

Hong Kong budget sets aside HK\$1bn for an AI research and development institute

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In his 2025-26 Budget Speech this morning, Financial Secretary Paul Chan outlined that Hong Kong is committed to cultivating new quality productive forces in accordance with national strategies, and to leveraging the economic potential of innovation and technology (I&T), including the development and adoption of artificial intelligence (AI).

In particular, he announced that a Hong Kong AI Research and Development Institute will be set up to promote the application of research outcomes.

Mr Chan highlighted that the Government will strive both to develop AI as a core industry and to empower traditional industries to upgrade and transform through AI adoption.

Announcing that \$1 billion has been set aside for the establishment of a Hong Kong AI Research and Development Institute, he explained that it will spearhead both research and development (R&D) and industrial applications of AI, with the Digital Policy Office being given responsibility for the institute's formulation.

Mr Chan also reported that computing power at Cyberport's AI Supercomputing Centre is on schedule to reach 3,000 petaFLOPS this year, and that two pilot lines at the Hong Kong Microelectronics Research & Development Institute will begin operating at the Microelectronics Centre in Yuen Long next year.

To boost Hong Kong's international standing in the industry, the finance chief revealed that the Hong Kong Investment Corporation will host the first International Young Scientist Forum on Artificial Intelligence, and the first International Conference on Embodied AI Robots.

In addition, he said the Hong Kong Exchanges & Clearing, with support from the Securities & Futures Commission, will take forward the establishment of a dedicated "technology enterprises channel" to help specialist technology and biotechnology companies, especially those listed in the Mainland, raise funds and expand their business. Meanwhile, the Government will review tax deduction arrangements for various expenditures incurred by firms in obtaining intellectual property rights.

Mr Chan reported that the Government's New Industrialisation Funding Scheme has now part-funded the setting up of more than 100 new smart production lines by local manufacturing enterprises across industries ranging from biotechnology and nanofibre materials to new energy. Additionally, the New Industrialisation Acceleration Scheme, launched in September to help firms build smart production facilities, recently approved its first project, awarding \$200 million to an enterprise in the life and health technology sector.

Complementing these initiatives, Mr Chan said the Government plans to launch a two-year Pilot Manufacturing & Production Line Upgrade Support Scheme this year, and has earmarked \$100 million for it. The scheme will provide funding of up to \$250,000 to enterprises, on a one-to-two matching basis, to support their adoption of advanced production technologies.

The Government will also set up a \$10 billion I&T Industry-Oriented Fund to channel more market capital towards investing in emerging and future industries of strategic importance. It is inviting organisations to submit expressions of interest and aims to seek funding approval from the Legislative Council in the middle of this year.

Moreover, the Government is preparing to launch a \$180 million I&T Accelerator Pilot Scheme. It will provide up to \$30 million in funding, on a one-to-two matching basis, to professional start-up service agencies, with a view to enriching Hong Kong's I&T start-up ecosystem.

Mr Chan also shared that the Government will invite proposals, imminently, for the establishment of a third InnoHK research cluster, to be focused on advanced manufacturing, materials, energy and sustainable development.

Furthermore, the Financial Secretary said the Commerce & Economic Development Bureau and the Office of the Communications Authority are together exploring a set of streamlined procedures for vetting licence applications for the operation of Low Earth Orbit satellites.

Highlighting that the Shenzhen-Hong Kong-Guangzhou cluster was ranked as the world's second top science and technology cluster for a fifth consecutive year by the World Intellectual Property Organization (WIPO) in its Global Innovation Index 2024, Mr Chan mentioned that WIPO will hold the launch event for the publication of this year's index in Hong Kong. He said this underlined the importance of Hong Kong as a core city in the Greater Bay Area and in China's overall I&T development.

With regard to life and health technology, the finance chief said the Innovation & Technology Commission is inviting local universities to submit proposals to obtain funding to set up life and health technology research institutes. Meanwhile, the Hong Kong Science & Technology Parks Corporation is studying the sector's demand for manufacturing facilities that comply with the Good Manufacturing Practices.

Mr Chan also revealed that an interdepartmental Working Group on Developing Low-altitude Economy, established at the end of last year, is examining applications for a first batch of Regulatory Sandbox pilot projects and will announce the results soon. In addition, the Government is reviewing the regulatory regime in relation to Hong Kong's low-altitude economy and plans to introduce amendments to the Small Unmanned Aircraft Order in the second quarter of this year. It will also consider enacting legislation with regard to Advanced Air Mobility.

The Financial Secretary pledged that the Government will provide more support for local technology companies to promote their products. For example, the Hong Kong Trade Development Council will add a thematic pop-up display area at the Hong Kong Design Gallery, and at venues hosting major exhibitions, to showcase local I&T products.

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