

Results of monthly survey on business situation of small and medium-sized enterprises for June 2024

The Census and Statistics Department (C&SD) released today (July 10) the results of the Monthly Survey on Business Situation of Small and Medium-sized Enterprises (SMEs) for June 2024.

The current diffusion index (DI) on business receipts amongst SMEs decreased from 43.0 in May 2024 in the contractionary zone to 41.4 in June 2024, whereas the one-month's ahead (i.e. July 2024) outlook DI on business receipts was 46.5. Analysed by sector, the current DIs on business receipts for majority of the surveyed sectors dropped in June 2024 as compared with previous month, particularly for the restaurants (from 39.1 to 33.3) and retail trade (from 42.9 to 39.9).

The current DI on new orders for the import and export trades decreased from 45.2 in May 2024 to 44.1 in June 2024, whereas the outlook DI on new orders in one month's time (i.e. July 2024) was 48.7.

Commentary

A Government spokesman said that overall business sentiment among SMEs softened further in June. The overall expectations on the business situation in one month's time also turned slightly weaker, but some sectors expected relative improvement. The overall employment situation remained generally stable.

The spokesman added that while geopolitical tensions and changes in the consumption patterns of visitors and residents will affect business sentiment in the near term, the Central Government's various measures that benefit Hong Kong and continued growth of the local economy should provide support. The Government will monitor the situation closely.

Further information

The Monthly Survey on Business Situation of Small and Medium-sized Enterprises aims to provide a quick reference, with minimum time lag, for assessing the short-term business situation faced by SMEs. SMEs covered in this survey refer to establishments with fewer than 50 persons engaged. Respondents were asked to exclude seasonal fluctuations in reporting their views. Based on the views collected from the survey, a set of diffusion indices (including current and outlook diffusion indices) is compiled. A reading above 50 indicates that the business condition is generally favourable, whereas that below 50 indicates otherwise. As for statistics on the business prospects of prominent establishments in Hong Kong, users may refer to the publication entitled "Report on Quarterly Business Tendency

Survey" released by the C&SD.

The results of the survey should be interpreted with care. The survey solicits feedback from a panel sample of about 600 SMEs each month and the survey findings are thus subject to sample size constraint. Views collected from the survey refer only to those of respondents on their own establishments rather than those on the respective sectors they are engaged in. Besides, in this type of opinion survey on expected business situation, the views collected in the survey are affected by the events in the community occurring around the time of enumeration, and it is difficult to establish precisely the extent to which respondents' perception of the business situation accords with the underlying trends. For this survey, main bulk of the data were collected around the last week of the reference month.

More detailed statistics are given in the "Report on Monthly Survey on the Business Situation of Small and Medium-sized Enterprises". Users can browse and download the publication at the website of the C&SD (www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1080015&scode=300).

Users who have enquiries about the survey results may contact Industrial Production Statistics Section of the C&SD (Tel: 3903 7246; email: sme-survey@censtatd.gov.hk).

[LCQ5: Supporting operation of small and medium enterprises](#)

Following is a question by the Hon Edmund Wong and a reply by the Under Secretary for Commerce and Economic Development, Dr Bernard Chan, in the Legislative Council today (July 10):

Question:

A survey conducted by an association of small and medium enterprises (SMEs) reportedly found a decline in turnover compared to pre-pandemic levels among nearly 70 per cent of SMEs. In addition, the value of total retail sales in April this year, provisionally estimated at \$29.6 billion, decreased by 14.7 per cent compared with the same month last year. In this connection, will the Government inform this Council:

(1) whether it has examined if the business situation of those SMEs in the retail sector (including supermarkets), catering industry, etc, operating in non-tourist districts has become increasingly difficult in the recent six months as impacted by the craze for going north for spending among members of the public; if it has, of the details; if not, whether it has plans to conduct a comprehensive survey;

(2) given that according to a survey, more than 70 per cent of the employers interviewed indicated that they would opt for business upgrading and transformation in order to cope with operating difficulties, whether the Government has, on top of the assistance it currently provides (e.g. the Technology Voucher Programme and the BUD Fund), plans to help SMEs with their business upgrading and transformation through more targeted measures; and

(3) given that the Hong Kong Monetary Authority, together with the Banking Sector SME Lending Coordination Mechanism, announced in March this year the introduction of nine measures to assist SMEs in obtaining financing from banks, whether the authorities will further request banks to adopt a more lenient approach in making credit limit adjustments for the retail sector, so as to help SMEs in the retail sector tide over the difficulties; if so, of the details; if not, the reasons for that?

Reply:

President,

The data of the Census and Statistics Department (C&SD) show that after recording an increase in the value of total retail sales in January and February 2024 as compared with the same period last year, a decrease occurred from March to May. The Government has been closely monitoring the economic situation, and implements measures to assist the industries having regard to the situation.

Having consulted the Innovation, Technology and Industry Bureau, the Office of the Government Economist, the C&SD and the Hong Kong Monetary Authority (HKMA), the reply to the three parts of the question is as follows:

(1) The Government compiles statistics or conducts surveys on different economic sectors (including the amount of retail sales), but does not compile statistics with breakdown by districts.

Hong Kong has been getting increasingly integrated into the Mainland in various aspects. As various large-scale infrastructure were completed, the cross-boundary transportation capacity has been greatly strengthened, facilitating the two-way flow of people between the Mainland and Hong Kong and promoting the retail industry of both places at the same time. Under the "one-hour living circle" within the Guangdong-Hong Kong-Macao Greater Bay Area, Hong Kong residents spending in the Mainland or Mainland residents spending in Hong Kong are economic activities that happen naturally.

In the first five months this year, the value of total retail sales was on average around \$32.3 billion per month, decreased by 6.1 per cent as compared with the same period in 2023. In addition, for the total restaurant receipts, the monthly average in the first quarter of 2024 was around \$9.4 billion, increased by 2.3 per cent as compared with the same period in 2023. The performance of both retail and catering industries is subject to change having regard to the consumption patterns of visitors and residents as well

as the strength of the Hong Kong dollar. Nevertheless, the new measures benefitting Hong Kong as announced recently by the country, including extending the scope of the Individual Visit Scheme to 59 cities and increasing the duty-free allowance for luggage articles brought into the Mainland from Hong Kong by visitors who are Mainland residents to RMB12,000 should help attract the spending of Mainland visitors, thereby boosting the local retail and catering industries. The Hong Kong Special Administrative Region Government's continued efforts in promoting mega event economy and pursuing the concept of "Tourism is everywhere in Hong Kong" will also bring support to the retail and catering industries. The rise in employment earnings, coupled with the recent stabilisation of asset markets, is also beneficial to these two industries.

(2) Throughout the years, the Government has been assisting Hong Kong enterprises, especially small and medium enterprises (SMEs), in upgrading, restructuring and enhancing competitiveness through funding schemes. Among others, the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) provides funding support to non-listed Hong Kong enterprises to develop business in 39 economies with which Hong Kong has signed Free Trade Agreements and/or Investment Promotion and Protection Agreements. Besides, the Trade and Industrial Organisation Support Fund (TSF) provides funding support to organisations such as trade and industrial organisations and professional bodies to implement projects which aim at enhancing competitiveness, including assisting enterprises in upgrading and restructuring. As at end June 2024, around 8 400 applications have been approved under the BUD Fund, involving a total funding amount of over \$5.1 billion. Around 50 per cent of these applications involve projects related to upgrading and restructuring. For the TSF, over 500 applications have been approved, involving a total funding amount of around \$880 million.

Furthermore, the Government established "SME ReachOut" in 2020 to help SMEs identify suitable government funding schemes. "SME ReachOut" has enhanced its services starting from October 2023, to provide more one-on-one consultation sessions and to focus on areas such as "environmental, social and governance", technology transformation, digitalisation and cyber security, with a view to assisting SMEs in enhancing their competitiveness through leveraging new technologies. As at end June 2024, "SME ReachOut" has handled over 24 200 enquiries, and has organised or participated in 10 exhibitions and over 50 seminars or webinars, as well as conducted over 240 promotional activities.

In order to assist enterprises/organisations in using technologies to improve productivity, or upgrade and transform their business processes, the Innovation and Technology Commission administers the Technology Voucher Programme (TVP) to subsidise local enterprises/organisations in using technological services and solutions. The TVP provides subsidies for projects on a 3 (Government):1 (enterprise/organisation) matching basis. For each enterprise/organisation, the cumulative funding ceiling is \$600,000 and the maximum number of projects to be approved is six.

In addition, the Government has allocated funding to launch the Digital

Transformation Support Pilot Programme, under which subsidies will be provided on a one-to-one matching basis to assist SMEs in retail and food and beverage industries in applying e-payment and other ready-to-use basic digital solutions, so as to expedite their digital transformation.

(3) The HKMA has been encouraging the banking sector to support SME customers under prudent risk-management principles, including streamlining the procedures for loan application and providing more diversified loan products. It has also introduced the nine SME support measures jointly with the Banking Sector SME Lending Coordination Mechanism in March this year to support the financing needs of SMEs and increase their bargaining power. In the first two months following the announcement of the support measures, around 7 000 SMEs have benefitted, involving an aggregate credit limit of over \$15 billion, including:

(i) providing credit reliefs (including principal moratorium and partial principal repayment) to over 2 000 SMEs, involving an aggregate amount of \$8.2 billion;

(ii) approving about 1 700 credit applications from SMEs, providing \$7.3 billion of funds for their cash flow and business expansion; and

(iii) continuing to provide fee waivers and concessions to over 3 000 SMEs to ease their expenditure, including concessions on credit application fees, commitment fees and interest.

The HKMA, the Hong Kong Association of Banks and the Chinese Banking Association of Hong Kong co-organised a seminar on the banking sector's support measures for SMEs on June 24, bringing together more than 200 representatives from the banking sector, trade associations and chambers and SME operators, who have actively exchanged views on the banking sector's support measures as well as diverse services for SMEs. The discussions covered topics including how banks leverage financial technology to help SMEs obtain bank financing in an easier and faster manner, and how banks support the business transformation of SMEs.

The HKMA will continue to maintain close communication and exchange with the banking and commercial and industrial sectors to support the continuous development of SMEs in an inclusive manner and under proper management of credit risks.

LCQ21: Hawker stalls selling food

Following is a question by the Hon Judy Chan and a written reply by the Secretary for Environment and Ecology, Mr Tse Chin-wan, in the Legislative Council today (July 10):

Question:

There are views that in order to implement the concept of "tourism is everywhere", Hong Kong should support fixed-pitch and itinerant hawker stalls selling food with local characteristics, and enhance the culinary experience of countryside visitors. In this connection, will the Government inform this Council:

(1) of the number of fixed-pitch cooked food hawker stalls located (i) on-street (i.e. stalls commonly known as "Dai Pai Dongs"), (ii) in cooked food hawker bazaars, and (iii) in public housing estates (i.e. stalls inside what is commonly known as a "cooked food kiosk") in each of the past three years, with a breakdown by the 18 districts across the territory;

(2) of the number of itinerant hawker licences allowed to sell food (including but not limited to roast chestnuts, baked sweet potatoes, fruits and baked eggs) in each of the past three years, with a breakdown by type of commodity;

(3) of the number of applications for succession or transfer of "Dai Pai Dong" licences approved in each of the past three years, with a breakdown by the relationship between the successor or transferee of a licence and the original licensee;

(4) whether new "Dai Pai Dong" licences were issued on a trial basis or in other forms in the past three years; if so, of the annual number of licences issued; if not, the reasons for that;

(5) whether the Housing Department carried out renovation or refurbishment works for cooked food kiosks in public housing estates under its management in the past three years; if so, of the details; if not, the reasons for that;

(6) of the number of vacant fixed hawker pitches allocated to itinerant hawker licensees selling food in the annual reassignment of such pitches by the Government in each of the past three years;

(7) given that at the meeting of the Subcommittee on Hawker Policy under the Panel on Food Safety and Environmental Hygiene of this Council on April 14, 2015, the authorities indicated that they would consider converting, on a pilot basis, an existing public market with a low occupancy rate into an off-street cooked food centre, which would provide operating space for individual cooked food vendors to provide traditional "Dai Pai Dong" type of cooked meals, traditional snacks or other forms of light refreshments, of the current progress of such work;

(8) whether the Hong Kong Tourism Board has currently promoted local delicacies of Hong Kong served up by "Dai Pai Dongs", cooked food kiosks, among others, to visitors and international media; if so, of the details;

(9) whether the authorities have reviewed the hawker policy in recent years; if so, of the details and the improvement measures implemented following the review; and

(10) as there are views that the current provision of only refreshment kiosks at country parks has failed to cater for the increasing number of countryside visitors, whether the authorities have considered setting up restaurants and allowing fixed-pitch and itinerant hawker stalls to sell speciality food at convenient locations near the entrances and exits of country trails; if so, of the details; if not, the reasons for that?

Reply:

President,

The society has different views and expectations regarding hawkers and their hawking activities. The Government is committed to balancing the needs and views of various parties so that licensed hawkers (including those selling food) can operate according to market demand while ensuring food safety, environmental hygiene and public safety, and avoid causing nuisance to local residents, etc. Having consulted the Culture, Sports and Tourism Bureau and the Housing Bureau, our reply to the Hon Judy Chan's question is as follows:

(1) The number of hawker licences for on-street fixed pitches, cooked food hawker bazaars and cooked food kiosks in public housing estates in the past three years (2021 to 2023), with a breakdown by the 18 districts in the territory, is provided at Annex I.

(2) The number of itinerant hawker licences allowed to sell food in each of the past three years (2021 to 2023), with a breakdown by the type of commodities allowed for sale, is provided at Annex II.

(3) In the past three years (2021 to 2023), two applications for succession/transfer of "Dai Pai Dong" licence, involving a pair of mother-son and father-son respectively, were supported by the relevant District Councils. The Food and Environmental Hygiene Department (FEHD) has approved the relevant applications in 2021 and 2023.

(4) There are different views on "Dai Pai Dong" in the society. Some are of the view that they cause nuisance to residents of the areas, while some consider that "Dai Pai Dong" pose unfair competition to the neighbouring restaurants. The mode of operation of "Dai Pai Dong" would inevitably cause a certain degree of street obstruction and environmental hygiene problems, thus it is very challenging to identify suitable sites, such as a location where it would not cause nuisance to residents, have sufficient or stable patronage to support business operation, and would not cause vicious competition to the neighbouring restaurants. For those "Dai Pai Dong" which are currently operating well, the Government will work with relevant organisations to explore suitable ways to promote them, with a view to preserving and promoting the unique "Dai Pai Dong" culture in Hong Kong. As for new "Dai Pai Dong", the FEHD has not issued any new "Dai Pai Dong" licence in the past three years. If there are any suitable proposed sites which are supported by the relevant District Councils, the FEHD will give consideration with an open mind.

(5) The Hong Kong Housing Authority (HA) reviews the usage of its existing retail facilities from time to time. With due regard to the actual conditions of individual estates and retail facilities, such as building age, condition and design of the facilities, age distribution of the population and the surrounding environment, and also taking into account a number of relevant factors, including community needs, views of the stakeholders, technical and financial viability, and the impact on the existing shop tenants, the HA will consider optimising its retail facilities with a view to enhancing their business potential and shopping ambience. All along, the HA has been closely monitoring the condition of facilities in cooked food stalls and carried out repair/refurbishment/improvement works in due course. In the past three years (2021 to 2023), apart from basic refurbishment works, the HA has carried out improvement works of different scales for some cooked food stalls on a need basis. For example, the HA has carried out conversion works for the cooked food stalls in Nam Shan Estate by re-demarcating the stall areas to better meet the residents' needs. At present, fire improvement works including replacement of sprinkler systems, reconstruction of existing walls, are also being carried out at cooked food stalls in Pok Hong Estate, Fu Shan Estate and Shek Kip Mei Estate.

(6) The Government opened for application a total of 540 vacant fixed pitches in 2019 and 2022, including 108 licence quotas reserved for licensed itinerant hawkers. Eventually, four licensed itinerant hawkers who had been authorised to sell food submitted applications and participated in pitches selection. All of them were subsequently allocated pitches.

(7) The Subcommittee on Hawker Policy under the Food Safety and Environmental Hygiene Committee did not reach a consensus on the proposal to convert existing public markets with low occupancy rate into off-street cooked food centres for operation by cooked food vendor to provide "Dai Pai Dong"-style cooked food or light refreshment. Currently, after the closure or consolidation of markets with low occupancy rates, the FEHD will allocate the freed-up space for other purposes to benefit the public.

On the other hand, there are currently a total of 41 cooked food centres, cooked food markets and cooked food hawker bazaars across the districts, including the popular Haiphong Road Temporary Cooked Food Hawker Bazaar and Woosung Street Temporary Cooked Food Hawker Bazaar, as well as other private catering establishments, providing an array of choices for the public. If any "Dai Pai Dong" need to be relocated due to development/works projects, the FEHD will also offer the option of relocating to the cooked food hawker bazaar for the stall operators.

(8) Hong Kong has been well-known for being a food paradise. Other than Michelin-starred restaurants, its distinctive local delicacies are well-liked by visitors from around the world. The Hong Kong Tourism Board (HKTB) has been promoting the city's culinary experiences through various channels to attract global travellers to come and enjoy food in Hong Kong. Relevant promotion work of the HKTB includes: working in partnership with renowned media outlets from the Mainland and overseas to produce thematic programmes on Hong Kong's culinary culture and visits to "Dai Pai Dong" in different

districts to deepen source markets' understanding of Hong Kong's food culture. For instance, the MasterChef Australia recently filmed in Hong Kong with the support of the HKTB for programme content with themes of local Hong Kong street food and Michelin experiences; the HKTB invited celebrities such as Malaysian actress Minchen Lin and Hollywood actor Henry Golding to visit "Dai Pai Dong" in Temple Street, Yau Ma Tei, and Central, and introduced local delicacies in short videos; the HKTB has a dedicated page on its website DiscoverHongKong.com, setting out recommendations for "Dai Pai Dong" experiences including "Dai Pai Dong" and "Dong Ku Ting"; the HKTB highlights various food stalls in its "Hong Kong Neighbourhoods" promotions, including "Dai Pai Dong" in Central, Temple Street Night Market and Woosung Street Temporary Cooked Food Hawker Bazaar.

(9) The Government reviews the various arrangements regarding hawkers from time to time and will introduce measures or make adjustments as necessary to meet the needs of the society. For example, the FEHD opened vacant fixed hawker pitches for reallocation in 2019 and 2022 respectively, and 523 new hawker licences have been issued so far. In response to the trade's suggestion, the FEHD have also increased the types of commodities that can be sold under fixed-pitch hawker licences at Kwun Tong Yue Man Hawker Bazaar and Temple Street in 2022 and 2023 respectively, so as to facilitate the sale of pre-packaged food and beverages and/or dry goods by the licensees.

(10) The Agriculture, Fisheries and Conservation Department (AFCD) sets up cafeteria, refreshment kiosks and vending machines at suitable locations in country parks to provide snacks and beverage to visitors, according to their actual demands and site considerations. Most of the places within country parks lack infrastructure such as water supply, electricity, and proper sewage facilities, making it challenging to offer more comprehensive catering facilities. Currently, there are seven refreshment kiosks and 35 beverage vending machines in country parks, as well as a cafeteria operated by a non-profit organisation at the Lions Nature Education Centre in Sai Kung. If any hawker licence holder would like to conduct hawking activities within a country park, the person can apply for a permit from the AFCD under the Country Parks and Special Areas Regulations (Cap. 208A). The AFCD will consider applications and grant approval taking into account actual circumstances, including environmental hygiene issues or adverse impacts on the environment. If the entrances and exits of country trails fall outside of country park areas, licensed itinerant hawkers can currently conduct hawking activities in the corresponding areas as marked on their licenses.

[CE meets Secretary-General of ASEAN \(with photo\)](#)

The Chief Executive, Mr John Lee, today (July 10) met with the

Secretary-General of the Association of Southeast Asian Nations (ASEAN), Dr Kao Kim Hourn, to exchange views on strengthening connections with ASEAN member states. Also attending the meeting were the Deputy Financial Secretary, Mr Michael Wong, and the Secretary for Commerce and Economic Development, Mr Algernon Yau.

Mr Lee welcomed Dr Kao's visit to Hong Kong with his delegation. Noting that Hong Kong has maintained close trade and economic ties with ASEAN, Mr Lee said that ASEAN has long been Hong Kong's second-largest trading partner. Since the signing of the Free Trade Agreement (FTA) and the Investment Agreement between Hong Kong and ASEAN, the trade and investments between the two sides have recorded significant growth with the bilateral trade in goods between Hong Kong and ASEAN amounting to US\$144.6 billion last year.

Mr Lee pointed out that Hong Kong will continue to promote the co-operation between Hong Kong and ASEAN on trade and investments. The Hong Kong Special Administrative Region (HKSAR) Government signed the First Protocol to Amend the FTA between ASEAN and Hong Kong early this year to update the Product Specific Rules (PSRs) of origin under the FTA to enhance the coverage of the PSRs. It enables Hong Kong businesses to more easily and effectively gain Hong Kong-originating status for an increased number of specified products, and thus enjoy preferential tariff treatment when expanding into the ASEAN market, which will help enhance the competitiveness of the products concerned and trade flows. In addition, the HKSAR Government has also enhanced people-to-people exchange and experience sharing through the Economic and Technical Cooperation Work Programme under the FTA, he added.

Mr Lee expressed his gratitude to Dr Kao and ASEAN member states again for their continued support for Hong Kong's accession to the Regional Comprehensive Economic Partnership (RCEP). He looked forward to maintaining communication with the ASEAN Secretariat on relevant issues and soliciting support from other stakeholders for Hong Kong to join RCEP as soon as possible.

Mr Lee said that he hopes to visit different ASEAN member states in the future to further strengthen Hong Kong's ties with them, taking co-operation with ASEAN to a new level.



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.