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Policy Address 2025
Deloitte's Recommendations

18 August 2025

Introduction

Hong Kong's economic transformation is gathering pace just as the global landscape is being rapidly redrawn. In 2025, the city's growth story remains compelling: real GDP expanded by 3% or more year-on-year in both of the first two quarters, while both IPO proceeds and stock-market gains ranked among the world's best.[1] Hong Kong also vaulted back into the global top three of the IMD World Competitiveness Yearbook, climbing from 11th to 6th place for overall economic performance and jumping to 2nd for international investment – clear proof that its reform drive is paying off.[2]

The Central Government's latest Work Report tasks Hong Kong to 'deepen international engagement and integrate more fully into national development.' Against a complicated global environment, the city's role as the nation's 'super-connector' and 'super-value-adder' matters more than ever. By harnessing its unique ability to link China with the world, Hong Kong can unlock new engines of growth and tap fresh opportunities. Accelerating the Northern Metropolis and scaling up innovation and technology will also be pivotal in injecting fresh momentum.

To support Hong Kong in seizing future opportunities, Deloitte presents the following recommendations in three key areas for the next Policy Address. First, measures should facilitate the finance and professional services sector in attracting international investment and business to Hong Kong, while helping mainland enterprises raise capital and expand globally. Second, Northern Metropolis development should emphasise measures that accelerate progress and enhance efficiency. Finally, the innovation and technology sector requires building a more comprehensive ecosystem that transforms innovative ideas into tangible economic impact.

At this critical stage of transformation, Hong Kong's willingness to adapt and innovate – and to deploy its strengths in service of national priorities – will propel the city toward the next level of sustainable, high-quality growth.

Attracting capital and connecting mainland China and global markets

As geopolitical tensions intensify globally, Hong Kong's open and stable market environment has become increasingly crucial to its role as the bridge between China and the world. To sustain growth and drive prosperity, the city should continue meeting the evolving needs of international and mainland enterprises, and actively channelling investment into both local and mainland high-quality development.

Recommendation 1

Boosting stock market liquidity and deepening capital markets

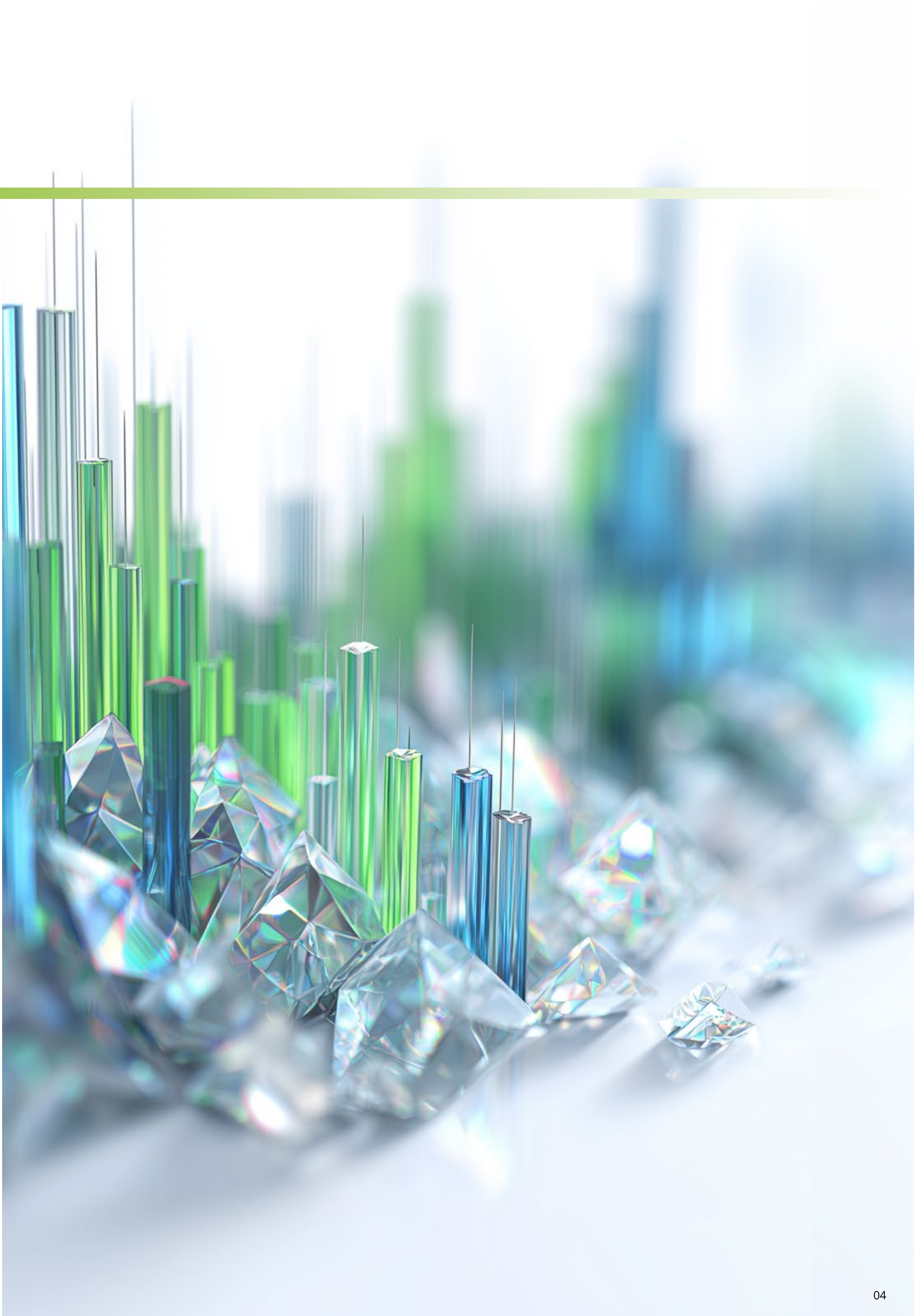
The Government has steadily worked to enhance Hong Kong's stock market liquidity. The 'Task Force on Enhancing Stock Market Liquidity' established in 2023 has rolled out multiple reforms and achieved impressive results: stock market turnover and liquidity have surged, and according to Deloitte, Hong Kong's global IPO fundraising ranking has leapt from sixth place two years ago to first in the first half of this year. To continue developing Hong Kong's capital market and draw more international and mainland capital, boosting stock market liquidity remains essential. We recommend:

1 Extending trading hours

Hong Kong's stock market currently runs Monday to Friday (excluding public holidays) from 9:30 am to 4pm, with a one-hour lunch break. As competition among global securities markets heats up, extending trading hours has become a priority for major exchanges worldwide. For instance, NASDAQ has already announced plans to introduce 24-hour trading five days a week from the second half of 2026. To stay competitive and attract more international investors, Hong Kong must adapt to these evolving trends.

We recommend extending Hong Kong stock market's trading hours through a phased approach. The first step could involve extending the daily market close to 6pm, creating overlap with morning trading sessions in major European markets. Once trading systems, risk management protocols and regulatory frameworks are fully refined, authorities could explore longer hours or even 24-hour trading to accommodate more investors across different time zones.

Longer trading hours would boost market liquidity by drawing in more participants, increasing competition and tightening bid-ask spreads. This would also improve price discovery, helping share prices better reflect companies' true value. Taking a gradual approach would allow Hong Kong to attract additional international capital while maintaining market stability throughout the transition.



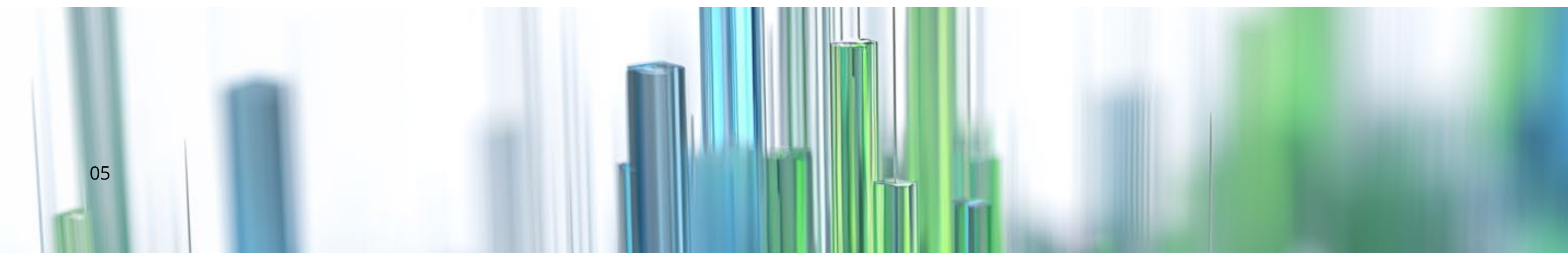
2 Expanding 'Southbound Stock Connect'

Southbound mainland capital is a key driver of Hong Kong's stock market liquidity. According to SFC data, Southbound Stock Connect net inflows in 2024/25 hit a record high of over HK$1.1 trillion, with such trading accounting for around 20% of Hong Kong's average daily turnover.[3] We recommend the Government expand Southbound Stock Connect to further boost liquidity, by:

- **Broadening investor base:** Currently, only mainland institutional investors and qualified individuals can participate in Southbound Stock Connect, with individuals required to maintain combined securities and cash account balances of at least RMB 500,000. Through years of Stock Connect participation, mainland investors have developed much greater knowledge and sophistication regarding the Hong Kong market. With this greater market familiarity, authorities could work with mainland regulators to examine ways of relaxing investor requirements under the scheme, thereby expand the investor base.
- **Temporary reduction of stamp duty for RMB counter trading:** The HKD-RMB Dual Counter Model was launched by HKEX in 2023 to make the trading of Hong Kong stocks easier for RMB investors. While the Government has already exempted stamp duty on specific transactions by dual counter market makers, RMB counter liquidity remains limited. To increase trading volumes, we recommend the Government cut stamp duty on RMB counter trading by half for the next three years. This would make Hong Kong stocks more attractive to RMB investors and help them take advantage of the current positive momentum in Hong Kong's stock market.

3 Attracting more economy companies to list in Hong Kong

In 2018, HKEX introduced major reforms to allow biotech companies, innovative firms, and companies with weighted voting rights (collectively 'new economy companies') to list in Hong Kong without having to meet traditional mainboard financial requirements. As these market segments have grown more established, HKEX can now refine listing rules based on evolving market conditions and investor maturity. We recommend:



Targeted relaxation of listing requirements for weighted voting rights (WVR) companies

Since Hong Kong began allowing WVR companies to list in 2018, market familiarity with such equity structures has grown considerably. Deloitte figures show 26 such companies have gone public in Hong Kong over the past seven years. However, listings have tailed off recently.

Current listing rules for WVR companies mainly include: 1) that they must be 'innovative companies'; and 2) a minimum market cap of HK$40 billion at listing, or a minimum market cap of HK$10 billion at listing, plus revenue of at least HK$1 billion in the most recent audited financial year.

As technology reshapes business landscapes, both traditional and emerging enterprises now integrate varying degrees of innovation into their operations. However, the current requirements define 'innovative companies' in rather ambiguous terms. To better serve market needs, we recommend expanding the 'innovative' criteria to welcome a broader spectrum of new economy companies. Additionally, we suggest reducing relevant market cap or revenue requirements and relaxing the current 1:10 voting ratio limit for WVR companies. Together, these reforms would enable more companies with WVR arrangements to list in Hong Kong.

Relaxing secondary listing rules

With geopolitical tensions rising, US-listed Chinese companies face mounting delisting risks. Meanwhile, many international companies which are already listed overseas are actively seeking additional listing platforms to diversify their investor bases.

To attract more mainland and international companies to list in Hong Kong, HKEX could consider relaxing secondary listing thresholds, including: 1) easing the five-year requirement for companies with good compliance records for at least five complete financial years and a minimum market cap of HK$3 billion at listing; and 2) easing the HK$10 billion market cap requirement for companies with good compliance records for at least two complete financial years and a minimum market cap of HK$10 billion at listing.

Authorities could also explore further expanding the scope of recognised stock exchanges and streamlining listing procedures for overseas issuers, while launching a dedicated 'overseas companies listing channel' to provide these companies with more direct guidance and advisory services.

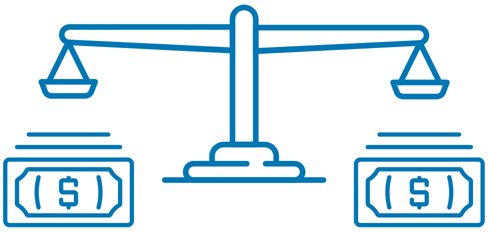
Expanding the scope of confidential listing applications

This May, HKEX and the SFC launched the 'Technology Enterprises Channel', allowing pre-profit biotech and specialist technology companies to file their application proof confidentially and engage with HKEX's professional teams for guidance on listing eligibility and suitability before formal application. This initiative has given technology companies in these sectors more flexible pathways and stronger support for Hong Kong listings.

However, the current confidential application mechanism covers only a narrow range of technology companies, leaving many others outside the channel's scope hesitant about listing in Hong Kong. This has dampened the capital market's appeal to the broader technology sector.

We recommend HKEX expand confidential listing applications to encompass a wider range of technology companies. This would enable more companies to safeguard their core technical information when raising capital, giving them greater confidence to grow through Hong Kong's financial ecosystem. Such expansion would strengthen Hong Kong's position as an attractive financing hub for technology enterprises across the spectrum.

4 Attracting international companies to dual list through tax optimisation



Providing a ‘safe harbour’ for economic substance requirements

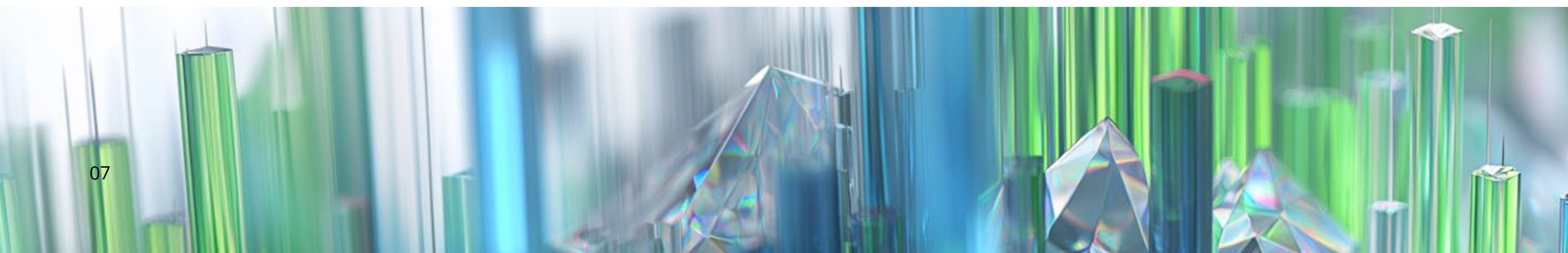
Companies that are dual-listed in Hong Kong must register locally and comply with Hong Kong tax obligations. At present, many dual-listed companies have no substantial operations in Hong Kong. Although Hong Kong adopts a territorial basis of taxation (i.e., offshore profits are not taxable), under the Foreign Sourced Income Exemption (FSIE) regime, the specified foreign sourced income of these companies that fails to meet the economic substance requirements (ESR) or other requirements remains subject to Hong Kong profits tax.

To attract more companies to dual list in Hong Kong, the Government may consider providing a ‘safe harbour’ for the economic substance requirements of these companies in Hong Kong. For instance, dual-listed companies that incur expenditure of a specified amount in Hong Kong (which could include Hong Kong listing fees, professional fees for Hong Kong service providers, and Hong Kong staff salaries) could be deemed to have satisfied the economic substance requirements and enjoy the applicable profits tax exemption. This approach would reduce the tax uncertainties these companies face and encourage them to pursue dual listings in Hong Kong.

Halving stamp duty for dual listed international companies

Currently, trading any Hong Kong-listed company shares attracts stamp duty, with both transferor and transferee paying 0.1% each, totalling 0.2% per transaction. While this rate is lower than some jurisdictions (such as the UK's 0.5%), it remains higher than some other major markets – for example, both the US and Japan impose no such stamp duty.

To encourage more quality companies to pursue dual listing in Hong Kong, the Government could consider halving stamp duty on share transactions for foreign-listed companies that have established dual listings in the city, reducing the rate to 0.05% each for transferor and transferee. This would help lower transaction costs and attract more investors to participate in trading these shares. Issuers would also benefit from more active trading activity.



5 Deepening regional financial cooperation and broadening capital sources

HKEX has actively expanded into ASEAN and Middle Eastern markets in recent years, rolling out more exchange-traded funds (ETFs) and investment products. The city’s exchange now recognises three major Middle Eastern stock exchanges alongside the Indonesian and Thai exchanges. Meanwhile, Asia's first Saudi Arabia ETF has listed in Hong Kong, while two Hong Kong ETFs now trade on the Saudi exchange. To deepen regional financial cooperation and broaden capital sources, we suggest HKEX:

- **Cross-listing ETFs with Indonesian and Thai exchanges:** This would help Hong Kong investors gain better insight into Indonesian and Thai companies, while allowing investors in these countries to access the Hong Kong market with lower investment thresholds.
- **Opening 'Capital Market Service Stations' in Indonesia and Thailand:** Indonesia is Southeast Asia's largest economy, with active IPO activity and the region's highest stock market capitalisation. Thailand, meanwhile, is another key market with significant developments in recent years. To expand Hong Kong's footprint in Southeast Asia, HKEX may consider establishing 'Hong Kong Capital Market Service Stations' in Jakarta and Bangkok through the Government's overseas Economic and Trade Offices, to deliver comprehensive, one-stop consultation and promotional services. HKEX could then actively cultivate local networks in these markets, targeting potential issuers, family enterprises, sovereign wealth funds and pension funds.

6 Developing diverse investment products

- **ETFs:** Hong Kong's ETF market is leading the Asia-Pacific region with rapid growth in recent years. In the first half of this year, average daily ETF turnover in Hong Kong surged to HK$33.8 billion, up 184% over the same period last year, with product categories expanding to include carbon futures, digital assets and foreign exchange ETFs.[4] Hong Kong's ETF market enjoys unique advantages: it permits digital asset trading while the mainland market does not, ETF trading here is stamp duty-free, and the local market features high turnover with diverse product types. This represents enormous growth potential.

  We recommend authorities and fund companies continue collaborating to develop and launch diverse ETF products tailored to Middle Eastern and ASEAN investors, thereby attracting more domestic and overseas capital (particularly from these regions) to participate in Hong Kong's capital market. This would help broaden the city’s investor base.
- **Derivatives:** Hong Kong's derivatives market has also shown strong growth, with average daily turnover hitting successive record highs in recent years.[5] This demonstrates strong investor demand and shows that the related infrastructure is well-developed and capable of supporting more new products. We recommend HKEX accelerate the development and launch of more derivatives products, particularly those related to digital assets, to further expand market depth and stimulate investment activity.

7 Streamlining listing approval

- **Moving towards 'disclosure-based' listing model:** To address sweeping reforms across global capital markets and strengthen Hong Kong's position as an international financial centre, authorities may consider transitioning Hong Kong's listing mechanism towards a 'disclosure-based' approach, drawing from proven practices in mature markets such as the US and the UK. Simultaneously, existing listing application procedures and prospectus requirements could be streamlined to deliver enhanced market efficiency for issuers and listing applicants, provided that adequate investor protection is maintained.

8 Boosting small and mid-cap stock liquidity

Hong Kong's stock market saw major improvements in turnover, liquidity and valuations in the first half of this year, with IPO activity picking up. However, small and mid-cap companies still struggle with low prices and thin trading.

To address this persistent challenge, we recommend authorities introduce targeted measures to boost trading activity for these companies, such as piloting market maker schemes tailored for small and mid-cap enterprises. Market makers would provide continuous two-way pricing and serve as immediate counterparties, directly narrowing bid-ask spreads and reducing trading costs. This would draw more investors into the market and generate greater trading volumes. Beyond transaction improvements, market makers would also bring professional pricing expertise that can establish more realistic valuations, reduce volatility, and strengthen market stability. Last but not least, enhanced liquidity and better trading conditions would improve small and mid-cap companies' access to refinancing and potentially lower their funding costs.

Such measure creates a powerful cycle: improved liquidity leads to smoother financing, which enables business growth through expansion, R&D investment and capacity upgrades. The result is a self-reinforcing loop where enhanced market performance attracts further investment, allowing these companies to secure capital market support that truly reflects their growth potential.

Recommendation 2
Supporting mainland enterprises going global

Hong Kong has long been the gateway of choice for mainland enterprises venturing overseas. Under the Government's drive to build a headquarters economy, the number of companies in Hong Kong with overseas or Mainland parent companies hit a record of 9,960 last year, with mainland companies leading at 2,620.[6] This is clear proof of Hong Kong's pivotal role in helping mainland enterprises go global. As this expansion accelerates and mainland companies deepen their international reach, Hong Kong can strengthen its position as the professional bridge between the mainland and the world by enhancing support across three key areas: financing, information and promotion, and personnel mobility.

1 Financing

- **Establishing a 'China to Global (C2G) Enterprise Credit Risk-Sharing Fund':** Mainland enterprises expanding overseas face persistent financing challenges, including narrow funding channels and steep costs (such as above-average overseas lending rates and elevated currency hedging costs). Harnessing Hong Kong's offshore financial centre strengths, the Government could partner with mainland banks and insurers to create a joint 'C2G Enterprise Credit Risk-Sharing Fund'. The Fund should provide overseas project credit guarantees to mainland enterprises with regional headquarters in Hong Kong, and prioritise Belt and Road infrastructure, new energy, and supply chain projects. This initiative could help reduce lending risks for banks and lower financing costs for enterprises.

2 Information and promotion

- **Establishing a dedicated 'C2G Service Office':** The Government may consider establishing a 'C2G Service Office', led by the Financial Secretary and drawing on resources across government departments, to deliver one-stop policy consultation and financing connection services for mainland enterprises going overseas. Working with professional institutions, the Office could also create a showcase of successful C2G stories, hosting targeted roadshows to attract international capital and promote Hong Kong as the launch pad for mainland companies going global.
- **Hosting 'going overseas' expos:** Invite enterprises and commerce departments from key expansion markets to exhibit in Hong Kong, creating a platform for them to showcase their business environments and opportunities, and strengthening their investment and trade ties with mainland enterprises.
- **Organising overseas exhibition delegations:** The Government could coordinate mainland enterprises' participation in international business exchanges and trade shows, positioning Hong Kong as their operational base for global partnerships.

3 Personnel mobility

- **Launching dedicated business visas:** Given that C2G enterprise employees often travel across borders, the Government could introduce dedicated business visas for staff from mainland companies whose overseas headquarters are based in Hong Kong, with fewer visa restrictions, simple application processes and low application fees to facilitate cross-border business activities.

Recommendation 3
Strengthening the family office ecosystem

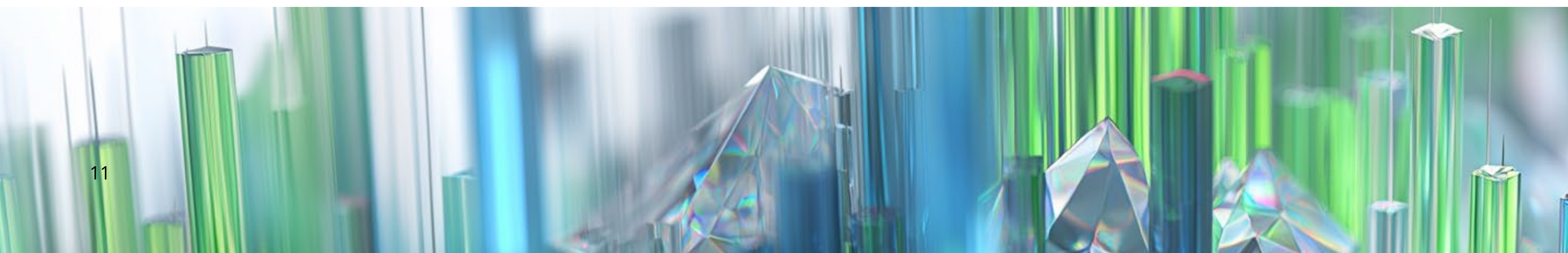
Family offices represent a major growth engine for Hong Kong's financial services sector. Government-commissioned research conducted by Deloitte reveals that Hong Kong was home to over 2,700 single family offices by the end of 2023,[7] while official data shows assets under management for Hong Kong family office and private trust clients surpassed HK$2 trillion in 2024.[8] Hong Kong must continue strengthening its family office ecosystem to draw high-net-worth individuals from across the globe, capitalising on the eastward shift in global wealth and promoting two-way capital flows between international markets and Hong Kong and the mainland.

1 Strengthening the philanthropic ecosystem

As wealthy individuals increasingly channel charitable giving through family offices, a robust local philanthropic environment will sharpen Hong Kong's competitive edge in attracting global wealth.

- **Updating 'charitable purposes' criteria:** The current 'charitable purposes' criteria used to determine whether an institution or trust qualifies as a local tax-exempt charitable organisation stems from dated legislation and judicial precedents from the 19th century which struggle to keep pace with evolving charitable activities. The Government should regularly review these criteria, and update and expand the categories of 'charitable purposes' to better align with contemporary philanthropic trends. For instance, 'charitable purposes' should encompass charitable areas of greater interest to younger generations, such as promoting arts and culture, social and community development, and fostering racial harmony.

- **Expanding charitable donation tax deductions:** The Government may consider relaxing the existing charitable donation tax deduction rules, by removing the current 35% cap on assessable income or profits, providing a 250% super deduction on qualifying charitable donations, and extending deduction coverage to non-monetary donations (including shares, goods, artworks, etc.). This would encourage charitable giving, diversify the philanthropic landscape, and align Hong Kong's system with other jurisdictions such as Singapore.



2 Expanding the Capital Investment Entrant Scheme (CIES) investment scope

Since launching in 2024, the new CIES has gained strong traction with over 1,500 applications by June this year, poised to channel over HK$46 billion in investment into Hong Kong.[9] To draw even more asset owners to invest and manage wealth in Hong Kong, the Government should further refine the scheme.

- **Embracing digital assets:** Digital assets appeal strongly to the next generation of wealthy investors, and with Hong Kong actively building its digital asset credentials, CIES should welcome digital assets into its investment universe. This move would reinforce the Government's push to expand tax-exempt investment options for single family offices. To maintain connectivity with Hong Kong, the coverage could be restricted to digital assets traded on SFC-licensed digital asset trading platforms.
- **Easing property investment limits:** Government figures as of July this year show that real estate represents only a small share of total CIES application investments, at less than 1%.[10] To attract capital and revitalise Hong Kong's property market, the Government may consider reducing the single residential property transaction price threshold under CIES from HK$50 million to HK$30 million, and raising the cap for total investment amount in property from HK$10 million to HK$15 million.

3 Establishing 'CIES Connect'

Building on the existing mutual market access mechanism with the mainland, the Government could explore establishing a 'CIES Connect' investment channel in consultation with mainland authorities. This mechanism would offer added flexibility, enabling high-net-worth individuals in the mainland to channel cross-border investments through Hong Kong. As many CIES applicants hold significant assets in the mainland, providing them with a dedicated cross-border investment channel that mirrors the closed-loop fund flow arrangement under the Cross-boundary Wealth Management Connect Scheme would significantly boost Hong Kong's appeal.

Accelerating Northern Metropolis development

The Government has accelerated Northern Metropolis development over the past two years, introducing innovative approaches such as the 'large-scale land disposal' model, and has already shown promising progress. As the Central Government expects the city to 'break down barriers and remove constraints' in its growth strategy,[11] Hong Kong should continue exploring solutions to key bottlenecks and fast-track the Northern Metropolis project through measures that 'speed up progress and enhance efficiency'.

Recommendation 1
Advancing financing and construction innovation

1 Financing: Leveraging market forces

- **Activating assets and innovative financing:** Utilise existing infrastructure assets (such as operating rights) or future cash flows as sources of financing. For example, explore revenue-backed financing instruments to leverage diverse market capital, ensuring major projects can be launched as soon as possible.
- **Promoting cross-border financing collaboration:** Explore joint financing models with other Greater Bay Area cities to attract investment in the Northern Metropolis.

2 Construction: Technology-driven cost reduction and efficiency enhancement

- **Technology-driven approach:** Accelerate construction industry modernisation through advanced technology adoption and commercial application, targeting key technical bottlenecks while deploying cutting-edge solutions such as AI and robotics. Automate traditional construction processes to drive comprehensive transformation.
- **Regional collaboration:** Harness mainland supply chains and technological partnerships to capitalise on scale advantages and advanced standards, securing cost-effective building materials and technologies. Meanwhile, proven smart construction technologies from the mainland would reduce costs and boost project efficiency.
- **Standards leadership:** Leverage Hong Kong's construction industry expertise to forge cross-border infrastructure networks that encompass technology recognition, talent exchange, supply chain coordination and data integration. This would position Hong Kong as the vital bridge connecting GBA and international infrastructure standards.

3 Developing 'industry-city economy'

- The Government can partner with enterprises to create collaborative platforms that follow 'government-led, market-operated' principles, using transport hubs or technology corridors as foundations for dynamic industry-city complexes. By optimising mixed-use land development that blends 'industry, residential, commercial, educational and research' functions, and bringing together industrial spaces, residential facilities, commercial services, educational resources and innovation platforms, this approach will unlock the synergistic potential between economic development and land utilisation.

Recommendation 2
Accelerating Hetao Hong Kong Park development

The development of the Hetao Hong Kong Park currently faces three major bottlenecks: unclear details regarding cross-border factor flows, insufficient appeal to leading enterprises, and funding resource pressures. Resolving these issues requires stronger regional collaboration and first-mover anchor enterprises which can demonstrate success to others. Rather than following traditional property development models, the Government should target 'industry chain leaders' and provide them with compelling offers. This will accelerate the Park's growth and deliver mutual benefits for both investors and Hetao as a whole.

1 Strengthening cross-border factor flows

- **Establishing a Hong Kong-Shenzhen joint regulatory framework:** Work closely with mainland authorities to establish unified cross-border data standards and agreements, setting clear rules for data privacy, storage and transmission compliance.
- **Building a cross-border supply chain hub:** Leverage Hong Kong and Shenzhen's geographic and institutional strengths to build an integrated supply chain platform. Partner with Shenzhen to develop express logistics channels that move raw materials and finished goods across borders within 24 hours, thereby cutting operational costs for businesses.
- **Rolling out smart customs systems:** Deploy biometric and blockchain technologies for frictionless clearance to allow talent to move freely in the region.
- **Supporting the low-altitude economy:** Work with Shenzhen to create cross-border drone delivery routes, equip new Park buildings with drone landing pads, and establish standardised flight paths and customs procedures that enable swift cross-border resources movement via low-altitude transport.

2 Enhancing appeal to leading enterprises

Leading global I&T firms demand top-tier supply chain support, world-class infrastructure and compelling policy incentives. Hong Kong must outcompete rivals to attract these anchor enterprises to energise the entire ecosystem.

- **Life sciences and health technology:** Advanced lab facilities and shared clinical trial data form the backbone of biomedical innovation. The Hetao Hong Kong Park should build Good Laboratory Practice (GLP)-certified facilities meeting international standards, and work with Shenzhen to create cross-border clinical data sharing systems that help slash R&D costs.
- **Artificial intelligence:** AI giants need both massive computing power and storage capacity. The Hetao Hong Kong Park should prioritise green data centres that deliver high performance at competitive costs, backed by dedicated cloud computing subsidies to meet the intensive computing demands of leading enterprises.
- **Advanced manufacturing:** For R&D-focused manufacturing clusters, the Hetao Hong Kong Park should develop regional standards covering smart equipment certification and green production practices, and collaborate with Shenzhen and other Greater Bay Area (GBA) cities to set industry benchmarks and boost the Park's profile.
- **Building industry cluster ecosystems:** Create strong industry ecosystems through systematic integration of top-tier facilities, cross-border regulatory alignment and targeted policy support, and drive the efficient convergence and deep collaboration of these key elements.
- **Attracting 'industry chain leaders':** Target leading enterprises with global resources and industrial integration capabilities (i.e., industry chain leaders) to harness their anchoring role, establish regional industrial standards and regulations, and strengthen the Park's position in global value chains.

3 Promoting capital and resource investment

- **GBA joint financing platform:** Combine Hetao's unique policy advantages with cross-city collaboration within the GBA to create an integrated financing platform that leverages mainland capital effectively.
- **GBA construction supply chain collaboration:** Leverage the manufacturing prowess of Shenzhen and other GBA cities and form a 'GBA Construction Supply Chain Network' of materials, equipment and technology to deliver cost-effective building solutions and modular components.

Strengthening innovation and technology (I&T) development

Building a robust innovation and technology ecosystem is vital for driving economic transformation and nurturing 'new quality productive forces.' As artificial intelligence (AI), the low-altitude economy, and digital assets evolve rapidly, the Government should enhance coordination in these emerging fields to provide more comprehensive industry support.

Recommendation 1
Accelerating AI development
As AI technologies and applications sweep across industries, the Government should sharpen its focus on Hong Kong's competitive edges, foster cross-border collaboration and promote AI autonomy to enhance the city's AI competitiveness and ensure sustainable growth.

- **Focusing on Hong Kong's natural advantages:** The Government should steer the local AI market and related investments towards Hong Kong's natural advantages, such as engineering and construction, fintech, healthcare, cross-border retail, logistics and supply chains. This approach would capitalise on Hong Kong's proven strengths in data access, professional expertise and market scale. Additionally, universities can play a pivotal role by incentivising research commercialisation and bridging the gap between academic innovation and industry application.
- **Financial services applications:** Many financial institutions are still facing resource and internal capability constraints when developing, implementing and scaling AI solutions, struggling to move beyond small-scale trials and pilot projects. The Government may consider helping build an industry platform where different financial institutions can share pre-built AI models and agents applicable to common processes such as anti-money laundering, fraud detection and credit assessment. Each institution can then further develop these applications using its own data and environment. This would reduce development costs at the institutional level, particularly benefiting small and medium-sized financial service companies. The Government could also partner with major technology companies and cloud service providers to help financial institutions enhance their AI knowledge and capabilities.
- **Fostering cross-border collaboration and defining Hong Kong's role in GBA:** Hong Kong should examine and clearly define its role in AI innovation in the GBA, in order to create mutual incentives with regional cities and form a genuine ecosystem. For instance, Hong Kong can tap into AI and hardware technical talent across the GBA, while upskilling local talent to become business-oriented yet technically proficient 'product owners.' Hong Kong should also help optimise the GBA's data flow framework, positioning itself as the region's trusted data hub and unlocking vast data resources for secure AI applications.
- **Promoting AI autonomy:** With escalating geopolitical risks, AI autonomy is becoming increasingly important, requiring balance between using the world's best technology and mitigating potential risks. The Government should encourage industry participation in open-source initiatives, adoption of open-source standards and joining relevant organisations, while promoting AI autonomy to avoid technological blockades and potential disruptions. This enables Hong Kong and its industries to maintain flexibility in an uncertain geopolitical environment.

Recommendation 2
Enhancing government efficiency through AI

The Government aims to cut 10,000 establishment posts over the next two years, but with the current establishment already exceeding actual staffing by over 18,000 positions (i.e., vacancies), the real impact on reducing personnel and expenditure remains questionable.[12] To genuinely boost public service efficiency and replace actual personnel, the Government should systematically integrate AI solutions across entire public service workflows, rather than limiting efforts to scattered trials or small-scale tests, to ensure that AI technology achieves widespread implementation and maximum impact.

As AI (particularly generative AI) matures and has proven highly effective across diverse tasks, the Government needs a fundamental mindset shift. When considering process and technology reforms, the default question should flip from 'why use AI?' to 'why not use AI?' All government departments should thoroughly examine their workflows and technology systems, actively seek AI opportunities, rapidly test promising solutions, and systematically scale successful initiatives. This would help streamline processes and save actual personnel resources, especially for highly repetitive administrative work, ensuring better utilisation of public resources. Additionally, the Government should prioritise building AI literacy among junior and mid-level civil servants, covering both practical applications and security protocols, to ensure effective implementation. This could be achieved through expanded training programmes at the Civil Service College.

Recommendation 3
Growing the low-altitude economy (LAE)

The emerging low-altitude economy offers Hong Kong a fresh route to smart city solutions and broader economic growth. With world-class research capability and strong ties to the GBA, Hong Kong can unlock this emerging sector's potential through progressive regulatory frameworks, infrastructure development and cross-border collaboration.

1 Expanding the regulatory sandbox

- **Wider scope:** Broaden sandbox coverage to include advanced applications such as passenger electric vertical take-off and landing aircrafts (eVTOL), automated urban inspection systems, and AI-powered air traffic management systems.
- **Beyond-visual-line-of-sight (BVLOS) application:** Ease BVLOS drone operation restrictions, particularly for logistics and emergency services, while maintaining rigorous safety protocols. This will help expand drone use across sectors, reduce ground congestion and boost efficiency.
- **Advanced air mobility (AAM) legal framework:** Establish legislations for large manned and unmanned aircraft operations, including eVTOL, aligning with international standards.

2 Accelerating infrastructure development

- **Vertiports and charging points:** Prioritise building vertiports and charging facilities in strategic locations such as the Northern Metropolis and outlying islands. These facilities should integrate with urban transport networks to enable seamless multimodal connectivity.
- **City-wide airspace network:** Build citywide airspace management systems integrating 5G, satellite navigation and real-time monitoring technologies. This network should support safe and efficient operations, enabling automated flight control and dynamic route optimisation.
- **Integrating low-altitude economy infrastructure into urban development:** Ensure new urban planning projects, such as the Northern Metropolis, include provisions for low-altitude infrastructure, creating space for scaling operations and advancing Hong Kong's smart city vision.

3 Deepening GBA collaboration

- **Harmonising airspace regulations:** Strengthen cooperation with mainland authorities to align low-altitude airspace regulations, standards and safety protocols, facilitating cross-border operations and reducing regulatory friction.
- **Dedicated aerial corridors:** Design dedicated cross-border routes for drones and eVTOLs, with streamlined customs and immigration arrangements to expedite cargo and passenger flows.
- **Hong Kong's distinct role in GBA:** Position the city as the GBA hub for low-altitude R&D and regulation, while leveraging Shenzhen's manufacturing base and Guangzhou's large-scale deployment experience.

Recommendation 4
Boosting digital assets growth

The Government released its second policy statement on digital assets in June, outlining the 'LEAP' framework: legal and regulatory streamlining, expanding tokenised products, advancing real-world applications, and people and partnership development.[13] To accelerate digital asset growth, the Government should encourage a broader range of digital asset products, boost trading liquidity and partner with other GBA cities on financial innovation. Crucially, digital assets must connect more deeply with both the real economy and everyday life to build a thriving ecosystem.

On talent development, the Government should actively attract world-class digital asset and blockchain professionals while partnering with tertiary institutions to cultivate relevant expertise, supporting Hong Kong's emergence as an international digital finance talent hub.

Developing digital assets can also advance broader policy objectives. For example, by promoting stablecoins, Hong Kong can help mainland enterprises going global move funds across borders more efficiently – with instant, low-cost settlement that speeds up cash flow. Stablecoins pegged to the Hong Kong dollar or offshore renminbi also help shield these companies from currency fluctuations. To encourage wider adoption, the Government can streamline licensing, foster cross-border payments innovation, and strengthen risk management, creating a secure and compliant environment for growth.

Recommendation 5
Capitalising on global I&T talent shifts

Changes in the international environment – particularly shifts in US talent policies – are reshaping the global talent landscape. Hong Kong should seize this opportunity by strengthening coordination between government departments to ensure that incoming I&T talent receives consistent and continuous policy support throughout their journey, from studying and working to long-term residence. This unified approach will help both attract and keep the talent we need.

On talent attraction, the Government should focus on high-growth industries such as AI and biotechnology, actively reaching out to and recruiting world-class professionals. It should also strengthen international marketing of Hong Kong's educational opportunities to expand the talent pool. On talent retention, given concerns among incoming talent about career prospects, living environment and associated costs, the Government should improve support infrastructure by integrating visa services, employment support, housing assistance, and children's education into a seamless one-stop support system. This ensures talent receives timely and effective assistance across all aspects of their work and personal lives.

Endnotes

1. https://www.hkeconomy.gov.hk/tc/situation/development/index.htm; https://www.info.gov.hk/gia/general/202507/31/P2025073100269.htm
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