

LCQ19: Attracting strategic enterprises in advanced manufacturing industries

Following is a question by the Hon Yim Kong and a written reply by the Deputy Financial Secretary, Mr Michael Wong, in the Legislative Council today (February 19):

Question:

The Office for Attracting Strategic Enterprises (OASES) commenced operation in December 2022, which was tasked with attracting industries of strategic importance to Hong Kong (including advanced manufacturing industries) to pursue development in Hong Kong. Some analyses have pointed out that investments in advanced manufacturing industries focus on technology and capital, and the number of jobs created is limited. There are also views that although automation and intelligentisation may reduce the number of jobs in traditional manufacturing industries, they also create jobs in technical maintenance, research and development as well as management. In this connection, will the Government inform this Council:

(1) how it will assess the effectiveness of OASES' work carried out in 2023 and last year;

(2) whether it has compiled statistics on the investment amount and the numbers of employees hired by the enterprises related to advanced manufacturing industries; how the Government will assess the effectiveness of the policies implemented in 2023 and last year on attracting strategic enterprises in advanced manufacturing industries covering such aspects as taxation, financing and talents, so as to ensure that the objectives of attracting investments and creating employment opportunities can be achieved; and

(3) whether it has assessed if the manpower trained by local universities caters for the needs of the future development of advanced manufacturing industries; whether the Government will, in attracting the strategic enterprises concerned, implement plans to support manpower training in the light of the development needs of the enterprises, such as setting up vocational training funds and encouraging enterprises to collaborate with universities and vocational training schools to offer training courses related to advanced manufacturing industries to nurture the required talents for the enterprises?

Reply:

President,

The Office for Attracting Strategic Enterprises (OASES) is dedicated to

attracting enterprises from industries of strategic importance to Hong Kong. Its work includes identifying target strategic enterprises, understanding their needs and providing customised facilitation support and one-stop services to strategic enterprises that are establishing their presence in Hong Kong. My reply to the questions raised by the Hon Yim Kong is as follows:

(1) Since its commencement of operation in December 2022, OASES has reached out proactively to high-potential and representative strategic enterprises from around the globe. Despite the complicated and ever-changing economic environment in recent years, substantive progress has been achieved by OASES over the past two years. So far, 66 strategic enterprises have been brought to Hong Kong, and they are from the four strategic industries, i.e. life and health technology, artificial intelligence and data science, financial technology and advanced manufacturing and new energy technology. Among them, around 80 per cent plan to establish their global or regional headquarters in Hong Kong. It is estimated that in the coming years, they will invest about \$42 billion in total and create more than 17 000 jobs.

OASES also continues to follow up on the development and needs of strategic enterprises that have established their presence in Hong Kong. By assisting and accelerating the plans of strategic enterprises to use Hong Kong as their base to tap into the Mainland market or expand overseas, it would thereby speed up the diversification and transformation of Hong Kong's industries. This would also further strengthen Hong Kong's role as a "super connector" and "super value-adder", and attract more overseas enterprises to use Hong Kong as a base to tap into the Mainland market, while supporting Mainland enterprises to "go global".

(2) Based on the information from OASES, amongst the 66 strategic enterprises that have established their presence in Hong Kong, 12 belong to the advanced manufacturing and new energy technology industry. They include companies with a market capitalisation/valuation of over \$10 billion, and are engaging in cutting-edge technologies. The enterprises have either established or plan to establish research and development (R&D) centres and/or production bases in Hong Kong, while 75 per cent of them plan to establish international or regional headquarters in Hong Kong. OASES has closely followed up on the development and needs of these strategic enterprises, and provided them with customised facilitation support. For example, a series of matching activities with parties such as innovation and technology (I&T) parks, universities and research institutes, chambers of commerce and professional bodies were arranged to speed up their commencement of operation in Hong Kong. It is estimated that in the coming few years, the aforementioned advanced manufacturing enterprises alone will invest around \$5.6 billion in Hong Kong and create more than 1 800 jobs. By establishing or expanding their operations in Hong Kong, these strategic enterprises from the advanced manufacturing sector will also attract upstream, midstream and downstream partners from their industry chains to come to Hong Kong. This would accelerate the development of the advanced manufacturing industry, and assist the upgrading and transformation of the traditional manufacturing industry, thereby building a more vibrant ecosystem for the industry and creating more

high-quality job opportunities.

In fact, with a view to promoting the development of new industrialisation in Hong Kong, the Government has been using various measures to encourage the manufacturing industry (including the advanced manufacturing industry) to upgrade and transform through the use of I&T. The implementation of such measures is progressing as scheduled. On tax measures, the Government offers tax concessions to enterprises engaging in R&D activities in Hong Kong. The qualifying R&D expenditures of such enterprises enjoy an enhanced tax deduction, with the first \$2 million of the total expenditure eligible for a 300 per cent tax deduction, and the amount beyond \$2 million eligible for a 200 per cent deduction. There is no cap on the amount of enhanced tax deduction, and it applies to all eligible enterprises. The Inland Revenue Department is still processing the tax returns and assessments for the year of assessment 2023/24 and does not further classify the relevant statistics into traditional or advanced manufacturing mode in the assessment of profits tax so is unable to provide the relevant statistics.

The Government also provides funding support to further promote new industrialisation. For instance, the New Industrialisation Funding Scheme (NIFS), aiming to subsidise manufacturers to set up new smart production lines in Hong Kong, targets to increase the cumulative number of smart production lines funded under the scheme to at least 130 in 2027. As at January 2025, 63 applications have been supported by the NIFS Vetting Committee (Vetting Committee), involving more than 100 production lines in total. The progress is satisfactory. Besides, the \$10 billion New Industrialisation Acceleration Scheme (NIAS) was set up by the Government in September 2024 to provide funding support on a matching basis for enterprises in strategic industries including advanced manufacturing and new energy technology. The first project under NIAS was supported by the Vetting Committee in early 2025, with the total project cost estimated at around \$600 million and the expected NIAS funding amount at around \$200 million. With enterprises actively participating in the two funding schemes, the Government is glad to see that they are making use of I&T to achieve smart production so as to enhance competitiveness.

Meanwhile, the Government is increasing investment and guiding more market capital to invest in I&T industries. For instance, it was announced in the 2024 Policy Address to set up a \$10 billion I&T Industry-Oriented Fund to create a fund-of-funds and channel more market capital to invest in specified emerging and future industries of strategic importance, including areas such as advanced manufacturing, so as to systematically build an I&T ecosystem. Furthermore, the Policy Address also announced the optimisation of the Innovation and Technology Venture Fund by redeploying at most \$1.5 billion to set up funds jointly with the market, on a matching basis, to invest in start-ups of strategic industries including advanced manufacturing and new energy technology, thereby strengthening the Hong Kong I&T ecosystem.

(3) Post-secondary institutions in Hong Kong can flexibly offer programmes that meet market needs and to engage with relevant industry stakeholders for timely adjustment of programme content to enhance the learning experience of

students. The Education Bureau has also been supporting different policy bureaux/departments in policy areas related to manpower and training needs.

In order to nurture local talents, the New Industrialisation and Technology Training Programme was launched in August 2018. It subsidises local enterprises on a 2 (Government): 1 (enterprise) matching basis to train their staff in advanced technologies, especially training related to new industrialisation.

OASES has all along been promoting and encouraging strategic enterprises that have established their presence in Hong Kong to consider participating in the talent training programmes launched by the Government to support talent nurturing. Meanwhile, OASES has also been promoting and encouraging these enterprises to engage with universities and research institutes to discuss potential research collaborations and matters related to talent development, so that there would be more avenues to nurture talents to meet the needs of the enterprises.