland implemented by the Government and the implementation progress.

50. Members have urged the Administration to establish a regularized mechanism for collaboration and cooperation on GBA industries development by promoting the complementarity between the manufacturing industries in Hong Kong and Guangdong with a view to driving cooperation in key areas, and have enquired about the policy initiatives in this regard. The Administration has responded that HKPC has taken forward many smartification projects in GBA and set up an office in Guangdong Province to render support to Hong Kong enterprises and related manufacturing industries there in respect of their upgrading and transformation by technology, whilst keeping them abreast of the latest developments in Hong Kong. In addition, the Administration has all along maintained close communication with the relevant authorities in Guangdong Province for exploring further integration of mechanisms and systems. ITC will also provide, through various funding schemes, support to strengthen I&T collaboration among universities, research institutes and technology enterprises in Hong Kong and the Mainland.

51. Members have advised that the Administration should pursue with the Central Government for the establishment of a state laboratory in Hong Kong, and have enquired about how the Administration would monitor the implementation of the various technology cooperation agreements or memoranda of cooperation signed with Mainland institutions. In response, the Administration has advised that the HKSAR Government is in close liaison with the Ministry of Science and Technology for the establishment of

a state laboratory in Hong Kong in the field of life and health technology or AI. In addition, ITC is specifically tasked to follow up on the implementation of various technology cooperation agreements or memoranda of cooperation signed between the HKSAR Government and the Mainland. It will also hold regular discussions with local research institutes under its purview on matters such as long-term development and I&T cooperation with the Mainland.

Fostering synergistic development of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone

52. Members note that the Central Government promulgated the Development Plan for Shenzhen Park of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone (“the Hetao Co-operation Zone”) in mid-August 2023, setting out the development positioning of the Shenzhen Park of the Hetao Co-operation Zone. Members have expressed concern about how the development of the Hong Kong Park, i.e. HSITP, could complement the overall development of the Hetao Co-operation Zone. The Administration has advised that HSITP will be divided into various clusters with different industry themes for the development of a diverse I&T ecosystem. While high-quality research and industrial facilities will be constructed through investment promotion, the Administration would continue collaboration with the Shenzhen Municipal Government to foster the synergistic development of the Hetao Co-operation Zone.

Publicity and promotion in relation to Hong Kong’s technological as well as research and development outcomes in the Mainland

53. Members have called on the Administration to step up efforts in promoting Hong Kong’s R&D outcomes to Mainland enterprises and research institutes, and facilitating the commercialization of Mainland R&D outcomes in Hong Kong. The Administration has advised that local research institutes and enterprises are encouraged to collaborate with different Mainland institutions and enterprises to conduct joint scientific research projects and organize seminars, exchange activities, etc. In addition, ITC has set up the Innovation Hub@HK website as a showcase for the R&D outcomes of universities and research institutes in Hong Kong, facilitating the technology transfer and commercialization of R&D outcomes. ITC has also produced video series as well as sought publicity through the HKSAR Government’s Offices in the Mainland to promote local R&D outcomes.

Assisting the upgrading and transformation of the traditional manufacturing sector in Hong Kong

54. It is the Administration's policy to assist the traditional manufacturing sector in Hong Kong to upgrade and transform with the help of I&T. With advanced technology as the foundation, the aims are to enable the traditional manufacturing sector in Hong Kong to achieve digitalization and smart production, as well as to facilitate the development of new technologies, techniques, products, procedures and models, so as to promote the development of new industrialization and thereby generate new quality productive forces.

55. Referring to the Administration's development target of raising the contribution percentage of manufacturing sector to GDP (at basic prices) from 1.2% in 2016 to 5% in 2032, members enquire about the respective shares of contribution from traditional industries and new I&T industries. The Administration has responded that it would not seek to classify a particular area rigidly as traditional industry or otherwise. So long as productivity can be enhanced by the use of technology, that area would be regarded as a new industry.

56. Members have advised that notwithstanding the launch of NITTP, there are views from the industries that the application procedures of the scheme are quite complicated, with relatively long vetting and approval time and cumbersome terms and conditions. Members have requested the Administration to streamline the application procedures and step up efforts in explaining the details of the funding scheme to the industry, in order to encourage more traditional industries to set up production bases in Hong Kong. The Administration has advised that it will review and make improvements to NITTP in a timely manner. Moreover, the Administration will proactively liaise with the industries, relevant trade associations, representatives of various sectors, etc., to promote various funding schemes.

57. Members observe that while the Administration has launched various I&T funds, funding schemes and dedicated funds which are generally effective in providing support to SMEs, they seem to lack focus. Members have asked whether the Administration has identified strategic industries, strategic enterprises or projects for focused and substantial support to serve as a model for the transformation and upgrading of traditional industries. The Administration has advised that the proposed NIAS is exactly aimed at providing focused support to large projects.

58. Members have enquired whether the Administration would encourage family offices, private equity funds and investment immigrants to participate in I&T development by investing in start-ups, I&T enterprises or even the transformation and upgrading of traditional enterprises, with a view to enhancing capabilities in advanced manufacturing. In response, the Administration has advised that it would identify and brief the relevant funds and organizations on the projects to be introduced and invite more funds and organizations to invest in I&T.

Environmental, Social and Governance and sustainable development

59. Members have urged the Administration to ensure the industries' sustainable development in the aspect of Environmental, Social and Governance ("ESG") when promoting the transformation and upgrading of traditional industries, and enquire about the initiatives in this regard. The Administration has responded that ESG is not only a major global trend in the future but also an important element in the new quality productive forces advocated by the country. At present, HKPC will introduce ESG norms to enterprises when providing technical support to them.

60. Members have suggested that the relevant I&T funds may introduce terms and conditions to require the applicants to meet certain criteria or to provide ESG-related plans. The Administration has advised that at present, HKPC will provide information and support to enterprises from different industries in relation to the relevant ESG requirements, frameworks and corresponding technologies. The Administration will examine the need for introducing relevant terms and conditions for various funds.

Visits conducted by the Subcommittee

61. Furthermore, the Subcommittee has conducted four local visits regarding the abovementioned policy issues, including:

- (a) visiting AMC at Tseung Kwan O InnoPark on 14 November 2023 to learn more about the role it plays in supporting new industrialization;
- (b) visiting InnoHK at HKSP on 29 January 2024 to learn about its role in developing Hong Kong into the hub for global research collaboration;

- (c) visiting the smart production lines funded by ITF on 27 February 2024 to learn about traditional industries' upgrading and transformation through the use of I&T; and
- (d) visiting MEC at Yuen Long InnoPark on 10 May 2024 to better understand the latest development of microelectronics innovation facilities in Hong Kong.

Recommendations

62. During deliberations, the Subcommittee has recommended the Administration to consider:

Objectives of promoting new industrialization and industry development

- (a) including production activities of Hong Kong businesses outside Hong Kong in calculating the targeted contribution percentage of manufacturing sector to GDP to better reflect the contribution of industry to Hong Kong's economy (please refer to paragraph 7 above);

Industrial service sectors

- (b) formulating policies to promote the development of high-end industrial services sectors (please refer to paragraph 9 above);

Provision of land and facilities for innovation and technology development

- (c) providing short-term sites for I&T development (please refer to paragraph 11 above);
- (d) formulating policies and planning on the supply of industrial land (please refer to paragraph 12 above);
- (e) constructing industrial buildings for the industrial development in Hong Kong at more favourable rents and encouraging the use of industrial buildings yet to be revitalized into offices for the purpose of promoting new industrialization (please refer to paragraphs 13 and 14 above);

Scientific research and technology transfer

- (f) stepping up efforts to facilitate the translation of original I&T outcomes into products or services by local universities (please refer to paragraph 16 above);
- (g) repositioning R&D Centres to provide the industry with required technologies free of charge or at a low cost (please refer to paragraph 18 above);
- (h) providing advice to unsupported projects under the RAISE+ Scheme so that the universities concerned can improve their projects and submit applications again in the subsequent application period (please refer to paragraph 23 above);
- (i) encouraging projects under the RAISE+ Scheme to produce products successfully derived from their R&D in Hong Kong (please refer to paragraph 25 above);
- (j) promoting the development of new industries through a market-driven approach and introducing more measures to open up the market (please refer to paragraph 30 above);
- (k) taking the lead in procuring local R&D products and encouraging public organizations to try out local R&D products (please refer to paragraph 31 above);
- (l) complementing the division of work in pilot testing within GBA or among other cities in Guangdong Province to facilitate the translation of R&D outcomes into production stages (please refer to paragraph 35 above);

Attracting top-notch innovation and technology enterprises outside Hong Kong to set up business in Hong Kong

- (m) making timely announcement on top-notch enterprises having made a presence in Hong Kong, following up with such enterprises on their operations after their establishment in Hong Kong and providing them with appropriate support (please refer to paragraph 39 above);

Admitting talent from outside Hong Kong

- (n) assisting in job matching between I&T talent admitted to Hong Kong under TTPS and local enterprises in new technology industries, and organizing relevant recruitment activities for professionals who have come to Hong Kong or assisting them in job matching (please refer to paragraph 43 above);
- (o) working with enterprises engaged in new industries in respect of publicity and promotion efforts in the Mainland as well as conducting job matching, so as to attract more Mainland talent to come to Hong Kong for development (please refer to paragraph 45 above);

Nurturing local innovation and technology talent

- (p) enhancing the skills of local middle and low-skilled labour in the light of the development of new industrialization (please refer to paragraph 46 above);
- (q) encouraging secondary school students to take mathematics, science and technology related subjects, and proactively promoting the development of VPET (please refer to paragraph 47 above);

Strengthening innovation and technology collaboration with the Mainland

- (r) establishing a regularized mechanism for collaboration and cooperation on GBA industries development by promoting the complementarity between the manufacturing industries in Hong Kong and Guangdong (please refer to paragraph 50 above);
- (s) stepping up efforts in promoting Hong Kong's R&D outcomes to Mainland enterprises and research institutes, and facilitating the commercialization of Mainland R&D outcomes in Hong Kong (please refer to paragraph 53 above);

Assisting the upgrading and transformation of the traditional manufacturing sector in Hong Kong

- (t) streamlining the application procedures of NITTP and stepping up efforts in explaining the details of the funding scheme to the industry, in order to encourage more traditional industries to set up production bases in Hong Kong (please refer to paragraph 56 above); and

Environmental, Social and Governance and sustainable development

- (u) ensuring the industries' sustainable development in the aspect of ESG when promoting the transformation and upgrading of traditional industries (please refer to paragraph 59 above).

Advice sought

63. The House Committee is invited to note the Subcommittee's deliberations and recommendations.

Council Business Divisions
Legislative Council Secretariat
10 July 2024

Subcommittee on Matters Relating to the Promotion of New Industrialization

Terms of reference

To review the implementation of the Government's efforts in promoting new industrialization in Hong Kong, supporting the interactive development of the upstream, midstream and downstream sectors of the innovation and technology ("I&T") industry, deepening I&T co-operation with the Mainland, increasing I&T land supply and upgrading supporting infrastructures in Hong Kong, and supporting traditional industries' upgrading and transformation through their use of new technologies.

**Subcommittee on Matters Relating to the Promotion of
New Industrialization**

Membership list

| | |
|------------------------|--|
| Chairman | Hon Jimmy NG Wing-ka, BBS, JP |
| Deputy Chairman | Hon Holden CHOW Ho-ding, JP |
| Members | Hon Elizabeth QUAT, SBS, JP Ir Dr Hon LO Wai-kwok, GBS, MH, JP Dr Hon Junius HO Kwan-yiu, BBS, JP Hon SHIU Ka-fai, BBS, JP Hon CHAN Chun-ying, BBS, JP Hon LAU Kwok-fan, MH, JP Dr Hon Johnny NG Kit-chong, MH, JP Hon LAM Chun-sing Hon Duncan CHIU Dr Hon Wendy HONG Wen Hon Dennis LEUNG Tsz-wing, MH Hon Sunny TAN Hon Judy CHAN Kapui, MH, JP Hon Benson LUK Hon-man Dr Hon TAN Yueheng, JP Hon Adrian Pedro HO King-hong Hon SHANG Hailong Prof Hon William WONG Kam-fai, MH (Total: 20 members) |
| Clerk | Mr Daniel SIN |
| Legal Adviser | Ms Doreen WAN |