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HKCS's Feedback to the 2022 Budget:
Support the Government to Continue to
Invest in the Development of I&T,
Promote Digital Economy and the Application of Scientific Research
Encourage Enterprises to Make Good Use of Technology, Cultivate I&T Talents
And Support Technology Startups and Enterprise Development

February 23, 2022. Hong Kong – The Hong Kong Computer Society (HKCS) expressed support to the 2022 Budget delivered by Mr. Paul Chan, the Financial Secretary today. The Budget clearly indicates its focus on driving the science and development in Hong Kong and building Hong Kong into an innovation and technology center in the Greater Bay Area, complementing the national policies. The Budget also strives to promote re-industrialisation, drives economic growth through innovation and technology, establishes the "Digital Economy Development Committee", and it pledges to continue to allocate resources to promote and subsidise the development of local scientific research, start-ups and technology companies with considerable scale and huge development potential, to study the relaxation of listing conditions for emerging companies, and the development of the Northern Metropolis and San Tin Technopole and so on.

The HKCS is also pleased to see the Government will continue to utilise technology to fight and prevent the epidemics, to subsidise and deepen the development of financial technology and smart ports, and to promote the application of new technologies in different industries such as art, construction, agriculture as well as fisheries sectors. The Government also stated its determination in supporting youth entrepreneurship, adoption of e-government application and audit, and explore the introduction of more commercial data sources to the Commercial Data Interchange service, and strengthen the intellectual property system in Hong Kong. The HKCS also welcomes the Financial Secretary to promote the development of professional qualifications of FinTech personnel and provide relevant training subsidies; strengthen online learning support by subsidising schools to purchase mobile computer devices and portable Wi-Fi devices for loan to needy students, and launch more timely plans to facilitate the entry of innovation and technology talents to Hong Kong.

Dr. Rocky Cheng, President of HKCS, said: "As the most well-established and the largest professional ICT association in Hong Kong, the Hong Kong Computer Society

fully agrees with and supports the Government's emphasis in enhancing Hong Kong's economic development through innovation and technology. The Budget not only demonstrates that the government will continue to invest in the development of innovative technology and digital economy, promote scientific research, attract investment, nurture talents, encourage companies to make good use of technology, continue to develop e-government services and open data, and complementing the national policies to develop Hong Kong into its position in the Greater Bay Area as the I&T center, and to enhance Hong Kong's competitiveness in the long run, it also announces a number of innovative technology policies, which we support and welcome."

Hong Kong Computer Society's Response to the Budget

Dr. Rocky Cheng points out that there are a few recommendations on the Budget by the Hong Kong Computer Society as follows:

Data Security Issues

With the ubiquitous "Leave Home Safe" Apps, citizens are increasingly concerned about data security. HKCS has the following recommendations for the Government:

1. It is necessary to use the real-name system in the "Leave Home Safe" Apps which, with measures ensuring the effective protection of data security and personal privacy, enhances the effectiveness to trace the virus sources, thereby improving social and public safety.
2. In order to more effectively protect the data security of citizens, the data security law should be promoted, and efforts should be made to publicise and explain the norms of security in data usage to the public.

Talent Issues

Hong Kong has always been facing a shortage of IT talents in many sectors, including SMEs, start-ups and schools. The Budget mentions that it will study and introduce more measures to facilitate the entry of talents to Hong Kong in due course. HKCS has the following recommendations:

1. Improve the status of practitioners in the industry: strengthen professional certification;

2. The government should work together with enterprises to ensure that ICT personnel's salaries are competitive and enhance the career development and promotion opportunities of ICT positions, so as, on one hand, to attract and retain ICT talents for career development in Hong Kong, and on the other hand, to attract the attention of the society to the prospects of the ICT industry, thus to attract more non-ICT professionals or students to join;

3. In the short term bring in overseas talents to solve the problem of talent shortage in Hong Kong: However, the Hong Kong Computer Society also understands that the Government needs to consolidate opinions from all parties and formulate relevant talent definitions to reduce the impact on local practitioners;

4. Encourage young talents to join the ICT industry: There are many young people in Hong Kong who are interested in joining the ICT industry, but have not had the opportunity. Therefore, it is suggested that the Government can cooperate with large enterprises in the industry, subsidise these enterprises on the training of the young talents for future hiring;

5. Organise more short-term training: to help talents' transformation given the trends of digital transformation and the new normal

About "Digital Economy Development Committee"

The Hong Kong Computer Society welcomes the establishment of the "Digital Economy Development Committee" by the government and is pleased to participate in and provide advice as a professional body to this Committee. The Hong Kong Computer Society also makes the following recommendations for the development of the digital economy, especially as a smart city:

1. The government can establish the Key Performance Index (KPI) on an annual basis for the "Digital Economy Development Committee", so as to more efficiently promote the development of smart city.

2. Encourage enterprises to support the development of smart public facilities.

3. Promote cross-departmental cooperation and increase communication between government departments and promote data sharing to further the development of smart city.

4. Create a post of Deputy Secretary to be fully responsible for the development and establishment of smart city.

5. The Government should also promote cooperation with the private sector and make relevant coordination to jointly promote the development of smart city.

About San Tin Technopole

Regarding the development of San Tin Technopole, the Hong Kong Computer Society recommends:

1. The Government must first formulate a comprehensive policy package.
2. Utilise Hong Kong's own advantages to attract more multinational enterprises and large Mainland enterprises to locate in Hong Kong.
3. With the plan to provide 150,000 technology jobs in the Technopole, however it will require hiring of a large number of talents. In addition to encouraging large enterprises to locate in Hong Kong, more flexible institutional arrangements should be adopted to attract more large enterprises to participate, especially the enterprises in the neighboring Greater Bay Area.

Regarding support for SMEs, HKCS is pleased to see the Government's announcement that it will continue to provide support to start-ups and provide more subsidies to SMEs, especially to assist SMEs in their digital transformation and through the epidemic. HKCS also suggests that the Government could take the lead in cooperating with the industry to use more services and products provided by local SMEs.

Dr. Rocky Cheng pointed out that, "Just as being emphasised in the Budget many times, the most important thing for Hong Kong at present is to do a good job in the fighting and prevention of epidemics. The Hong Kong Computer Society believes that information technology will make a greater contribution to helping the society fight the epidemic and maintaining the operation of enterprises and education. The Government should also take the initiative to coordinate the cooperation between public and private institutions, from the development of smart cities, the occupancy of the Technopole, to the cultivation and employment of ICT talents and so on. These can all benefit the resource and experience enrichment of private institutions, and thus generate synergies."

About the Hong Kong Computer Society (HKCS)

Founded in 1970, the Hong Kong Computer Society (HKCS) is a recognised non-profit professional organisation focused on developing Hong Kong's Information Technology (IT) profession and industry. Their members come from a broad spectrum of Hong Kong's IT community, from corporations to like-minded individuals, all coming together to raise the profile and standards of the IT profession and industry. As a well-

established IT professional body, the Society is committed to professional and industry development as well as community services to ensure the IT sector continues to make a positive impact on peoples' lives with three main goals, namely, 1) talent cultivation and professional development, 2) industry development and collaboration, and 3) the effective use of IT in our community.

For more details, please visit http://www.hkcs.org.hk.

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Appendix: IT-related Measures of Budget 2022

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In the budget announced today, there are various IT-related measures, which include:

Encourage Good Use of Technologies to Combat Epidemics

- To strengthen support for e-learning, the Quality Education Fund has set aside $2 billion to launch a three-year programme starting from this school year, under which subsidies will be provided to schools to purchase mobile computer devices and portable Wi-Fi devices for loan to needy students.   This initiative will facilitate the learning of students from grassroots families during the epidemic.
- Government will implement a new round of consumption voucher scheme, under which electronic consumption vouchers with a total value of $10,000 will be disbursed by instalment to each eligible Hong Kong permanent resident and new arrival aged 18 or above through suitable stored value facilities.

Expediting the Progress of Digital Economy Development and e-Government Development

- In order to accelerate the progress of digital economy, a "Digital Economy Development Committee", with members comprising experts and scholars, industry elites, and relevant government officials, will be formed.
- The Government has reserved $600 million to conduct a comprehensive e-government audit in the coming three years with the aim of reviewing the progress made by government departments in using technologies, as well as assisting them in enhancing the efficiency of public service provision through the adoption of I&T solutions.
- The "Commercial Data Interchange" (CDI) announced in last year's Budget, which is targeted to be launched by the end of this year, is progressing well.   A number of banks have successfully approved loans totalling over HK$900 million to SMEs using various kinds of commercial data during the study and pilot launch stages of the project. The HKMA will enrich the data-driven financial service ecosystem by exploring the introduction of more commercial data sources in order to expand the function of the CDI.
- Concurrently, the Government will explore ways to enable the financial institutions, with the authorisation by the enterprises, to obtain the enterprises' data kept in government departments from various departments in a

computer-readable format.   Priority will be accorded to data which facilitates the application for financial services by SMEs.

- The Hong Kong Maritime and Port Board (HKMPB) has set up a dedicated task force to explore concrete proposals to promote the development of "Smart Port", including further enhancing port efficiency and reducing cargo handling time and cost with the use of a digitalised system.

- The Government has implemented the "Trade Single Window" (TSW) in phases since 2018 to enable one-stop lodging of Business-to-Government import and export documents, with a view to enhancing cargo clearance efficiency. Services under Phase Two are expected to be rolled out in batches from next year onwards. The Government has earmarked about $1.4 billion for the development of the IT system in Phase Three and the industry is being consulted on the relevant implementation details. The target is to submit the funding application to the LegCo in the next financial year, with a view to achieving full implementation of the TSW as early as possible.

Promoting Use of Technology to Transform Business Sectors

- Finance industry:
    - The HKMA and the People's Bank of China (PBoC) signed a Memorandum of Understanding (MoU) in October last year.   Under the MoU, the two authorities agreed to develop a one-stop platform in the form of a "network link-up" to allow eligible financial institutions and technology firms to conduct pilot trials of cross-boundary financial technology (Fintech) projects concurrently in Hong Kong and the Mainland.   At present, more than 10 local banks have expressed interest in using the platform.   The HKMA and the PBoC are implementing the operation details of the platform.
    - The Fintech Proof-of-Concept Subsidy Scheme has received overwhelming response from the industry since its first launch last year.   The Government will allocate a funding of $10 million for launching a new round of the scheme this year.   The aim is to promote continuous innovation by encouraging the financial industry to conduct Proof-of-Concept projects on more financial services and products.   Besides, The Government also propose to provide subsidies to research institutions under the new round of the scheme, so that they can put forward solutions as to how to remove development bottlenecks faced by the Fintech industry in Hong Kong.

- Arts Technology:
  - To further facilitate arts technology development, the Government will allocate $30 million to implement a Arts Technology Funding Pilot Scheme in the next financial year with the aim of encouraging the nine major performing arts groups to apply arts technology to enrich their stage production.
  - An additional amount of $10 million will be injected into the Arts Capacity Development Funding Scheme in order to encourage small and medium-sized arts groups to further explore the use of arts technology under the scheme.
  - $85 million will be earmarked each year to support the development of the East Kowloon Cultural Center into a major arts technology venue and incubator for the provision of structured training.
  - The Government will also set aside $70 million to upgrade the facilities of the performing venues under the Leisure and Cultural Services Department (LCSD), with a view to enabling arts groups to further apply technology in their performances.
- Agricultural and Fisheries Sectors: The Government propose making two separate injections of $500 million each into the Sustainable Agricultural Development Fund (SADF) and the Sustainable Fisheries Development Fund (SFDF), as well as expanding the coverage of the funds and streamlining the application procedures as appropriate. This will support the development of the industry in terms of application of advanced technology and intensification of production, and help it seize the opportunities arising from the GBA development.
- Construction Industry:
  - The Government propose to inject additional $1.2 billion to the Construction Innovation and Technology Fund (CITF) for the ongoing operation and implementation of enhancement measures launched recently, including expanding the funding scope and increasing the funding ceiling.
  - $30 million has been earmarked to promote applied R&D as well as the adoption of new materials and innovative construction technologies in public works and the industry in the coming three years, with a view to enhancing the overall productivity and performance of the construction industry.

Continue to Promote Research and Development

- The current-term Government has invested over $130 billion in I&T development, which has seen results trending up gradually in recent years.   Additional resources will be allocated in the Budget to keep reinforcing the entire value chain and the I&T ecosystem.
- There are 16 State Key Laboratories and six Hong Kong Branches of Chinese National Engineering Research Centres in Hong Kong. Currently, these institutions are receiving an annual subsidy under the Innovation and Technology Fund (ITF). The Government announce that the amount of subsidy of ITF be doubled to HK$440 million so that they can have more resources to conduct R&D activities, nurture local talent as well as attract more local and overseas I&T talent, and further their co-operation and exchanges with institutions in the Mainland.
- To further promote the development of life and health technology in Hong Kong, the Government will earmark $10 billion to provide more comprehensive support in the long run, including hardware, research talent, clinical trials and data application, with the aim of enabling institutions, including universities, to enhance their capacity and capability in this area, as well as strengthening the industrial chain.
- The Government will set up the InnoLife Healthtech Hub in the Hong Kong-Shenzhen Innovation and Technology Park.   With the above 16 laboratories and the eight relevant State Key Laboratories as the basis, we can pool together top-notch research teams from all over the world and focus our efforts on R&D work as well as global research collaboration in the field of life and health sciences.   This includes biomedicine, big data and artificial intelligence, which can be applied in various areas, such as prevention, diagnosis, drug discovery, advanced treatment and rehabilitation.

Nurturing and Pooling Talents

- Financial Services Talents:
  - The Government is actively implementing the development of professional qualifications recognised under the Qualifications Framework for Fintech practitioners.   The first batch of Fintech professional qualifications for the banking sector is expected to be rolled out this year.

- ■ The Government will also implement the Pilot Scheme on Training Subsidy for FinTech Practitioners this year.   Practitioners who have attained Fintech professional qualifications can receive reimbursement of 80 per cent of the tuition fees, and around 1,500 places will be offered.
- ■ A consultancy study will be conducted this year, with a view to continuing developing Fintech professional qualifications for different financial sectors, thereby promoting comprehensive professional development of Fintech talent.   The estimated expenditure of the scheme is $43 million.
- ■ The Government has commissioned the Cyberport to implement a new round of Financial Practitioners FinTech Training Programme this year to provide training programmes and tuition fee subsidies for practitioners in the insurance and securities sectors.   Subsidies will also be provided for the two sectors to organise their own training programmes.
- The HKSTPC and the Cyberport continue to provide young people with internship and training opportunities through various schemes.   The HKSAR Government has also launched a number of schemes such as the STEM Internship Scheme and the Research Talent Hub to provide incentives or subsidies for graduates to pursue a career in I&T.
- At present, the Technology Talent Admission Scheme provides a fast track to process entry applications of individuals undertaking R&D work.   The Global STEM Professorship Scheme, on the other hand, supports universities in recruiting internationally renowned I&T scholars and their teams to conduct research and teaching activities in Hong Kong.   The Government will consider rolling out more relevant measures to facilitate the entry of talent into Hong Kong in due course.

Supporting the Growth of Innovation and Technology Industry

- Over the past few years, apart from the $2 billion Innovation and Technology Venture Fund, the Government have also set up the Corporate Venture Fund and the Cyberport Macro Fund through the HKSTPC and the Cyberport respectively.   Each of these funds has its own specific key areas of investment, which has significantly broadened the fundraising channel for start-ups in Hong Kong.
- Financing in Securities Market:
  - ■ In January this year, after striking a balance amongst considerations such as the need to ensure the quality of listed companies, investor protection and market development, the Hong Kong Exchanges and Clearing Limited

(HKEX) launched a listing regime for Special Purpose Acquisition Companies (SPAC), enabling experienced and reputable SPAC promoters to source new and innovative enterprises for merger and acquisition, with a view to assisting emerging enterprises with potential in listing through an unconventional initial offering and providing a new alternative listing route in Hong Kong.

- Considering the fact that there are some large-scale advanced technology enterprises which require substantial capital for their R&D work but are not qualified for listing as they fail to meet the profit and trading record requirements, the Securities and Futures Commission (SFC) and the HKEX are reviewing the Main Board Listing Rules and, having due regard to the risks involved, examining the revision of the listing requirements to meet the fundraising needs of such enterprises.

- Support Expanding I&T Enterprises with Considerable Scale
  - The aim of Hong Kong Growth Portfolio, using part of the Future Fund for investment in projects with a "Hong Kong nexus", is to consolidate Hong Kong's status as a financial, commercial and I&T centre as well as to raise our productivity and competitiveness in the long run. Last year, the Government appointed eight fund managers as general partners to make strategic investment.
  - To nurture enterprises that are relatively more mature and have good potential for contribution to our economy, the Government will further increase the funding allocated to the Hong Kong Growth Portfolio under the Future Fund by $10 billion, of which $5 billion will be used to set up a new investment fund, namely the Strategic Tech Fund. The Government will invite the HKSTPC and the Cyberport to identify technology enterprises which are of strategic value to Hong Kong as well as investment opportunities conducive to enriching the I&T ecosystem.

- The Technology Start-up Support Scheme for Universities under the Innovation and Technology Fund (ITF) has been supporting universities in setting up their own start-ups and commercialising their R&D results, with a view to creating economic value. To help universities realise their R&D outcomes, the amount of subsidy will be doubled to $16 million. The increased subsidy will be provided to start-ups of universities with private investments on a matching basis of one to one. Each start-up may receive an annual subsidy of up to $1.5 million for a maximum of three years. The initiative will incur an additional expenditure of $48 million per year.

Launching of IT Related Policy

- The Northern Metropolis Development
    - The Northern Metropolis will provide ample land for I&T uses, which will foster I&T development in Hong Kong. Hung Shui Kiu/Ha Tsuen can also be developed into the New Territories North Modern Services Centre. As regards development areas including San Tin Technopole, Lo Wu/Man Kam To Comprehensive Development Node, Ma Tso Lung, as well as Lau Fau Shan, Tsim Bei Tsui and Pak Nai, the Government is striving to formulate development plans for the four land formation projects within two to three years. The Government will also step up the implementation of the New Development Areas projects to ensure timely completion of the housing projects.
    - $100 billion will be set aside from the cumulative return of the Future Fund to set up a dedicated fund under the Capital Works Reserve Fund in order to expedite the implementation of infrastructure works relating to land, housing and transportation within the Northern Metropolis.
- Strengthen the Intellectual Property Regime
    - With regard to patents, the Government will further promote and develop Hong Kong's "original grant patent" (OGP) system. In the next three financial years, A total of about $85 million will be allocated to the Intellectual Property Department (IPD) for enhancing Hong Kong's capacity to conduct substantive examination in processing OGP applications.
    - On trademarks, the Government is pressing ahead with the preparatory work for implementing the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks in Hong Kong. It is expected that an international trademark registration system will be put in place in Hong Kong next year at the earliest.
    - For copyrights, to tie in with the development of digital environment, the Commerce and Economic Development Bureau launched a public consultation exercise on updating Hong Kong's copyright regime at the end of last year. The Government will carefully consider the views collected before introducing a bill to amend the Copyright Ordinance into the LegCo in the first half of this year.
- Last year, Hong Kong, together with more than 130 jurisdictions across the globe, pledged to implement the international tax reform proposals drawn up by the OECD to address base erosion and profit shifting (abbreviated as BEPS 2.0). As the global minimum effective tax rate under BEPS 2.0 only targets

large multinational enterprise (MNE) groups with global turnover of at least 750 million euros, it will not affect local SMEs.   The Government has been exchanging views with the affected MNEs on matters relating to the implementation of BEPS 2.0, and reaffirmed that we would preserve the advantages of Hong Kong's tax regime in terms of its simplicity, certainty and transparency, maintain our the territorial source principle of taxation as well as minimise the compliance burden on MNEs when implementing BEPS 2.0.   The Government will maintain communication with relevant MNEs to enable them to familiarise with the new tax rules as soon as possible.