Budget Speech by the Financial Secretary (5)

International Innovation and Technology Centre

105. I&T is a key engine driving our economy and society towards high-quality development. The Hong Kong Innovation and Technology Development Blueprint, promulgated in 2022, formulates strategic plans and clear roadmaps for Hong Kong's I&T development over the next five to ten years, leading Hong Kong steadily towards its vision of becoming an international I&T centre.

106. The Government has committed substantial resources to building a vibrant I&T ecosystem by focusing on enhancing I&T infrastructure, research capacity, talent, etc. The Hong Kong Science Park and Cyberport are I&T flagships and incubators for the city. As at end-2023, the number of tenants of these two flagships, together with past and current incubatees, amounted to some 4 500, an increase of more than 60 per cent over the past five years. Among them, 16 have been listed, nine have become unicorns, and a total of some $130 billion has been raised while more than 1 700 local and non-local awards have been won.

Artificial Intelligence

107. Artificial Intelligence (AI), as an important driver of a new round of technological and industrial transformation, is also the key to propelling the development of digital economy in Hong Kong.

108. Cyberport is expediting the establishment of an AI Supercomputing Centre to meet the demand of research institutes and the industry for computing power. The first phase facility is expected to start operating within this year at the earliest. By early 2026 at the soonest, the computing power of the supercomputing facility is expected to reach 3 000 petaFLOPS. The scale of such power is equivalent to the capacity of processing nearly 10 billion images in one hour.

109. We will allocate $3 billion to Cyberport for the launch of a three-year AI Subsidy Scheme to support local universities, research institutes and enterprises to leverage the Centre's computing power and achieve scientific breakthroughs. The subsidy will also be used to strengthen the cyber security and data protection of the Centre, and launch promotional and educational activities, etc, to encourage Mainland and overseas AI experts, enterprises and R&D projects to come to Hong Kong.

R&D of Microelectronics

110. With an increasing demand for semiconductors worldwide, the scale of related industries is expected to grow continuously and exceed US$1 trillion by 2030.

111. To capture a market with such huge potential, and dovetail with the

national strategy for technological development, the Government is fostering R&D of microelectronics. We will establish the Hong Kong Microelectronics Research and Development Institute (HKMSRDI) this year. It will spearhead and facilitate research collaboration on the third-generation semiconductors among universities, R&D centres and the industry, and to realise R&D outcomes by making use of the comprehensive manufacturing industry chain in the Greater Bay Area (GBA).

Life and Health Technology

112. With solid basic research capabilities in life and health technology, Hong Kong is home to world-class experts, top-notch medical schools, R&D centres and laboratories. We are well-equipped to develop into an international life and health technology centre.

Set up Life and Health Technology Research Institutes

113. In the previous Budget, I earmarked $10 billion to promote the development of life and health technology. Of this, $6 billion will be used to provide subsidies for local universities to collaborate with Mainland and overseas organisations to set up life and health technology research institutes. The purpose is to facilitate relevant R&D activities and transformation of R&D outcomes, and to attract leading I&T talent and research teams around the world to Hong Kong.

Strengthen Clinical Trial Platform

114. The Government will set up the Greater Bay Area International Clinical Trial Institute in the Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone this year. It will provide one-stop support to attract more local, Mainland and overseas pharmaceutical and medical device enterprises to conduct clinical trials in Hong Kong. We will also actively seek support from the National Medical Products Administration for record filing, so that such data can be used by these enterprises when applying for marketing authorisation of their products in the Mainland.

Establish "Primary Evaluation"

115. The new mechanism for registering New Drugs ("1+" mechanism) came into effect on 1 November 2023. This allows for new drugs for life threatening or severely debilitating diseases to be registered in Hong Kong with the submission of only one certificate of pharmaceutical product issued by reference drug regulatory authorities, subject to the fulfilment of specific requirements. The Department of Health has approved two new drugs for registration under this mechanism, bringing new hope of treatment to patients.

116. The "1+" mechanism is an important step in progressing towards a "primary evaluation" approach. This approach enables us to directly approve applications for registration of drugs and medical devices locally based on clinical data, without relying on other drug regulatory authorities.

117. The Government is committed to establishing the Hong Kong Centre for

Medical Products Regulation (CMPR). The preparatory office will be set up in the first half of this year to study the restructuring and strengthening of the current regulatory and approval regimes for drugs, medical devices and medical technologies. The objective is to establish a standalone statutory body that is internationally recognised, so as to accelerate clinical application of new drugs and medical devices. It will also drive the development of emerging industries engaging in the R&D and testing of drugs and medical devices.

New Industrialisation Development

118. Driven by information, new industrialisation leverages advanced technologies such as AI, data analytics and new materials to support enterprises in moving towards smart production and develop emerging industries with high value-adding potential and economic efficiency.

119. We will launch a $10 billion New Industrialisation Acceleration Scheme (NIAS) this year. Enterprises engaging in life and health technology, AI and data science, advanced manufacturing and new energy technology will each be provided with funding support of up to $200 million on a matching basis of one (Government): two (enterprise). Applicant enterprises shall invest no less than $200 million in Hong Kong.

120. Apart from the above funding support on a matching basis, enterprises participating in the NIAS may receive subsidies to engage research talent under the Research Talent Hub. They may also, on a pilot basis, engage a small number of non-local technical personnel under the Technology Talent Admission Scheme to expedite the set-up and operation of advanced manufacturing facilities in Hong Kong.

121. It is anticipated that the NIAS will attract 50 to 100 enterprises engaging in relevant industries to invest no less than $20 billion in Hong Kong.

Hong Kong-Shenzhen Innovation and Technology Park

122. Hong Kong-Shenzhen Innovation and Technology Park (HSITP) in the Lok Ma Chau Loop (the Loop) enables Hong Kong to play an active part in GBA development, better integrate into overall national development and forge closer connections overseas. While the first batch of buildings in the HSITP will commence operation progressively by the end of this year, various tasks such as attracting enterprises, investment and talent are underway. We will continue to support the development of the HSITP, and are drafting the White Paper on the Development of the HSITP in the Loop targeting to be announced this year.

InnoLife Healthtech Hub

123. We will set up the InnoLife Healthtech Hub in the HSITP to attract top-notch research teams and talent from around the world, with a focus on life and health disciplines, to conduct research. This will be conducive to the development of international I&T centre in the Loop and the GBA. We will

allocate $2 billion from the $10 billion earmarked to support the InnoHK research clusters to establish presence in the Loop. We will also allocate $200 million to provide assistance to start-ups engaging in life and health technology in the form of incubation and acceleration programmes, etc.

Nurturing Start-ups

124. In the Global Startup Ecosystem Report 2023, Hong Kong ranked second in the world and first in Asia in the Emerging Startup Ecosystems category. The number of start-ups rose to nearly 4 300 last year, about a fourfold increase compared to 2014. Over the same period, the number of people employed by related start-ups increased by about seven times to over 16 000.

125. Since its inception, the Corporate Venture Fund under the Hong Kong Science and Technology Parks Corporation (HKSTPC) has invested a total of nearly $400 million in 31 start-ups and attracted private investment of about $12.6 billion. The HKSTPC will soon launch the Co-acceleration Programme to pool the efforts of the I&T industry and provide value-added support services to I&T start-ups with high potential and to nurture them as regional or global enterprises.

R&D and Transformation in I&T

Frontier Technology Research Infrastructure Support Scheme

126. We will launch a Frontier Technology Research Infrastructure Support Scheme to assist the eight University Grants Committee (UGC)-funded universities, on a matching basis, in procuring facilities and conducting research projects which cover various fields such as AI, quantum information, integrated circuit, clinical medicine and health, and gene and biotechnology. To this end, we will allocate $3 billion from the sum earmarked in the past.

Strengthen Support for Technology Transfer

127. To enable universities to strengthen technology transfer and marketing services, we will provide subsidies of no more than $16 million to the Technology Transfer Office of each of the eight UGC-funded universities from 2024-25 onwards.

Enhancing I&T Infrastructure

128. Batch 1 of Stage 2 of the Science Park Expansion Programme, which will provide a gross floor area (GFA) of about 13 000 square metres mainly for wet laboratories, is expected to be completed in the first quarter of next year. The Cyberport 5 expansion project, which will provide a GFA of about 66 000 square metres for co-working spaces and offices, etc, is expected to be completed by the end of next year at the earliest. Together with the I&T sites in the Loop to be put into use progressively, there will be more room for the local I&T ecosystem to prosper.

(To be continued.)