

LAUNCHPAD TO THE FUTURE

Thriving as Part of Hong Kong's AI and Big Data Revolution

Artificial intelligence (AI) and big data are inseparable technologies. Together they are a transformative force that is already revolutionising business, commerce, and industry worldwide and bringing positive disruption to every aspect of daily life, from healthcare to housework, public services to parenting, travel to training, gaming, and beyond.

For AI and big data companies and their partners, the future is bright.

In the Crucible of Change



+25.5%

APAC spending on Artificial Intelligence (AI), including software, services, and hardware for AI-centric systems will grow to \$78.4 billion in 2027, with compound annual growth rate (CAGR) of 25.5 percent for the period 2022-2027.¹



↑80%

China accounted for more than 40 percent of global AI applications in 2022. Patent filings from China is almost 80 percent more than US filings.²

On the Cusp of Explosive Growth

As one of the world's most digitalised economies and an international hub of innovation and technology, Hong Kong is an emerging epicentre of the global AI and big data industry.

The city is well positioned for explosive growth as a business-friendly economy with outstanding research and commercialisation capabilities, a well-educated and diverse talent pool, and world-leading digital infrastructure. Hong Kong's unrivalled access to Mainland China's manufacturing heartland and its status within the booming Greater Bay Area (GBA) further make it the ideal launchpad for AI and big data businesses building the future.

¹ IDC: 2023 Worldwide AI Spending Guide

² World Intellectual Property Organization: Global Innovation Index 2022



InvestHK

The Government of the
Hong Kong Special Administrative Region
of the People's Republic of China

Hong Kong

World-class AI and Big Data Hub

Emerging Epicentre of AI and Big Data



Talent Pool

Hong Kong is a vibrant city with a large pool of skilled multi-lingual professionals that bring broad perspectives.

- 2nd in the world for growth in AI hiring from 2016 to 2021³
- Over 10,000 STEM graduates a year from local universities
- 5 universities in the top 100 QS World University Rankings 2024
- Hong Kong's Innovation and Technology Development blueprint includes policies to reach 100,000 IT professionals by 2032, from 45,300 in 2020
- 12,000 R&D professionals at Hong Kong Science and Technology Park (HKSTP) in 2023
- Hong Kong aims to have 75 percent of public schools teaching coding and AI by 2024
- 2,000 R&D professionals at government-funded InnoHK research hubs on AI and Robotics (AIR) and Healthcare



R&D Strength

Home to world-class universities and labs, Hong Kong is a focus of international research collaboration.

- Hong Kong universities rank 3rd globally for most-cited and impactful AI research
- Shenzhen-Hong Kong-Guangzhou is the world's 2nd -largest science and technology innovation hub⁴
- HKSTP's STP Platform provides access to shared R&D infrastructure, testbeds, workspaces, and funding, as well as public and private sector data sets
- The Hong Kong SAR Government has invested around HKD 200 billion in innovation and technology (I&T) development since 2017
- Government, business, and academia invested a total of USD 3.6 billion in R&D in 2021⁵
- In the Policy Address 2023, HKD 10 billion earmarked to provide financial assistance for enterprises in the I&T field, including AI and data science



Digital Infrastructure

With outstanding infrastructure and digital readiness, Hong Kong presents huge local demand for AI and big data analytics and is a launchpad to the GBA.

- Top 10 on the IMD World Digital Competitiveness Ranking since 2019
- 2nd for fibre connectivity and cloud availability⁶
- 90 percent of the city has 5G coverage⁷
- High broadband (99.4 percent) and mobile (315.4 percent) penetration
- 4th for fastest median fixed broadband⁸
- GBA GDP of USD 2 trillion in 2021, projected to reach USD 5.8 trillion by 2040⁹



Business Environment

Ideal for high-tech businesses, Hong Kong is one of the world's freest economies, with a sound legal system, simple tax regime, and strong IP rights protection.

- Premier business hub: services for regional HQ, sales and marketing, R&D
- Access to I&T-focused funding from public and private stakeholders
- No quota/no tariff policies for AI and robotics trade with mainland China
- The I&T ecosystem includes 18 unicorns from the AI, robotics and advanced manufacturing fields
- Over 200 AI companies based at HKSTP at end-2022, 100 percent more than end-2021

3 Stanford University Human-Centered Artificial Intelligence: AI Index Report 2022

4 World Intellectual Property Organization: Global Innovation Index 2023

5 Hong Kong Census and Statistics Department: Hong Kong Innovation Activities Statistics 2021

6 Cushman & Wakefield: Global Data Center Market Comparison 2022

7 Hong Kong Office of the Communications Authority: Trading Fund Report 2021/22

8 Speedtest Global Index, June 2023

9 S&P Global Market Intelligence, July 2022

Thriving Markets



Financial Services

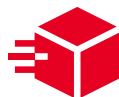
Market

- Ranked 4th of 130 on the Global Financial Centres Index¹⁰
- Financial services hub of GBA: cross-boundary investment
- Home to more than 75 percent of the world's top 100 banks and 8 virtual banks
- e-HKD digital currency pilot launched 2022

Outlook

AI adoption will continue to accelerate as industry players in Hong Kong's thriving financial services sector strive to provide next-generation services and investment advice to sophisticated customers. Strong uptake of RegTech, PayTech, and LendingTech is set to continue to 2025, while InvesTech and WealthTech are growing.

- HKMA Tech Baseline Assessment (June 2022). Banks plan:
 - 40 percent increase in fintech investment 2022-25
 - 40 percent increase in fintech staff 2022-25
 - 47 percent increase in AI /ML use by 2025



Trade and Logistics

Market

- Accounts for almost 20 percent of GDP (2020) with 3,627 firms in air and sea cargo forwarding services (2022)¹¹
- Airport ranked #1 in the world for total cargo, handling 4.2 million tonnes in 2022¹²
- Hong Kong Shipping Register is the world's 4th largest by gross tonnage



Outlook

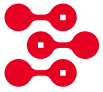
Global and local companies are propelling the development of smart logistics powered by AI and robotics technologies, with ubiquitous 5G coverage offering opportunities for new and improved solutions to the sector with its low latency and high speed.

- New Transport and Logistics Bureau established in 2022 to strengthen Hong Kong's position as a global logistics hub
- Hong Kong Centre for Logistics Robotics founded under the InnoHK research cluster to help commercialise world-leading local R&D
- Opening in 2024, the Three-Runway System will significantly increase handling capacity at HKIA

¹⁰ The Global Financial Centres Index 33, published March 2023

¹¹ Hong Kong Trade and Development Council: Logistics Industry in Hong Kong profile (March, 2023)

¹² Airports Council International (ACI)



Manufacturing

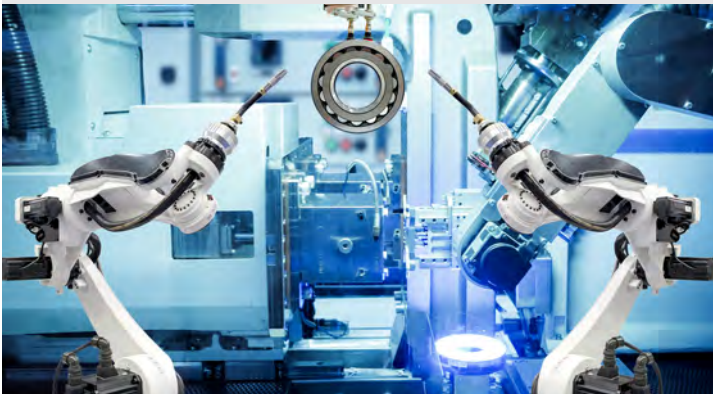
Market

- 3 traditional industrial estates transformed into INNOPARKs in 2021 to propel the development of I&T and data-driven manufacturing
- HKSTP Advanced Manufacturing Centre (AMC) opened in 2022 to provide a world-class, purpose-built advanced manufacturing base for local and foreign companies
- Hong Kong Productivity Council and HKUST launched a research lab in 2022 to develop innovative industrial technologies powered by AI and robotics technology

Outlook

With the Government actively promoting reindustrialisation and the development of advanced manufacturing, Hong Kong manufacturing is becoming fully digitalised. Hong Kong's manufacturing base extends beyond the city, with many local businesses operating plants on the Mainland.

- Increasing use of Industry 4.0 technologies, including IoT
- Growing focus on sustainability and environmental protection, with resource management and waste reduction as key trends
- AI and robotics technologies to catalyse reindustrialisation and high-end manufacturing, backed by the newly transformed INNOPARKs



Retail and Hospitality

Market

- Retail workforce close to 250,000 people; Hospitality and F&B workforce close to 260,000¹³ in 2021, the highest for all service industries
- Hotels and retailers have adopted AI and big data to analyse customer preferences and improve service and efficiency
- Cyberport is home to dynamic startups that leverage AI and big data to optimise retail processes and better understand consumer behaviours



Outlook

With the return of international tourism in 2023, the retail and hospitality sector of Hong Kong is set to boom. Local shopping malls, retailers, and hotels are increasingly looking for AI- and big data-driven solutions to gain a competitive edge.

- Growing use of e-commerce and mobile technology will further drive AI adoption in retail and hospitality
- Increasing focus on sustainability and environmental protection will see AI used to optimise operations and reduce carbon footprint



Dr. Miles Wen
Co-founder & CEO
Fano Labs

**Home-Grown Leader
Expands Across Greater China**

“**Financial and infrastructure support from the Hong Kong SAR Government and HKSTP helped us quickly gain a firm foothold in the market and is proving crucial to our continued expansion. We have witnessed a significant up-take in AI adoption in recent years, in both the public and private sectors, and we are very confident in our future success.**”

Specialising in speech recognition and analytics, Fano Labs was spun off from the University of Hong Kong (HKU) in 2015 and funded by the government-backed HKU Technology Startup Support Scheme. The company joined the HKSTP incubation programme and received support from InvestHK to expand to the GBA and beyond. Fano Labs solutions are now widely used, particularly in financial services, helping enterprises to analyse customer service recordings to extract business insights and ensure compliance.

“Hong Kong’s biggest advantage is its unique role as a gateway: both to the GBA and Greater China market and, for Chinese companies, from these markets to the world. But beyond proximity and relationships, we also have strong capital markets to support overseas expansion. Hong Kong is a rising market and well-positioned to become a leading AI and big data hub in the region.”



Mimi Poon
General Manager
IBM Hong Kong

**Partner for Growth
and Transformation**

“**Hong Kong’s status as an international financial centre and a smart city is triggering new demand for AI and big data solutions across industries and on varied technologies. This will only grow as sustainability, Web 3.0, and Trustworthy AI initiatives gather pace.**”

Since coming to Hong Kong in 1957, IBM has leveraged its technologies and expertise to improve efficiency and productivity for government and business. Now transformed into a hybrid cloud and AI company, IBM continues to expand its ecosystem of business partners in Hong Kong and to foster local innovation and technology development through nurturing talents. Over the decades, IBM has collaborated with local universities to encourage and enable students to embrace new skills and help the city adopt new technologies. For example, it set up the world-first data-driven Marketing Engineering Lab at The Chinese University of Hong Kong in 2013.

“Hong Kong has a simple tax system, a robust legal system, and a world-class business environment. Its people’s skills, work ethic, can-do spirit, and regional knowledge further make this an appealing place for overseas companies to set up operations and expand into Mainland China. We suggest newcomers take the time to learn how to do business in Mainland China and leverage major plans like Belt and Road and Greater Bay Area.”



Gyorgy Lajtai
Co-Founder &
Managing Director
Lynx Analytics

Building Real-World Solutions for Hong Kong and Beyond

“
**Enterprises in
Hong Kong and the GBA
are very open to using AI
and analytics to improve
their offerings and business
efficiency, and solutions
proven here are likely to find
a ready market across the
rest of Mainland China.**”

A global leader in AI and analytics solutions and consultancy, Lynx Analytics came to Hong Kong in 2016 when it identified huge demand from corporations in the city and surrounding region. It has built a multi-disciplined team of local and international talent supported by strong relationships with academia and a collaborative partnership with Hong Kong Telecom. This unique mix of resources helps accelerate its product development cycle and build solutions that address the real needs of enterprises in the telecom, pharmaceutical, financial services, and retail industries.

“Crucially, Hong Kong offers access to rich macroeconomic and corporate data. Both private and public sectors continue to advance industry-wide data infrastructures, while digital transformation across sectors has matured greatly over the past decade. This fosters healthy momentum for intra- and inter-industry data sharing and creates favourable conditions for the commercial success of innovative AI and data science companies like Lynx Analytics.”



Thomas Pang
Acting CEO
Neuron Digital Group

Innovation That Makes Buildings Smarter

“
**With specialised talent and
a modern built environment,
Hong Kong has unique
advantages for developing
a PropTech ecosystem that
can foster the digitalisation
of cities worldwide.**”

Making Hong Kong its headquarters and R&D base, Neuron Digital Group is building a full stack open digital platform for next-generation smart buildings that unlocks the potential of AI and big data for smart and sustainable buildings. It leverages Hong Kong's wealth of tech talent and engineering and property professionals to create collaboration opportunities and draws on the city's modern built environment as an ideal test bed for property technology (PropTech) solutions. While Hong Kong remains Neuron Digital Group's key market, it is also using the city as a springboard to other leading smart cities in Mainland China and the region.

“Hong Kong is our innovation hub and the tech support centre for our global customer base. This is a business-friendly city with a supportive government and a thriving innovation ecosystem at Hong Kong Science Park. Even more importantly, its younger generation has the potential and ambition to help us achieve our mission. As the core of our diverse team of global talents, they have the ability to tap into local demand and create innovative solutions for smart buildings.”

Hong Kong is fast becoming an epicentre of the global AI and big data industry. With a cluster of AI enterprises, startups, and unicorns powered by a rich talent pool and world-class digital and business infrastructure, it is an ideal location for AI research and commercialisation. It presents outstanding opportunities in its highly digitalised financial services, trade and logistics, and retail and hospitality industries, and through its unique access to Mainland China's manufacturing and biotechnology sectors and the Greater Bay Area. Hong Kong is an ideal launchpad for Mainland AI and big data enterprises looking for international success and for overseas enterprises eyeing the booming Chinese market.

To learn more, or for help in setting up or expanding in Hong Kong, contact Invest Hong Kong.

Contact

Wendy CHOW

Head of Information and Communications Technology

Tel: (852) 3107 1012

Email: wchow@investhk.gov.hk

Government Initiatives and Funding Schemes

The Hong Kong SAR Government is committed to supporting technology companies of all sizes. Some relevant initiatives and funding schemes are:

Two-tiered Profits Tax Rates Regime

Profits tax rate for the first HKD 2 million of profits of corporations is lowered to 8.25 percent whilst the remaining profits will be taxed at 16.5 percent

Enhanced Tax Deduction for R&D Expenditure

To encourage more R&D activities in Hong Kong, enterprises will be offered a 300 percent tax deduction for the first HKD 2 million qualifying R&D expenditure and 200 percent deduction for the remainder, not subject to any cap

Research Talent Hub

To provide funding support for technology companies to engage research talents to conduct R&D work in Hong Kong

itf.gov.hk/en/funding-programmes/nurturing-talent/research-talent-hub/

Technology Talent Admission Scheme

Fast track arrangement is provided for eligible companies to admit technology talent to undertake R&D work

itc.gov.hk/en/fund_app/techtas/index.html

Enterprise Support Scheme

To provide funding support for local companies to conduct in-house research and development (R&D) work

smelink.gov.hk/en/web/sme-portal/w/enterprise-support-scheme.html

New Industrialisation Funding Scheme (NIFS)

Funding will be provided on a 1 (government): 2 (company) matching basis to manufacturers establishing new smart production lines in Hong Kong

itf.gov.hk/en/funding-programmes/facilitating-technology/nifs/

Technology Voucher Programme

A cumulative funding cap at HKD 600,000 to support local enterprises in using technological services and solutions to improve business productivity

itf.gov.hk/l-eng/TVP.asp

SME Export Marketing Fund

A cumulative funding capped at HKD 1,000,000 to support SME to participate in export promotion activities for products and services

smefund.tid.gov.hk/english/emf/emf_objective.html

Dedicated Fund on Branding, Upgrading and Domestic Sales

A cumulative matching funding capped at HKD 7 million to support local enterprises to develop brands, upgrade and restructure their business operations and promote sales in Mainland, Free Trade Agreements ("FTAs") and Investment Promotion and Protection Agreements ("IPPA") markets

bud.hkpc.org/en/

Trade and Industrial Organisation Support Fund

A funding support capped at HKD 5 million to non-profit-distributing organisations to implement projects which aim at enhancing the competitiveness of non-listed Hong Kong enterprises

smefund.tid.gov.hk/english/tsf/tsf_objective.html

24/F, Fairmont House,
8 Cotton Tree Drive,
Central, Hong Kong
Tel: (852) 3107 1000
Email: enq@investhk.gov.hk

Invest Hong Kong is the department of the Hong Kong Special Administrative Region (HKSAR) Government responsible for attracting Foreign Direct Investment, supporting overseas and Mainland businesses to set up and expand in Hong Kong. We partner with clients on a long-term basis and are available at any stage of their business development process.

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