

LCQ20: Prevention of cruelty to animals

Following is a question by the Hon Doreen Kong and a written reply by the Secretary for Environment and Ecology, Mr Tse Chin-wan, in the Legislative Council today (February 26):

Question:

In December last year, The Ombudsman announced the launch of a direct investigation operation to probe the Government's work on animal management and protection of animal rights and welfare. It has been reported that multiple incidents of dog poisoning have occurred one after another in Hong Kong since the beginning of this year, causing concern and panic among dog owners. In this connection, will the Government inform this Council:

- (1) given the dog poisoning incidents that have occurred in recent months, whether the relevant departments have set up a dedicated interdepartmental co-operation team to expedite source tracking, improve investigation efficiency, and enhance related detection work as well as publicity and education efforts;
- (2) given that the authorities indicated last year that they were preparing for legislative amendments to the Prevention of Cruelty to Animals Ordinance (Cap. 169), and whereas the Government stated in a paper submitted to the Panel on Food Safety and Environmental Hygiene of this Council in May 2022 that public consultation on the proposed amendments to the Ordinance had been conducted in 2019, and as there are views that the proposed amendments have not yet been included in this year's legislative programme so far and that the progress has been rather unsatisfactory, whether there have been any delay in the relevant work, and what the specific timetable is for the authorities to amend the Ordinance;
- (3) given that in reply to a question from a Member of this Council on December 9, 2020, the Government indicated that it currently had no plan to set up a dedicated hotline for reporting animal cruelty cases, whether the Government will reconsider such proposal in light of the latest trends that have emerged in recent days; if so, of the details; if not, the reasons for that; and
- (4) as there are views that the Agriculture, Fisheries and Conservation Department has failed to properly handle reports of animal cruelty, whether the authorities will improve the Department's complaint handling mechanism in this regard in order to curb such an undesirable trend in animal cruelty as soon as possible; if so, of the details; if not, the reasons for that?

Reply:

President,

The Government adopts a multi-pronged approach to curb acts of cruelty to animals. This includes exploring raising penalties for offences under the Prevention of Cruelty to Animals Ordinance (Cap. 169) (the Ordinance) to enhance deterrence, taking stringent enforcement actions against illegal acts, and continuing to enhance relevant public awareness through education and promotion activities.

Having consulted the Security Bureau, the reply to the question from the Hon Doreen Kong is as follows:

(1) The Hong Kong Police Force (HKPF), the Agriculture, Fisheries and Conservation Department (AFCD) and the Society for the Prevention of Cruelty to Animals (SPCA) jointly implement the Animal Watch Scheme to proactively prevent and detect suspected cases of animal cruelty through multi-agency collaboration. For example, the HKPF would invite the AFCD and SPCA officers to provide professional advice at the scene of an animal cruelty case and assist thereafter where necessary.

Through various channels including the Animal Watchers Programme, the "Be a Responsible Pet Owner" thematic website and roving exhibitions, the HKPF and the AFCD are respectively promoting the message of preventing cruelty to animals at the community level and online platforms; encouraging the public to report cases timely and to provide information that aids investigations; as well as raising public awareness of animal welfare.

(2) The Government has been studying amendments to the Ordinance. In preparing the Bill, it is necessary to consult the relevant stakeholders again on some of the proposals, and after collating the views, we will finalise the proposals and complete the law drafting work promptly. Once the work is completed, we will introduce the proposed legislative amendments into the Legislative Council.

One of the directions being explored in the legislative amendment is to impose a positive "Duty of Care" on persons responsible for animals, requiring them to take proper care of the welfare of animals (including diet, environment, health, and behaviour). In this connection, the AFCD continues to promote information on the fulfilment of the "Duty of Care" through various channels such as thematic website, social media and roving exhibitions.

(3) Members of the public may report suspected animal cruelty cases immediately by calling the 999 Report Centre or 1823 to report to the AFCD. The existing channels for reporting crime are well known to the public, easy to remember and has worked well. The Government will continue to review the operational details to see if there is room for improvement.

(4) Upon receipt of report of suspected animal cruelty cases, the AFCD officers will visit the scene promptly to conduct investigation, including taking photographs of the animals and the environment of the scene, examining the health conditions of the animals and collecting evidence, etc. The AFCD

will arrange for a veterinarian to give professional advice at the scene if necessary. If animal cruelty is suspected to be involved in the case, the AFCD will decide whether to seize the animals concerned according to its health condition and hand over the injured animals to the SPCA for further treatment.

According to the information of the Department, over 90 per cent of the reports were found to be not related to animal cruelty after investigation, but nuisance or other situations, such as frequent noise from animals or odour from the premises where the animals were kept, and this misled the reporters into thinking that the animals suffered from acts of cruelty. There are also cases involving neglect of animals but does not involve cruelty, such as the failure to provide adequate space. For these cases, the AFCD officers would give verbal advice on responsible pet ownership and improvement suggestions to the owners concerned after inspecting the scene.

LCQ14: Protecting rights and interests of animals

Following is a question by the Hon Edward Leung and a written reply by the Secretary for Environment and Ecology, Mr Tse Chin-wan, in the Legislative Council today (February 26):

Question:

It has been reported that a domestic cat fell to its death from a building in Pak Shek Kok, Tai Po, earlier on. The flat in question was repeatedly found by members of the public in August and December last year with domestic cats perched precariously on the glass balcony fence. The Hong Kong Society for the Prevention of Cruelty to Animals had followed up and given advice, but was unable to effectively prevent the incident concerned. Moreover, there are views that the Prevention of Cruelty to Animals Ordinance (Cap. 169) does not have sufficient deterrent effect as the threshold for prosecution is rather high (e.g. it is difficult to prove that the domestic cat was caused "any unnecessary suffering" before falling to its death in the aforesaid case). In this connection, will the Government inform this Council:

(1) of the respective numbers of reports received by the authorities in the past three years of cats being in dangerous positions, and the respective numbers of cases of cats falling from a height resulting in injury and death; the number of prosecutions instituted by the Government in respect of such cases under Cap. 169, and the number of convicted cases and the average penalty imposed by the court;

(2) as it is learnt that some cases of cats falling from a height resulting in injury or even death involve keepers who have not installed cat safety

nets at home, have left windows open or have even kept cats on balconies, whether the authorities have instituted prosecutions and obtained convictions in such cases; whether they will consider amending the legislation to stipulate that it is an offence for any person who knowingly or recklessly performs an act prejudicial to the life or well-being of an animal, so as to strengthen the protection of the rights and interests of animals under the law; if so, of the details; if not, the reasons for that; and

(3) given that the Government, in its paper submitted to the Panel on Food Safety and Environmental Hygiene of this Council on May 22, 2022, proposed to amend Cap. 169 to introduce a positive "duty of care" for animals, and it has been reported that the Government is preparing to amend the legislation, whether the Government will, at the same time, make reference to the approach in the Protection of Children and Juveniles Ordinance (Cap. 213) by authorising the Director of Agriculture, Fisheries and Conservation to take timely possession of an animal where there is reason to believe that the animal is likely to be in moral or physical danger, and to recover from the pet owner the costs of caring for it during that period; if so, of the details; if not, the reasons for that?

Reply:

President,

The Government adopts a multi-pronged approach to curb acts of cruelty to animals. This includes exploring raising penalties for offences under the Prevention of Cruelty to Animals Ordinance (Cap. 169) (the Ordinance) to enhance deterrence, taking stringent enforcement actions against illegal acts, and continuing to enhance relevant public awareness through education and promotion activities.

Having consulted the Security Bureau, the reply to the question from the Hon Edward Leung is as follows:

(1) and (2) At present, the Ordinance clearly stipulates that any person who does or omits to do any act which causes unnecessary suffering to an animal is liable to the offence of cruelty to animals, and could be sentenced to a maximum fine of \$200,000 and imprisonment for three years upon conviction. The Agriculture, Fisheries and Conservation Department (AFCD) and the Hong Kong Police Force (HKPF) are responsible for enforcing the Ordinance.

In the past three years (i.e. from 2022 to 2024), the AFCD received 15 reports of cats in dangerous positions or suspected to have fallen from a height resulting in injury and death, among which 10 cases involved cats falling from a height resulting in injury and death. After investigating the abovementioned cases, there was no evidence to suggest that someone had contravened the Ordinance. The HKPF does not maintain a breakdown of the number of reports and cases related to cats.

The Government has been studying amendments to the Ordinance, where one of the directions being explored is to impose a positive "Duty of Care" on persons responsible for animals, requiring them to take proper care of the

welfare of animals (including diet, environment, health, and behaviour). Meanwhile, the AFCD has been actively promoting information on the fulfilment of the "Duty of Care" through various channels such as thematic website, social media and roving exhibitions.

(3) At present, the Ordinance already empowers the HKPF and the AFCD to seize the animals involved when there is reason to suspect that an offence under the Ordinance is being or has been committed, and the AFCD will arrange for their care as necessary. In addition, we will also study amending the Ordinance to empower the Court to require a person convicted of contravening the Ordinance to pay for the cost of taking care of the detained animals.

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Artificial Intelligence Application

International Conference on Embodied AI Robot

44. The HKIC will host the first International Conference on Embodied AI Robot to pool together top notch technology enterprises, academic institutions and investors to showcase the latest R&D outcomes and application scenarios, thereby boosting Hong Kong's global influence on technology areas.

Smart Manufacturing

45. We enhanced the New Industrialisation Funding Scheme last year to strengthen support for local manufacturing enterprises to shift to smart manufacturing. The number of new smart production lines supported by the Scheme has exceeded 100, involving industries such as biotechnology, nanofibre materials, new energy, etc. The total investment cost is around \$1.3 billion, of which \$930 million came from private investment.

46. We also launched the New Industrialisation Acceleration Scheme in September last year to provide matching subsidies to enterprises to build smart production facilities in Hong Kong. The first application for the project has been approved, with a total investment of about \$600 million, of which government funding amounts to about \$200 million. The project will build smart production facilities in the field of life and health technology.

47. We plan to launch the two-year Pilot Manufacturing and Production Line Upgrade Support Scheme (Manufacturing+) this year. The Government will provide funding of up to \$250,000 each on a one-to-two matching basis to enterprises operating production lines in Hong Kong to support their formulation of smart production strategies and introduction of advanced

technologies into existing production lines. I have earmarked \$100 million for the Scheme, benefitting some 400 enterprises.

Licensing Regime of Low Earth Orbit Satellites

48. Low Earth Orbit satellites are the new trend in global satellite development. The relevant technologies can be widely applicable in various domains such as transport and logistics, smart city, etc. The Commerce and Economic Development Bureau (CEDB) and the Office of the Communications Authority are exploring a set of streamlined procedures for vetting licence applications for operating Low Earth Orbit satellites. Our target is to complete the relevant work this year.

Generative Artificial Intelligence Sandbox

49. The Hong Kong Monetary Authority (HKMA) and Cyberport collaborated last year to launch a new Generative Artificial Intelligence Sandbox to foster innovation in the banking industry and unleash the potential of AI. The HKMA will publish a practice guide by making reference to global development trend and experience in the Sandbox.

Application of an Industry-oriented Approach

50. The Government will draw up a medium- to long-term development plan for new industrialisation in Hong Kong. Also, we will set up a \$10 billion Innovation and Technology Industry Oriented Fund to channel more market capital to invest in emerging and future industries of strategic importance. The Government is inviting relevant organisations to submit expressions of interest and is planning to seek funding approval from LegCo in the middle of this year.

51. We are preparing to launch the \$180 million I&T Accelerator Pilot Scheme. The Government will provide up to \$30 million in funding, on a one to two matching basis, to each professional start-up service agency, with a view to enriching Hong Kong's start-ups ecosystem through their business network and experience.

52. The Government has established the Hong Kong Space Robotics and Energy Centre under the InnoHK Research Clusters, with the aim of developing a multi functional lunar surface operation robot, which will contribute to the Chang'E 8 mission. Meanwhile, the Government has started preparatory work for the establishment of the third InnoHK research cluster, which will focus on advanced manufacturing, materials, energy and sustainable development. Proposals from institutions will soon be invited.

Technology Empowering Industry Development

53. The GBA plays an important strategic role in the national scientific and technological innovation system. Among the top 100 science and technology (S&T) clusters in the Global Innovation Index 2024 published by the World Intellectual Property Organization (WIPO), the Shenzhen Hong Kong Guangzhou cluster ranked second globally for the fifth consecutive year. With our country's staunch support, the publication event for the top 100 S&T clusters

in the WIPO Global Innovation Index 2025 will be held in Hong Kong later this year, giving full recognition to the global importance of Hong Kong as a GBA's core city in the field of I&T.

Life and Health Technology

54. The Government will support local universities to set up life and health technology research institutes through the Subsidy Programme for the Setup of Life and Health Technology Research Institute(s), with a view to fostering cross university/institutional and multi disciplinary collaboration. The Innovation and Technology Commission is inviting institutions to submit proposals.

55. The Hong Kong Science and Technology Parks Corporation (HKSTPC) is looking into the life and health technology industry's demand for manufacturing facilities that comply with the Good Manufacturing Practices, as well as feasible mode of development and operation, so as to support the industry in conducting clinical trials of new drugs or healthcare innovations in Hong Kong.

Low-altitude Economy

56. The interdepartmental Working Group on Developing Low altitude Economy, established at the end of last year, is examining the applications for the first batch of Regulatory Sandbox pilot projects and will announce the results soon. Through the pilot projects, we hope to expand and enrich the scope of low altitude flying activities, bringing new areas of growth for Hong Kong's economy.

57. The Government is reviewing civil aviation legislation to enhance the regulatory regime in support of long-term development of the low altitude economy. We plan to introduce proposed amendments to the Small Unmanned Aircraft Order into LegCo in the second quarter of this year. We will also consider enacting dedicated legislation for various types of Advanced Air Mobility, and proactively strengthen our interface with Mainland authorities on issues relating to the low altitude economy.

Technology Products

58. We will provide local technology companies with more physical displays and sales environment for their products. The Hong Kong Trade and Development Council (HKTDC) will add a thematic pop-up display area at the flagship retail platform Hong Kong Design Gallery and exhibition venues during major exhibitions to showcase high-quality innovative technology products to both local and overseas buyers or consumers.

Patient Capital

Hong Kong Investment Corporation Limited

59. The HKIC, as patient capital, while seeking investment return in the medium and long terms, strives to bring in more frontier technology enterprises and patient capital to Hong Kong, so as to accelerate the

establishment of Hong Kong's I&T ecosystem and development of upstream, midstream and downstream sectors of the industry chains.

60. The HKIC has so far invested in over 90 technology enterprises engaging mainly in hard and core technology, life technology, new energy, green technology, etc. Among these investment projects, every \$1 invested by the HKIC attracts \$4 of long term co investment. The HKIC will drive these technology enterprises and investment partners to leverage Hong Kong as a platform for business expansion, and encourage them to establish venture business departments in Hong Kong. This is to attract more start up investment and facilitate relevant mergers and acquisitions.

LCQ10: Nurturing and attracting innovation and technology talents

Following is a question by the Hon Elizabeth Quat and a written reply by the Secretary for Education, Dr Choi Yuk-lin, in the Legislative Council today (February 26):

Question:

There are views that in order to realise the vision of developing Hong Kong into an international innovation and technology (I&T) centre, as well as to develop new quality productive forces and promote sustainable economic development, Hong Kong needs to nurture and attract sufficient I&T talents. In this connection, will the Government inform this Council:

- (1) of the respective numbers and ratios of senior secondary students who took the subjects of Physics, Chemistry, Biology and the Extended Part of Mathematics, as well as those who took two or more of the above subjects at the same time in the past three school years;
- (2) of the measures the Government has put in place to encourage students to take science subjects including Physics, Chemistry, Biology and the Extended Part of Mathematics, etc, so as to further nurture local I&T talents;
- (3) as there are views that in order to realise Hong Kong's positioning as centres for development in eight key areas as set out in the Outline of the National 14th Five-Year Plan, relevant human resources plans are a crucial complementary part, of the Government's plans in place to further nurture and attract talents, so as to achieve the objectives of the relevant human resources plans;
- (4) as there are views that artificial intelligence (AI) has become a major element required for future development, whether the Government will study

making coding and AI applications compulsory subjects in primary and secondary schools and provide relevant teaching guidelines for teachers; if so, of the details; if not, the reasons for that;

(5) as there are views that there is currently a shortage of teachers in STEAM (Science, Technology, Engineering, the Arts and Mathematics) education, whether the Government will consider introducing AI-assisted teaching and "Massive Open Online Courses" (i.e. opening up courses to a large number of online users for participation in learning through the Internet) to enable students to receive multi-model software application training online and equip themselves early, so as to meet the needs of the future job market; and

(6) as there are views pointing out that at present, generative AI has already been integrated into life, for example, free chatbots such as DeepSeek can be downloaded and used free of charge on the Internet, whether the authorities will consider providing teaching guidelines for teachers to make full use of AI-assisted teaching, such as allowing AI to act as classroom assistants and assist teachers in drawing up curriculum frameworks, and at the same time encouraging students to interact with AI, so as to enable students to master as early as possible the skills of using AI?

Reply:

President,

The government continues to proactively promote science and mathematics education in primary and secondary schools, and strengthen digital education so as to provide talent support for developing Hong Kong into an international innovation and technology (I&T) hub as well as fully implementing the national strategies of invigorating the country through science and education, strengthening the nation with talents, and driving development through innovation. The Education Bureau (EDB), by optimising the curriculum and enhancing teacher training, creates a learning atmosphere of science and I&T in schools and cultivates students' interest and ability in learning mathematics, science and technology from an early age, as well as their digital literacy, fostering their aspirations in science and I&T, and enabling students to embrace the opportunities brought by the development of I&T and meet the requirements of the future workplace.

Regarding the various parts of the question raised by the Hon Elizabeth Quat, our reply is as follows:

(1) and (2) Following the implementation of the optimisation measures for senior secondary curriculum introduced by the EDB in the 2021/22 school year, which has provided students with more space, the number of students taking three elective subjects at the senior secondary level has increased significantly. Among them, the number and percentage of students taking Physics, Chemistry, Biology and the Mathematics Extended Modules (M1/M2), as well as those taking two or more of these subjects have shown a steady increase from the 2021/22 school year to the 2023/24 school year. Details are as follows:

School Year	Number (Percentage) of Secondary Four Students				
	Biology	Chemistry	Physics	Extended Part of Mathematics	Taking two or more elective subjects in science and mathematics
2021/22	16 980 (34.4%)	16 115 (32.7%)	12 769 (25.9%)	9 701 (19.7%)	17 104 (34.7%)
2022/23	17 419 (34.6%)	16 625 (33.1%)	12 880 (25.6%)	10 098 (20.1%)	17 832 (35.5%)
2023/24	17 647 (35.0%)	16 714 (33.1%)	13 034 (25.8%)	10 466 (20.8%)	18 226 (36.1%)

Source:

The Survey on Senior Secondary Subject Information conducted by the EDB. The data is provided by approximately 440 schools (including government and aided secondary schools, caput schools, and secondary schools under the Direct Subsidy Scheme) offering the local senior secondary curriculum. Data for the 2024/25 school year is still being collected.

The EDB is taking a multi-faceted approach to strengthen students' foundation in science and mathematics so as to further nurturing local I&T talents. In respect of curriculum, the EDB will continue to optimise the curriculum, including reviewing the current senior secondary curricula of Physics, Chemistry and Biology, and enhancing I&T elements. We are also strengthening mathematics education by launching more school support programmes on promoting mathematical modelling education, fostering students' ability to apply mathematics and their interest in learning mathematics.

Regarding teacher training, the EDB continuously organises professional development programmes in science, mathematics, and I&T for teachers, enabling teachers to stay abreast of the latest developments in I&T and incorporate innovative elements into classroom teaching. Topics in these programmes cover biotechnology, robotics, energy technology, and mathematical modelling, with an aim to enrich students' learning experiences.

On student activities, we continue to collaborate with I&T related organisations, such as tertiary institutions, Cyberport, professional engineering bodies, and the Hong Kong Academy for Gifted Education, to provide students with I&T related experiential activities, lectures, competitions, and training programmes both within and beyond the classroom. Examples include the Distinguished Lecture Series on Applications of Mathematics in STEAM World, the Hong Kong Student Science Project Competition, and the Innovative Engineering Education Programme for Primary

and Secondary Schools. All these initiatives aim to inspire students to pursue careers in scientific research and I&T, so as to meet the future demand for innovative talents in society.

We will set up an ad hoc committee under the Curriculum Development Council Committee on Science Education to engage various stakeholders in exploring options for further optimising science education.

(3) Education is the key to nurturing talents. For the University Grants Committee (UGC)-funded universities, the Government has set the target in the 2022 Policy Address to continue to enhance post-secondary education by encouraging them to offer programmes with greater relevance to future economic development, such that students from the UGC-universities studying in disciplines relevant to the "eight centres" will reach around 60 per cent by the 2026/27 academic year. Through the triennial Planning Exercise of UGC, the UGC-funded universities will offer more new programmes relevant to the "eight centres" in the 2025-28 triennium, thereby nurturing more talents to meet the development needs of Hong Kong and creating impetus for the development of the "eight centres".

(4), (5) and (6) The promotion of digital education (including artificial intelligence (AI)) in primary and secondary schools by the EDB focuses on enhancing students' digital literacy and laying a solid foundation for the development of digital skills, nurturing students to become responsible citizens and lifelong learners.

To encourage schools to adopt AI in supporting teaching, the EDB launched the "AI for Science Education" Funding Programme on a pilot basis for Junior Secondary Science in the end of 2024. This funding programme is open to applications from publicly funded secondary schools. Successful applicant schools will receive a one-off grant of \$100,000 to arrange for science teachers to enroll in training courses offered by tertiary institutions or relevant professional bodies, fostering pedagogical innovation.

To enable students to master coding and AI skills from an early age, the EDB has launched the "Module on Artificial Intelligence for Junior Secondary Level" and the "Enriched Module on Coding Education for Upper Primary Level" in 2023, which further cultivate students' computational thinking more systematically and enhance students' understanding of the foundation and application of AI. The curriculum modules include suggestions and guidelines of learning and teaching for teachers' reference. Almost all publicly-funded schools have implemented the enriched coding education and AI education in upper primary level and junior secondary level respectively.

Regarding teacher training, the EDB continues to provide professional development programmes related to coding and AI. These programmes focus on guiding students to effectively utilise I&T and information technology tools to solve problems, thereby enhancing learning and teaching effectiveness. The training courses also cover the application of AI tools in teaching across various subjects, including helping teachers master essential skills to teach

students how to effectively pose questions to generative AI tools, enabling them to fully leverage AI to support teaching. The courses also share the good practices from schools on integrating AI technology into teaching, such as using these tools to design lesson plans and develop teaching materials. Additionally, the training assists teachers in developing school-based arrangements or guidelines for the use of AI, tailored to their specific teaching contexts. The training courses are conducted in both online and offline modes to benefit a greater number of teachers.

With regard to e-learning platforms and resources, the Quality Education Fund of the EDB has reserved \$500 million to provide schools with a total of 22 projects, which have commenced at the beginning of the 2023/24 school year. The projects will deploy innovative technologies such as big data and AI to enhance learning and teaching effectiveness in a wide array of subjects/areas, including mathematics and science education, coding, robotics. It is expected that in mid-2025, the deliverables of projects will be successively released for use by schools. In addition, we are collaborating with the Hong Kong Education City to launch an online learning platform on AI and computational thinking, as well as a webpage featuring expert lecture videos by 2025, aiming to promote self-directed online learning among students (including learning the application of various software).

The higher education in Hong Kong has always been bold in innovation and growing together with technological development. With the advent of generative AI, innovative and breakthrough technologies have presented new challenges and enormous opportunities in transforming pedagogies and student learning experiences. To this end, the UGC, with the support from the Quality Assurance Council, has allocated \$100 million to set up the Fund for Innovative Technology-in-Education to provide impetus for universities to harness innovative and breakthrough technologies in transforming pedagogies and enriching student learning experiences, and to nurture a digitally competent and technologically responsible generation, for the future success of their students in the digital economy. Universities also actively explore the application of AI in teaching and learning, such as providing AI learning tools and introducing AI lecturers, etc. In addition, a number of universities are currently providing Massive Open Online Courses for students from all over the world to study programmes online, with some being free of charge. Through a more flexible and innovative learning mode, these courses provide a more convenient progression pathway for students who aspire to self-enhancement.

Budget Speech by the Financial

Secretary (2)

Strengthening Foundation to Accelerate Development

28. Hong Kong's economy has recorded moderate growth for two consecutive years. The Government has been active in promoting innovation and technology (I&T) development, while striving to attract more enterprises, capital and investment institutions through diversified business promotion activities. Recently, Hong Kong has made continuous improvement in a number of economic segments. The Government's efforts to build a vibrant economy and compete for enterprises and talents have yielded considerable results:

(a) Buoyant Stock Market: The sentiment and trading performance of the local stock market improved last year. Since the beginning of this year, trading has been even more active, with average daily turnover exceeding \$200 billion recently, up by more than 50 per cent over last year's average. Total market capitalisation reached \$40 trillion;

(b) Vibrant Initial Public Offering (IPO) Activities: Enterprises are increasingly confident about Hong Kong's financing prospects. Funds raised from new listings in Hong Kong amounted to \$88 billion last year, a year-on-year increase of nearly 90 per cent and ranking fourth globally. Over 100 new IPO applications are being processed by the Hong Kong Exchanges and Clearing Limited (HKEX);

(c) Excellence in Wealth Management: Hong Kong is Asia's largest hedge fund centre and the second largest centre for private equity management after the Mainland. There are more than 470 open ended fund companies in Hong Kong, double that of a year ago, and over 1 050 registered limited partnership funds, a year on year increase of about 40 per cent. Hong Kong is expected to become the world's largest cross boundary wealth management centre by 2028; and

(d) Attract Enterprises, Capital and Talents on All Fronts

Attract enterprises: Since its establishment, the Office for Attracting Strategic Enterprises (OASES) has attracted 66 strategic enterprises, 80 per cent of which have established or planned to establish their global or regional headquarters in Hong Kong. Many are I&T enterprises with a market valuation of over \$10 billion and engaging in cutting-edge technologies. In addition, Invest Hong Kong (InvestHK) successfully attracted over 500 Mainland and overseas enterprises to set up or expand their businesses in Hong Kong last year, representing an increase of over 40 per cent. These enterprises are expected to bring in direct investment of over \$67.7 billion.

Attract capital: As at the end of last year, total deposits in Hong Kong amounted to more than \$17 trillion, a year on year increase of seven per cent. On attracting capital from emerging markets, two exchange-traded funds tracking Hong Kong stocks were listed on the Saudi Exchange last year, with asset size exceeding \$13 billion.

Trawl for talents: As at the end of last year, various talent admission schemes have received a total of over 430 000 applications and approved more than 270 000, bringing some 180 000 talents to Hong Kong.

29. We are proactively introducing additional measures to attract more enterprises or organisations to establish their presence in Hong Kong, bringing more mega-events and visitors to the city:

(a) OASES will announce a new batch of more than 10 strategic enterprises next month. Together with those previously announced, they will invest a total of about \$50 billion in Hong Kong and create more than 20 000 jobs over the next few years;

(b) we strive to attract enterprises from the Mainland and around the world to set up headquarters or corporate divisions in Hong Kong. We have submitted a bill to the Legislative Council (LegCo) for the introduction of a company re domiciliation mechanism to provide facilitation for companies domiciled overseas to re domicile in Hong Kong;

(c) the headquarters of the International Organization for Mediation (IOMed) will open by the end of this year at the earliest. As the first international inter governmental organisation to set up its headquarters in Hong Kong, IOMed is also the first of its kind in the world that specialises in resolving international disputes by means of mediation. It is conducive to affirming the positioning of Hong Kong as the capital for international mediation;

(d) Kai Tak Sports Park, set to open officially in three days, provides a world class venue for hosting international mega events, taking forward the development of culture, sports and tourism as an industry in Hong Kong. It is also one of the event venues of the National Games; and

(e) the World Tourism Cities Federation (WTCF)'s 2025 WTCF Fragrant Hills Tourism Summit will be held in Hong Kong for the first time in April. The Summit is expected to attract representatives from some 40 countries and regions.

30. A full range of mega events that will boost economic growth and attract more visitors to Hong Kong will be held this year. I will elaborate on the details in the relevant sections.

Upholding Principles and Innovation, and Cultivating New Quality Productive Forces

31. Hong Kong is facing a rather complicated international environment amid changes unseen in a century around the world. The rise of protectionism and unilateralism has resulted in a fragmented global political and economic landscape. The future is trending towards co-operation among economies sharing mutual interests and formation of different regional segments.

32. The vigorous development of AI is reshaping the medium- to long-term global economic landscape. In particular, its development is no longer

confined to a single technology domain, but penetrating into each and every industry in the form of AI+. As the global value chain undergoes profound restructuring, product design and manufacturing are moving towards further intelligentisation and digitalisation. This wave of technological reform not only revolutionises traditional production, business and consumption models, but also redefines the core competitiveness of various economies, industries and enterprises.

33. Hong Kong finds itself at a critical juncture of its development in the face of the changing global landscape and technological transformation. The Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC Central Committee) has affirmed the positioning of scientific and technological innovation as a core area of development and stressed the importance of accelerating the realisation of self-reliance on high standard technology. This points out a clear direction for Hong Kong to leverage its strength as an international platform for stepping up the development of the AI industry.

34. The Third Plenary Session of the 20th CPC Central Committee has stated that the country has to deepen reform comprehensively, advance high standard opening-up and speed up the formation of a new development landscape. We must also cultivate new quality productive forces tailored to local circumstances and promote high quality development. To achieve this, we have to stay bold in reform, dare to break new ground and innovate continuously, and unleash the innovative and economic potential through institutional reform. Through technological innovation, we can catalyse new modes and new impetus to accelerate the nurturing of new industries and to transform and upgrade traditional industries. At the same time, we must nurture and attract talent by better means to promote the integrated development of education, technology and talent, which in turn provides staunch support for reform and innovation.

35. We have to leverage the advantages under "one country, two systems" to better integrate into the national development and participate in the joint development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) in a proactive manner. We have to reinforce our connectivity with both the Mainland and the world, while leveraging synergies with overseas markets, especially those emerging in the Global South. It is by doing so that we fulfil our roles as "super connector" and "super value-adder".

Innovation and Technology

Artificial Intelligence

36. AI is at the core of developing new quality productive forces. We will leverage the edge of "one country, two systems" and our internationalised characteristic to develop Hong Kong into an international exchange and co-operation hub for the AI industry. Through frontier research and real-world application, we will endeavour to develop AI as a core industry and empower traditional industries in their upgrading and transformation.

AI as a Core Industry

AI Supercomputing Centre

37. We have been proactively enhancing the strategy and planning on AI development. The first-phase facility of Cyberport's AI Supercomputing Centre has just commenced operation, and the computing power will be ramped up gradually to 3 000 petaFLOPS this year. This is equivalent to the processing capacity of nearly 10 billion images in an hour.

Hong Kong Microelectronics Research and Development Institute

38. Hong Kong Microelectronics Research and Development Institute, established last September, spearheads collaboration among universities, research and development (R&D) centres and the industry on the R&D of third generation semiconductor core technology. The Institute leverages the GBA's well developed manufacturing industry chain and enormous market, and promotes the "1 to N" transformation of R&D outcomes and industry development. Two pilot lines will be set up at the Microelectronics Centre in Yuen Long this year and start operating next year.

Hong Kong AI Research and Development Institute

39. To spearhead and support Hong Kong's innovative R&D as well as industrial application of AI, I have set aside \$1 billion for the establishment of the Hong Kong AI Research and Development Institute. The Digital Policy Office (DPO) will formulate the establishment arrangements of the institute and its specific goals, focusing on facilitating upstream R&D, midstream and downstream transformation of R&D outcomes and expanding application scenarios.

AI Subsidy Scheme

40. Since its launch in October last year, the AI Subsidy Scheme has approved five projects led by local universities, research institutions, etc, to accelerate local R&D work relating to big language models, new materials, large synthetic biology models, etc.

Fostering International Exchanges and Collaboration

41. To bring together top talents in the industry to study the development and application of AI, the Hong Kong Investment Corporation Limited (HKIC) will be hosting the first International Young Scientist Forum on Artificial Intelligence to promote research of AI technology and its development as an industry, including Open Source technology, in particular the design and application of the open source chip architecture RISC V.

Financial and Tax Support

42. To further assist specialist technology and biotechnology companies, especially those listed in the Mainland, in raising funds and expanding business, the HKEX is actively taking forward the establishment of a dedicated "technology enterprises channel" (TECH) to facilitate the relevant companies in preparing for listing applications. The Securities and Futures Commission (SFC) will also support to enable a smoother application process.

43. Intellectual property (IP) is an important foundation for the development of emerging industries. In addition to obtaining IP rights through local research and development, enterprises will also purchase related rights to use IP. In this connection, we will review the relevant tax deduction arrangements for various expenditures, including the lump sum licensing fees for acquiring the rights to use IP, and related expenses incurred on purchase of IP or the rights to use IP from associates, so as to accelerate the development of IP-intensive industries and promote the development of IP trading in Hong Kong.