

## LCQ5: Promoting development of digital economy

Following is a question by Dr the Hon Kennedy Wong and a reply by the Secretary for Innovation and Technology, Mr Alfred Sit, in the Legislative Council today (May 18):

Question:

There are comments pointing out that digital economy has now become one of the key drivers for global economic growth. The country in particular attaches great importance to developing a digital economy and has elevated it to a national strategy, and it has promoted the development of digital economy at the national level. In contrast, Hong Kong is relatively lagging behind in this regard. Not only is the rate of adoption of digital economy low due to the community not attaching sufficient importance to it, but the Government also lacks promotion policies and specific deployment plans and has not invested additional resources to promote the development of relevant infrastructure, causing such development to remain on the low side. In this connection, will the Government inform this Council:

- (1) of the efforts made by the Government in recent years to promote the development of digital economy;
- (2) whether the Government has considered how it will strengthen co-operation with the Mainland authorities to jointly promote the development of digital economy; and
- (3) whether the Government will consider setting up a matching fund or enhancing relevant support measures, so as to support the enterprises concerned to expedite the construction of infrastructure essential to the development of digital economy, such as radio base stations for the fifth generation mobile communications network; if so, of the details; if not, the reasons for that?

Reply:

President,

I am grateful to the concern and question raised by Dr the Hon Kennedy Wong in promoting digital economy development. In the global trend of innovation and technology (I&T) development, digitalisation is inevitable in driving the economy towards high-quality development. Hong Kong has to seize the opportunities brought by digital economy development. With our experience in the COVID-19 epidemic over the past two years and the distribution of consumption vouchers to citizens for the first time in Hong Kong last year, we could see that electronic payment and electronic consumption are becoming more popular. Digital economy of Hong Kong has great potential. In order to

expedite the development process of digital economy in Hong Kong and promote digital transformation across different industries, the Government announced in this year's Budget that a Digital Economy Development Committee led by the Financial Secretary will be set up. Members of this Committee will comprise industry practitioners, experts, scholars, and representatives from relevant bureaux/departments (B/Ds). We are now taking forward the relevant preparatory work in full speed.

With co-ordination of the information provided by the Commerce and Economic Development Bureau (CEDB) and the Financial Services and the Treasury Bureau (FSTB), my reply to Dr the Hon Wong's question is as follows:

(1) Over the past four years or so, the current-term Government has invested over \$150 billion in developing I&T, which includes promoting the development of digital economy. The National 14th Five-Year Plan also explicitly indicates clear support for Hong Kong to develop into an international I&T hub, injecting stronger impetus into Hong Kong's I&T development. Since inauguration of the current-term Government, we have been actively promoting the development of digital economy and smart city through various measures based on a data-driven approach.

In this regard, the current-term Government published the first Smart City Blueprint for Hong Kong (Blueprint) in December 2017 and further published the updated Blueprint 2.0 in December 2020, setting out over 130 initiatives under six smart areas to take forward the development of smart city and digitalisation in Hong Kong. B/Ds have been actively implementing such initiatives and will update their development goals in view of the latest progress in smart city and I&T.

To complement the development of digital economy and smart city in Hong Kong, the current-term Government has constructed various important digital infrastructure projects, including the Next Generation Government Cloud Platform, Big Data Analytics Platform and one-stop personalised digital services platform "iAM Smart". They gradually commenced services in 2020. Meanwhile, we are building a Shared Blockchain Platform to facilitate the implementation of smart government services using blockchain technology, it is expected to be launched in the middle of this year.

Data centre is also an essential infrastructure that supports the development of digital economy. To facilitate data centre's vibrant development in Hong Kong, the Government is committed to implementing various measures, including provision of land for building high-tier data centres, encouraging conversion of industrial buildings for use as data centres and development of high-tier data centres on industry lots, etc.

Furthermore, the fifth generation mobile technology (5G) also opens up vast potential for various innovative commercial services and smart city applications under the digital economy. Hong Kong launched commercial 5G services in the second quarter of 2020. 5G network coverage is now over 90 per cent, and the number of 5G users has exceeded three million. The CEDB has promoted 5G development on various fronts, which include supplying spectrum,

opening up suitable government premises for base station installations, subsidising the extension of fibre-based broadband to remote villages, and subsidising the use of 5G technology, so as to lay a solid foundation for the use of 5G in society for the promotion of digital economy.

Another important initiative in supporting digital economy development by the current-term Government is the launch of the revamped open data policy in September 2018. The Government has since 2019 released government open data free of charge through the "data.gov.hk" portal to encourage more innovative applications in the market and maximise the benefits and convenience to citizens. This initiative has gained wide popularity by citizens and the industries. Last year, the download of the Government's open data exceeded 21 billion.

To actively promote digital transformation of government departments, we have implemented different measures. We have also launched the Technology Voucher Programme which supports local enterprises/ organisations to use technology services and solutions so as to assist small and medium enterprises (SMEs) in digital transformation.

On financial aspect, the Government collaborates with relevant authorities in launching various measures to promote fintech development in Hong Kong. On financial infrastructure, the Hong Kong Monetary Authority (HKMA) is actively developing the Commercial Data Interchange (CDI). It seeks to allow financial institutions, with the consent of enterprises (especially SMEs), to obtain commercial data for conducting credit analysis more accurately, thereby enabling SMEs to utilise their own data to receive more convenient and effective financing services.

The CDI is now at pilot stage and is expected to be formally launched by the end of this year. The FSTB works closely with the HKMA to explore covering more commercial data sources in the CDI, including data kept by government departments, thereby expanding its functionality, and further enriching the data-centric financial services ecosystem.

The HKMA and the Insurance Authority are also actively promoting the implementation of the Open Application Programming Interface for the banking and insurance sectors, with a view to allowing third-party service providers to gain programmatic access to the internal IT systems and data of banks and insurance companies, including information of products and services, and aggregate the relevant information under the same website/application, thereby enabling more innovative financial products and customer experience.

(2) Through the Hong Kong/Guangdong Expert Group on Co-operation in Informatisation (EGCI), the Government has been co-ordinating and promoting the development and application of information and communications technology between Guangdong and Hong Kong and driving the development of digital economy industries. The work of EGCI includes strengthening innovative development of new generation digital technologies such as 5G, big data, artificial intelligence, cloud computing and blockchain in the region. The Hong Kong Special Administrative Region Government and the People's

Government of Guangdong Province are exploring to promote the development of smart cities and digital economy in the Greater Bay Area (GBA) by facilitating cross-border data flow through consolidating Hong Kong/Guangdong open data resources (such as cross-boundary-related transportation data) and adopting appropriate digital technologies.

The Innovation and Technology Commission will continue to operate the Guangdong-Hong Kong Technology Cooperation Funding Scheme (TCFS) with relevant Department/Commission of Guangdong and Shenzhen to encourage collaboration among universities and research institutes in Hong Kong and Guangdong/Shenzhen on applied research and development (R&D) projects. In recent years, those themes covered by the TCFS which are related to core technologies of digital economy include artificial intelligence, blockchain and fintech, Internet of Things, etc. which could be a new driving force of developing digital economy in the GBA.

On financial aspect, the People's Bank of China (PBoC) and the HKMA signed a Memorandum of Understanding in October 2021 to provide a one-stop platform for financial institutions and technology companies to conduct pilot trials of cross-boundary fintech initiatives concurrently in Hong Kong and the GBA cities in the Mainland. The platform allows financial institutions and technology companies to obtain early feedback from regulators and users, thereby expediting the launch of products and lowering development costs. The HKMA and the PBoC have since concluded the implementation details, and have written to invite applications from financial institutions and technology companies for using the one-stop platform. Furthermore, the second phase of the proof-of-concept for connecting Hong Kong's eTradeConnect with the PBoC Trade Finance Blockchain Platform was completed in October 2021, covering the use case of "exporting from Hong Kong into Mainland China". The HKMA will continue to work closely with the PBoC with a view to providing importers and exporters of both places with more convenient trade finance services.

(3) The Government actively facilitates infrastructural development to promote digital economy. In assisting operators to install 5G base stations, the Office of the Communications Authority launched a pilot scheme and has in total opened up about 1 500 suitable government premises for operators to install base stations with a streamlined application process and nominal rental (\$1 per year) so as to extend 5G network coverage. Also, the Government has established mechanisms to facilitate the installation of base stations by operators at sheltered bus stops and public payphone kiosks to further help refine the 5G network coverage.

President, I am eagerly looking forward to more exchange and cooperation with LegCo Members in promoting the digital economy development of Hong Kong. Thank you, President.