

Budget Speech by the Financial Secretary (4)

Accelerating the Promotion of High-quality Development

73. The promotion of high-quality development inspires continuing economic innovation and growth while conserving the natural environment, making life better for people. Green future and digitalisation are two of its overarching themes.

74. We have to make better use of Hong Kong's distinctive advantages of enjoying our nation's strong support and being closely connected to the world under "One Country, Two Systems". In pursuing high-quality development, we will open up new opportunities and bring more room for growth.

Moving towards a Green Future

75. "Green development is a defining feature of high-quality development". As global economies pursue carbon neutrality, green transformation creates huge business opportunities and financing needs, leading to industry clusters of great diversity. Sustainable fuels, energy saving, emission reduction and carbon-capture technologies continue to emerge.

Green Finance

76. Being an international financial centre, Hong Kong is also rising as an international green finance centre.

77. The Government is hosting "Hong Kong Green Week" this week, comprising events covering technology, finance and other fields. It has brought together industry leaders from the Asia-Pacific region to examine issues such as green development and climate finance. This autumn, the HKMA will co-host a Joint Climate Finance Conference in Hong Kong with the Dubai Financial Services Authority. The Conference will explore transition financing opportunities and challenges for the Middle East and Asia.

Extend the Green and Sustainable Finance Grant Scheme

78. The Government has so far provided subsidies to eligible bond issuers and loan borrowers for the issuance of more than 340 green and sustainable debt instruments in Hong Kong through the Green and Sustainable Finance Grant Scheme. The subsidies totalled US\$100 billion, enriching our green and sustainable finance ecosystem. We propose to extend the scheme, which is due to expire in mid-2024, to 2027, and expand the scope of subsidies to cover transition bonds and loans. This will encourage related industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation.

Formulate Sustainability Disclosure Standards

79. Accurate information is essential to the promotion of sustainable financing. It is also the priority of international organisations and government agencies in the next few years. To deepen Hong Kong's green and sustainable finance development, enterprises must align their practices in sustainability disclosure with international standards. Financial Services and the Treasury Bureau and the SFC will formulate a roadmap and vision statement to assist companies and financial institutions in sustainability reporting and the analysis of relevant data, elucidating our vision of promoting green and sustainable finance.

Green Technology

80. Hong Kong also possesses advantages in green technology. More than 200 green-technology companies work out of Hong Kong, with some equipped with globally competitive technologies and have successfully tapped into Mainland and overseas markets. And the Greater Bay Area cities, apart from their market scale, enjoy strong capabilities in research, advanced manufacturing and commercialisation. Together, we have what it takes to become Asia's leading green technology hub.

81. The Government's Green Tech Fund funds research and development (R&D) projects which help Hong Kong decarbonise and enhance environmental protection, and encourages their subsequent practical applications. With \$400 million injected into the Fund, thirty projects from local universities, public research institutes and enterprises have been approved, involving a total grant of about \$130 million for subsidising local research projects.

82. We will launch the Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme in the first half of this year. It will provide early-stage funding support for green fintech, facilitating commercialisation and fostering the development of new green fintech initiatives.

Green Shipping

83. Given maritime industry's vast market potential for green transformation, the Marine Department is planning to provide incentives for Hong Kong-registered ships that have attained high ratings under the international standards on decarbonisation formulated by the International Maritime Organization. This will involve about \$65 million in funding. And the Transport and Logistics Bureau (TLB), in collaboration with the Environment and Ecology Bureau (EEB) and other relevant departments, is conducting a feasibility study to provide green-methanol bunkering for local and ocean-going vessels. We expect to publish an action plan for Hong Kong's development into a green maritime fuel-bunkering centre this year.

Green Aviation

84. We are committed to developing Hong Kong International Airport (HKIA) into a green airport. The Airport Authority Hong Kong (AA) is working in collaboration with relevant government departments to simplify approval procedures for the transportation and storage of Sustainable Aviation Fuel (SAF), so as to encourage more airlines to use SAF in Hong Kong. In addition,

the AA has begun a consultancy study on SAF development trends worldwide, which will also put forward recommendations on policy measures and infrastructure etc. The consultancy study is expected to be completed in the third quarter this year.

Green City

Launch a Pilot Scheme on Building-Integrated Photovoltaics

85. The Government has taken the lead in applying renewable energy (RE) in government buildings and facilities. We will launch a pilot scheme at the Electrical and Mechanical Services Department Headquarters to explore photovoltaic technology applications on the facades of government buildings. We will also support public and private organisations to use RE to help Hong Kong realise carbon neutrality.

New Energy Vehicles

86. Through its New Energy Transport Fund, the Government has been promoting trials of various new-energy public transport, including new-energy buses, while encouraging the industry to conduct trials on a variety of new-energy commercial transport, including electric-goods vehicles and electric coaches.

87. The Government has been encouraging a wider use of electric vehicles. The first registration tax (FRT) concessions for electric vehicles, due to terminate at the end of March, will be extended for two years. Nevertheless, given the price reduction of electric vehicles and increasing availability of vehicle options, we will reduce the concessions by 40 per cent. Specifically, the maximum FRT concession for electric private cars (e-PCs), granted under the "One-for-One Replacement" Scheme, will be adjusted to \$172,500, whereas the concession ceiling for general e-PCs will be lowered to \$58,500. At the same time, e-PCs valued at over \$500,000 before tax will not be entitled to concessions under the "affordable users pay" principle. As for other types of electric vehicles, including electric commercial vehicles, electric motorcycles and electric motor tricycles, the FRT will continue to be waived in full over the next two years. The EEB will announce details in due course.

Sustainable Development of Agriculture and Fisheries Industries

88. The EEB promulgated its Blueprint for the Sustainable Development of Agriculture and Fisheries in December last year. For agriculture, we expect to enable the establishment of a modernised Techno-Agricultural Park of approximately 11 hectares as part of the Agricultural Park's Phase 2 this year. It will help accelerate the modernisation of agriculture through public-private partnership. We will launch a pilot project on modern urban farming in Ma On Shan this year. As for fisheries, four new fish culture zones, with a total area of up to 590 hectares, will begin operation in phases starting this year. Local mariculture production is expected to increase considerably.

Digital Economy

89. Digital economy has become a new driving force for economic development.

As a new key production factor, data links different industries and sectors, empowering enterprises to enhance efficiency, boost their competitiveness and create fresh business opportunities.

90. The Digital Economy Development Committee (DEDC), chaired by me, has undertaken in-depth studies on promoting the development of digital economy over the past two years. The DEDC's report covers recommendations on many areas, including promotion of digital policies, initiatives for enhancing digital infrastructure, facilitation of the safe and orderly flow and usage of data, acceleration of enterprise digital transformation and talent development. Some of these recommendations have been implemented, including making preparations for the establishment of the Digital Policy Office.

Build a Data Trading Ecosystem

91. As transformation of global digitalisation accelerates, the presence of a highly efficient data ecosystem has become one of the considerations for many enterprises to establish a foothold in Hong Kong. Building a mechanism that facilitates data trading is particularly important in the data ecosystem. Hong Kong is underpinned by its distinctive advantages under "One Country, Two Systems" and endowed with the characteristics of an international city. From supply and demand of data to application scenarios, we are equipped with a robust foundation and possess an abundance of favourable conditions for developing international data trading.

92. We have commissioned an expert group to undertake an in-depth study on how to develop a robust data trading ecosystem in Hong Kong, the scope of which includes Hong Kong's role as a "super connector" in data trading as well as promoting the formulation of international data trading rules. The aim is to enable us to unleash the potential of data elements and facilitate its development into a new industry with an enormous growth momentum, hence empowering the upgrading and transformation of traditional industries.

Digital Finance

93. Digital technology has turned new financial business models into reality. Digital finance, through integrating data and technological innovations in different use case scenarios, can complement traditional financial services in enabling wider service access and enhancing the inclusiveness of financial services.

94. The HKMA completed Phase 1 of the e-HKD Pilot Programme last October, and has studied domestic retail use cases in various areas such as programmable payments, offline payments and tokenised deposits. Phase 2 of the pilot programme will soon commence to further explore new use cases. Project mBridge, another important initiative, has also achieved good progress. Phase 1 of its service, which is expected to be launched this year, will become one of the first projects around the world to settle cross-boundary transactions for corporates using central bank digital currencies.

95. In addition, we will expand the scope of e-CNY pilot testing in Hong Kong. Members of the public may set up e-CNY wallets easily for use and for

topping up funds by the Faster Payment System, thereby further enhancing the efficiency and user experience of cross-boundary payment services.

Promote Cross-Boundary Data Flow

96. The ITIB and the Cyberspace Administration of China launched an early and pilot implementation arrangement for the "Standard Contract for the Cross-boundary Flow of Personal Information Within the Guangdong-Hong Kong-Macao Greater Bay Area (Mainland, Hong Kong)" last December. During the first phase of implementation, we have invited the banking, credit referencing and healthcare sectors to participate, and their responses have been very positive. Having regard to outcomes of the pilot implementation in the first phase, we will gradually extend the coverage of the facilitation measures so that various business sectors of both places may leverage cross-boundary data with a smoother flow, thereby providing more cross-boundary services for the convenience of the public and enterprises.

Cross-boundary Public Services

97. To further facilitate access to the public services of Guangdong and Hong Kong by residents and enterprises in Hong Kong and the GBA, we collaborated with Guangdong Province to launch the Cross-boundary Public Services thematic website. We also connected "iAM Smart" with the Unified Identity Authentication Platform of Guangdong Province in November last year. Having set up "iAM Smart" registration service counters in Guangzhou as well as in Qianhai and Futian in Shenzhen, we have also introduced the first self-service kiosk for Hong Kong's Cross-boundary Public Services in Guangzhou. This will facilitate Hong Kong residents and enterprises in the GBA cities to access the Cross-boundary Public Services and register for "iAM Smart".

Web3.0

98. In last year's Budget, I proposed to expedite development of the Web3.0 ecosystem. We have made good progress over the past year.

99. At present, there are over 220 enterprises specialising in related technologies in Cyberport, including three unicorns. Last year, Cyberport organised a number of promotional and educational activities, attracting more than 29 000 participants. It also rolled out a subsidy scheme to encourage enterprises to conduct proof-of-concept testing, with a view to accelerating market application of the relevant technologies.

100. Having successfully issued the first batch of inaugural tokenised green bonds in February 2023, we issued the second batch of tokenised green bonds in early February this year, worth a total of \$6 billion and denominated in Hong Kong dollar, Renminbi (RMB), US dollar and Euro. This is the world's first-ever multi-currency tokenised bond issuance, and has attracted overwhelming subscription by global institutional investors, including asset managers, insurance companies, private banks and non-financial corporates. Apart from the many technological innovations, we have also achieved breakthroughs in this issuance in areas such as broadening investor participation and streamlining the issuance process.

101. In keeping abreast of the latest international trends and market development, we consulted the public on a legislative proposal to develop a regulatory regime for stablecoin issuers in end-2023, with the aim of putting in place a regulatory regime that safeguards financial stability without compromising innovation. The HKMA will soon roll out a "sandbox" for entities interested in issuing stablecoins to conduct trials, under manageable conditions, on the issuance process, business models, investor protection and risk management system. The "sandbox" will also facilitate communication on future regulatory requirements.

102. Cybersecurity alongside investor and customer protection are matters of utmost importance in Web3.0 development. Embracing the principle of "same activity, same risks, same regulation", the SFC has implemented a licensing regime for virtual asset (VA) trading platforms since last June. This regime enables investors to conduct trading on licensed trading platforms in compliance with the relevant international standards and in a protected environment, thereby enabling Hong Kong to surpass many major jurisdictions in the regulation of VA trading. To strengthen investor and customer protection, we have launched a consultation on the regulation of over-the-counter trading of VA. We will continue to promote the development of Hong Kong's VA market in a stable and responsible manner through a multi-pronged approach, which includes timely dissemination of information, holistic public education and enhanced enforcement.

Launch the Business Version of "iAM Smart"

103. The Government will set up a "digital identity of enterprises" platform, i.e. the business version of "iAM Smart", to enable authentication of identity and verification of signature of enterprises using electronic government services or conducting online business transactions in a secure, convenient and efficient manner without having to go through complicated procedures, thus saving time and reducing the risk of human error. The expenditure involved is estimated to be about \$300 million and our goal is to roll out the platform progressively from end-2026 onwards.

Promote Digital Inclusion

104. Moreover, we strive to reduce digital exclusion and promote the wider use of information technology by various community groups, including elderly persons. The Government will allocate \$100 million under the Social Innovation and Entrepreneurship Development Fund to provide, in the next three years, elderly people aged 60 or above with digital training courses and technical support, so that they can integrate into the digital era more easily and enjoy the benefits that digital technology brings. The first group of projects is expected to commence in the fourth quarter of 2024 at the earliest and benefit at least 50 000 elderly persons.

(To be continued.)