

LCQ13: New Industrialisation Funding Scheme

Following is a question by the Hon Jimmy Ng and a written reply by the Secretary for Innovation, Technology and Industry, Professor Sun Dong, in the Legislative Council today (February 21):

Question:

The Government has enhanced the New Industrialisation Funding Scheme (NIFS). Starting from January 8 this year, NIFS allows each company to have a total of three applications submitted in respect of projects for setting up new smart production lines in Hong Kong or have a total of three relevant projects ongoing at any one time, and provides a total maximum funding of \$45 million. In this connection, will the Government inform this Council:

- (1) of the current number of companies which have submitted two or more applications in respect of projects for setting up new smart production lines (with a breakdown by the industry to which the applicant companies belong), and the number of applications involved;
- (2) whether the number of applications has increased upon the enhancement of NIFS; if so, whether the average vetting and approval time has increased as a result; if so, of the details, and whether the authorities will increase the manpower for vetting and approving applications; if so, of the details; if not, the reasons for that;
- (3) whether it will increase the proportion of matching funding from the Government under NIFS, for example, by switching to the provision of funding by the Government on a 1:1 matching basis; if so, of the details; if not, the reasons for that;
- (4) whether it will extend the funding scope of NIFS to assist manufacturers in upgrading existing production facilities and equipment, expanding high value-added business and exploring innovative operating models, etc, so as to promote the enhancement of operational efficiency among traditional manufacturing industries; if so, of the details; if not, the reasons for that; and
- (5) whether it will extend the geographical funding scope of NIFS to regions outside Hong Kong so that, for example, Hong Kong businessmen setting up new smart production lines in the Mainland can likewise obtain funding; if so, of the details; if not, the reasons for that?

Reply:

President,

My consolidated reply to the questions raised by the Hon Jimmy Ng is as follows:

The New Industrialisation Funding Scheme (formerly known as Re-industrialisation Funding Scheme) under the Innovation and Technology Fund was launched in July 2020 to subsidise manufacturers to establish new smart production lines in Hong Kong on a 1 (Government):2 (enterprise) matching basis. The Scheme used to require applicant enterprise to have no more than one project at any one time. To strengthen the efforts in supporting enterprises to adopt smart manufacturing in Hong Kong and to seize market opportunities, the Chief Executive announced the enhancement measure of allowing an applicant enterprise to carry out up to three projects concurrently with a total maximum funding of \$45 million under the Scheme as one of the policy measures in the 2023 Policy Address. The enhancement measure has been launched in early January this year.

After the enhancement of the Scheme, the Secretariat has received several new applications, the trend of which is similar to the past; and has not yet received any second project application from enterprises. We will make use of existing manpower and resources of the Secretariat to process the applications which may be increased after the enhancement. We will also regularly review the operation of the Scheme. Depending on actual operational need, we will seek additional manpower and resources in accordance with the established mechanism.

We welcome companies from traditional manufacturing sector as well as emerging industries to apply for matching fund under the Scheme to establish new smart production lines for expanding their high-value added businesses and enhancing their operational efficiencies. Relevant examples include a local food manufacturer supplying local restaurants and food manufacturers with fresh liquid egg, through funding under the Scheme, establishes a smart production line for fresh liquid egg products in order to enhance production efficiency and capacity. Another example is a textiles and clothing manufacturer, through funding under the Scheme, establishes a digital whole-garment knitwear smart production line to enhance production efficiency and reduce production cost. To support the diversified development of Hong Kong's economy, enhance the competitiveness of Hong Kong manufacturing sector and encourage the "Made in Hong Kong" brand, we hope to drive and support enterprises to establish new smart production lines locally through the Scheme. As such, there is currently no plan to extend the funding scope of the Scheme to cover area outside Hong Kong.

As smart production line involves new technologies, the Government provides subsidy instead of loan to the applicant enterprises under the Scheme, with a view to lowering the investment cost of funded enterprises in order to encourage more enterprises to establish smart production lines in Hong Kong. Although the enterprises still have to invest in two-thirds of the cost of production lines concerned, there is no need for them to return the subsidy granted. The funding scope of the Scheme covers expenses directly related to the establishment of the new smart production lines in Hong Kong, including the costs of procurement, installation and commissioning of the machinery, equipment or apparatus, which will become the assets of the enterprises. At the same time, the production lines concerned will improve the production efficiency and market competitiveness of the enterprises and

bring actual economic benefits to the enterprises concerned after their commissioning. Moreover, an enterprise could obtain a maximum of \$45 million funding after enhancement of the Scheme. We consider the existing 1 (Government):2 (enterprise) fund matching ratio appropriate. It could on one hand attract enterprises to put more resources on new industrialisation by establishing production lines in Hong Kong, and ensure that enterprises would carefully consider if the projects have potential and would be cost-effective on the other, contributing to the diversified development of Hong Kong's economy.