

## LCQ8: Developing industries related to new quality productive forces

Following is a question by the Hon Shang Hailong and a written reply by the Secretary for Innovation, Technology and Industry, Professor Sun Dong, in the Legislative Council today (July 10):

Question:

There are views that the development of new quality productive forces is a key area in the country's Report on the Work of the Government, and also an opportunity for the Hong Kong Special Administrative Region Government to make every effort to promote and leverage its distinctive strengths and economic development. Regarding the development of industries related to new quality productive forces, will the Government inform this Council:

(1) given that, the 2023 Policy Address has proposed to set up a \$10 billion New Industrialisation Acceleration Scheme (NIAS) to promote the downstream development of new industrialisation and provide more financial assistance for enterprises in the fields of life and health technologies, artificial intelligence and data science, advanced manufacturing and new energy technologies, apart from NIAS, whether the Government has put in place concrete complementary policy in the short term to support other enterprises related to industries of new quality productive forces; if so, of the details and the estimated number of beneficiary enterprises;

(2) how the Government will develop new quality productive forces through NIAS to form a sustainable industrial chain of new industrialisation;

(3) whether it will formulate a strategic development blueprint for industries related to new quality productive forces, so as to assess the strengths of Hong Kong's scientific research talents and their strengths in various research outcomes, thereby identifying industries which have the opportunity to stand out and can continue to explore areas where they enjoy advantages for specific support; and

(4) whether it will collaborate with the governments of other Mainland cities in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) to address shortcomings and promote policy co-ordination and in-depth integration in the GBA, so as to enable better complementarity between Hong Kong's advantages in basic research and the industrial advantages of other Mainland cities in the GBA, thereby further promoting the in-depth integration of the industrial chain, capital chain and talent chain in relation to new quality productive forces, as well as expanding avenues of internationalisation for Mainland cities and giving play to Hong Kong's role as a "super-connector" that is closely connected to the world?

Reply:

President,

"Expediting the development of new quality productive forces" is a major task as stated in the National "Government Work Report" this year. New quality productive forces implies advancement in productivity. By making use of innovation and technology (I&T), new industries and new development modes will be introduced to Hong Kong which will promote economic diversity, thereby enhancing Hong Kong's overall competitiveness.

My reply to various parts of the question raised by the Hon Shang Hailong is as follows:

(1), (2)&(3) Hong Kong has to develop new quality productive forces tailored to local conditions. We will continue to strengthen research and development (R&D) in original and innovative technologies, and apply it to the development of industries. The Hong Kong Innovation and Technology Development Blueprint provides a clear development path and systematic strategic plan to promote the development of I&T in Hong Kong, with a view to accelerating the formation and development of new real economy which leverages Hong Kong's competitive edge. We focus on the development of I&T industries of strategic importance such as life and health technology, artificial intelligence (AI) and data science, as well as advanced manufacturing and new energy technology industries, etc. Adopting an industry-oriented approach, the current-term Government introduces and implements policies and measures to accelerate the transformation and realisation of midstream R&D outcomes and support the development of downstream industries for promoting the development of new industrialisation.

To this end, we successfully launched the \$10 billion Research, Academic and Industry Sectors One-plus Scheme (RAISE+) last year to promote the transformation and commercialisation of R&D outcomes from local universities. The first batch of participating projects was confirmed in May this year. Besides, we will also launch the \$10 billion New Industrialisation Acceleration Scheme (NIAS) this year to provide funding on a matching basis for enterprises engaged in the above industries of strategic importance to set up new smart production facilities in Hong Kong. It is expected that 50 to 100 enterprises will benefit from the NIAS.

In addition, in order to support enterprises in developing new quality productive forces, we have introduced enhancement measures to the New Industrialisation Funding Scheme (NIFS) to encourage local manufacturers to switch to smart manufacturing. Under the NIFS, each eligible enterprise may receive a maximum funding of \$15 million on a matching basis for a smart production line project established in Hong Kong. A total of three projects under each enterprise can be funded at any one time, i.e. an enterprise can receive a maximum funding of \$45 million in total. As at March 2024, 38 NIFS applications involving 62 production lines have been supported.

To further strengthen the development of strategic emerging industries, in respect of life and health technology, there are currently 16 life and health technology-related R&D centres under the InnoHK Research Clusters. In

addition, we will provide subsidies to support local universities to set up life and health technology research institutes to facilitate relevant R&D activities and transformation of R&D outcomes.

In respect of development of AI technology, Cyberport is preparing for the establishment of an AI Supercomputing Centre (AISC), the first phase of which is expected to commence operation in the second half of this year at the earliest. Meanwhile, the Government will launch an AI Subsidy Scheme to support, mainly, local universities, research institutes and enterprises, etc, to leverage the AISC's computing power.

In respect of advanced manufacturing and new energy technologies, the Government will establish the Hong Kong Microelectronics Research and Development Institute (MRDI) this year, which will spearhead and facilitate R&D on the third-generation semiconductors among universities, R&D centres and the industry. The MRDI is actively preparing the setting up of pilot lines, with a view to serving as a bridge between innovative research and mass production. Also, we will prepare for establishing the third InnoHK research cluster in the second half of this year, focusing on areas such as advanced manufacturing, new materials, new energy, etc.

Supporting start-ups is also an essential element in forming a comprehensive I&T industry chain. The Government is committed to supporting I&T start-ups, providing them access to venture capital and financing channels, and introducing overseas professional start-up service providers such as accelerators, and venture capital firms to develop businesses in Hong Kong. We are currently reviewing the Innovation and Technology Venture Fund with a view to rolling out as soon as possible new initiatives which are more market-oriented. We will consider measures to advocate for and strengthen the efficient collaboration among the Government, industry, academic, research and investment sectors. This will further enrich financing channels for enterprises, promote industry development, and facilitate a healthy start-up environment. These will help accelerate the development of new quality productive forces.

Talent is also vital to the development of new quality productive forces. The Government has been enlarging the local I&T talent pool through nurturing, attracting and retaining talent. For example, in terms of attracting talent, the Technology Talent Admission Scheme provides a fast-track arrangement for eligible companies to admit overseas and Mainland technology talent to undertake R&D work in Hong Kong. The InnoHK Research Clusters converges around 2 500 top-notch researchers from all over the world to conduct world-class and impactful collaborative researches. Besides, the Government has included in the Talent List a number of professions with local manpower shortage in the I&T segment, so as to facilitate the industry in the admission of technology talent through relevant admission schemes.

(4) As an important avenue for the country to connect with the world and for the world to access China's market, Hong Kong serves as a bridge connecting the Mainland and the world. We will proactively attract enterprises and investments, bringing in Mainland and overseas I&T strategic enterprises (including those from the Guangdong-Hong Kong-Macao Greater Bay Area (GBA))

to set up businesses in Hong Kong. Leveraging the role of a "super-connector" and "super value-adder", Hong Kong also serves as a springboard for Mainland enterprises to expand their businesses overseas.

The Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone (Co-operation Zone) is a major co-operation platform in the GBA. Fostering an orderly flow of cross-boundary innovation elements (including talent, materials and data) is the key to success of the Co-operation Zone. The Government will continue to support the development of the Hong Kong park and actively collaborate with Shenzhen to foster the synergistic development of the Shenzhen park and the Hong Kong park of the Co-operation Zone under the "one zone, two parks" principle underpinned by the "one country, two systems" principle. This will enable the Co-operation Zone to serve as the bridgehead for intensive I&T co-operation between the two places.

Furthermore, in alignment with the country's national development strategies, the Government will continue to proactively encourage the community to develop new quality productive forces, including supporting the local I&T sector to visit and participate in technological exchange with the Mainland (especially the GBA cities) so as to keep up with the latest development of new quality productive forces in the Mainland. We are dedicated to build up a more comprehensive and globally competitive I&T industry chain by joining hands with the Mainland cities in the GBA through concerted efforts, thereby realising the strategic goal of developing new quality productive forces and contributing to the country's high-quality development.