For discussion **FCR(2025-26)46**
on 26 September 2025

ITEM FOR FINANCE COMMITTEE

HEAD 47 – GOVERNMENT SECRETARIAT : DIGITAL POLICY OFFICE
Subhead 700 General non-recurrent
New Item "Hong Kong Artificial Intelligence Research and Development Institute"

Members are invited to approve the creation of a new commitment of $1 billion under Head 47 – Government Secretariat: Digital Policy Office Subhead 700 General non-recurrent for the establishment and operation of the Hong Kong Artificial Intelligence Research and Development Institute.

PROBLEM

The 2025-26 Budget has proposed the establishment of the Hong Kong Artificial Intelligence Research and Development Institute (AIRDI) to spearhead and support innovative research and development (R&D) of artificial intelligence (AI) and its industry applications in Hong Kong.

PROPOSAL

2. We propose to create a new non-recurrent commitment of $1 billion under Head 47 – Government Secretariat: Digital Policy Office for the establishment of the AIRDI and to support its operation for the first five years. The Secretary for Innovation, Technology and Industry supports this proposal.

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JUSTIFICATION

3. AI is at the core of accelerating the development of new quality productive forces. It represents both a major trend in technological revolution that we must embrace, and a key battleground for major economies. The Hong Kong Innovation and Technology Development Blueprint published by the Government in end-2022 already prioritised the development of AI, mapping out clear strategic directions and specific action plans. Following this top-level design, the Government has continuously implemented a series of policies and initiatives to support the development of AI, with a view to promoting and enhancing the R&D, application, governance level, infrastructure and ecosystem development of AI in Hong Kong.

4. AI has become a key industry for priority development in Hong Kong. Capitalising its international business environment and the advantage of free data flow, Hong Kong is progressively developing into an AI hub, linking up with the global technological and innovation trends. To further promote the R&D and applications of AI in Hong Kong, the 2025-26 Budget proposes the establishment of the AIRDI to facilitate upstream R&D, midstream and downstream transformation of R&D outcomes, as well as expansion of application scenarios.

Dovetailing with National Strategies

5. The "Report on the Work of the Government", issued during the National People's Congress and the Chinese People's Political Consultative Conference in March last year and this year, had repeatedly highlighted AI, covering inter alia the deepening of R&D and application in big data and AI, in particular the launch of the "AI+" initiative. In August this year, detailed action plan on the in-depth implementation of the "AI+" initiative was released, providing further directives on promoting the close integration of AI with different industries and various segments of the economy and society. The focus is on advancing scientific and technological innovation, driving industry's upgrading and fostering global collaboration. It also aims to enhance infrastructure development and promote collaborative participation in the whole society, as well as actively expand application scenarios, thereby leading the Chinese-style modernisation and the high-quality development of AI, with the aim of building internationally competitive digital industry clusters.

6. The establishment of the AIRDI will facilitate the deepening of local R&D on AI and the integrated development of digital technologies with industry edges. Through Hong Kong's international environment and unique roles as a "super-connector" and a "super value-adder", we will bridge talents for the

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country's AI development, assist Chinese AI enterprises in exploring overseas markets, and dovetail with the national "AI+" strategies, with a view to leveraging Hong Kong's unique advantages under "One Country, Two Systems" to establish an international innovation and technology (I&T) centre and a high-caliber talent hub, hence contributing to the country's strategic planning in the field of AI innovation.

Meeting Needs of Hong Kong

7. In recent years, the Government has put in place a series of measures to advance the development of AI, fostering a thriving and comprehensive AI ecosystem across academic research, technological innovation, application scenarios and infrastructure development, laying a solid foundation for Hong Kong in the AI arena. Hong Kong is now at a critical juncture in AI development. To fortify the progress achieved so far, the Government is focusing its efforts and resources on promoting the applications of AI under the premise of "ensuring effective implementation with tangible results".

8. Hong Kong has a pressing need for a dedicated R&D institute to take on leadership role and public mission to spearhead the cross-sectoral efforts of Government, industry, academia, R&D and investment sectors in the field of AI. There is also the need to co-ordinate and appropriately consolidate resources under the existing "project-based" research approach to enhance the overall synergy and effectiveness of AI's R&D and outcome transformation in Hong Kong. Therefore, we consider it necessary to establish an AI-focused AIRDI shouldering public mission, playing a leading role at a macro-strategic level to address the needs faced by Hong Kong and to promote collaboration among stakeholders. The AIRDI should also enhance the depth, scope and visibility of Hong Kong's efforts in AI technological innovation, industry application and search for breakthrough opportunities.

Keeping Abreast of Global Trends

9. AI presents enormous new opportunities for the global economic development and scientific research. A report released by the United Nations Conference on Trade and Development in April 2025 anticipates that the AI market would reach a scale of US$4.8 trillion by 2033 (over a 25-fold increase from US$190 billion in 2023), and appeals to members around the world to continue investing in digital infrastructure, enhance AI building capabilities and strengthen AI governance, so as to fully realise the development potentials of AI.

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10. In the face of intensifying global AI competition and the complex and volatile geopolitical dynamics in recent years, it has become pivotal for countries to seek technological breakthrough in AI, raise self-reliance in terms of technologies and deepen industry applications, in order to stay ahead in the competition. It is noted that besides Chinese Mainland, places like the United Kingdom and the United States have also set up public or government-funded AI-related R&D institutions to expedite their R&D and application of AI technology. It is hence imperative for Hong Kong to boost its investment in innovation and application in AI technology to enhance our competitiveness and facilitate economic transformation, thereby securing a strategic and leading position at the forefront of the AI technological revolution. To this end, the AIRDI can serve as the main driver for promoting AI development in Hong Kong.

VISION AND MISSION

11. Our vision is to leverage the AIRDI to accelerate the development of a vibrant AI ecosystem in Hong Kong and become an international AI R&D hub. The AIRDI is positioned to drive innovation in key areas, attract global talent and investment, enhance Hong Kong's international standing in the field of AI, and contribute to the advancement of I&T development in both Hong Kong and the country.

12. As one of the key I&T bodies under Hong Kong's "Three Major I&T Parks and Five Key R&D Institutes"[1], the proposed AIRDI will be dedicated to the strategic development of AI. It will spearhead the development of AI in Hong Kong by serving as a bridge connecting the Government, academic institutions, scientific research entities and the industry. It will help promote scientific research, technological applications and industry transformation in the area of AI, thereby injecting new momentum into Hong Kong's economic development and upgrading.

PUBLIC FUNCTIONS

13. The AIRDI to be set up by the Government will shoulder clearly delineated public mission, with major functions as follows –

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[1] The three major I&T parks are: (i) Hong Kong Science and Technology Parks Corporation; (ii) Hong Kong Cyberport Management Company Limited; and (iii) Hong Kong Park of Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone. The five key R&D institutes are: (i) Hong Kong Productivity Council; (ii) Hong Kong Applied Science and Technology Research Institute; (iii) Hong Kong Microelectronics Research and Development Institute; (iv) Life and Health Technology Research Institute; and (v) AIRDI.

(a) With reference to Hong Kong's strengths, opportunities and future breakthrough potentials in AI development, to continuously promote frontier research in AI through co-ordination, dialogues and support and in joint efforts with the Government, universities, R&D institutions, etc. for scientific and technological breakthroughs;

(b) To foster integration of AI technologies with key industries in Hong Kong, to facilitate collaboration among the industry, academic and research sectors, and to accelerate the transformation of R&D outcomes, thereby empowering various industries such as I&T, healthcare, legal services, finance to adopt AI;

(c) To examine and offer to the Government recommendations conducive to the promotion of AI development in Hong Kong, including enhancement of AI governance, infrastructural deployment, computing power and data resources, etc.;

(d) To provide a collaborative platform to facilitate Hong Kong's participation in international exchanges and partnerships in AI, and to attract top-notch international talents to Hong Kong; and

(e) To enhance public awareness and literacy regarding AI, to cultivate talents in the AI sector, and to promote the widespread adoption and application of AI in society.

14. The AIRDI is committed to becoming a public organisation dedicated to the coordination of the upstream, midstream and downstream development of AI in Hong Kong. Beyond its R&D mission, the AIRDI will endeavour to strengthen collaboration among different stakeholders, focusing on channeling technologies and R&D outcomes into various sectors, promoting industry-driven applications, and exploring more application scenarios. These efforts will further strengthen the impetus for upstream scientific research, bolster Hong Kong's edges in AI development, and play a leading role in the comprehensive development of the AI in Hong Kong. As such, one of the key functions of the AIRDI is to transform R&D outcomes into industry applications and promote industry development through AI technology, ensuring that R&D institutions can foster collaborative efforts with the industries while conducting researches to meet Hong Kong's development needs.

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CORE BUSINESS

15. It is proposed that after its establishment, the AIRDI should drive and deepen the following business directions, and formulate and implement relevant action plans in a timely manner, in accordance with the local developments of AI and the strategic objectives of the AIRDI. This helps AIRDI discharge its public mission and leadership role, and at the same time achieve the goal of long-term financial sustainability through diversified funding sources (including service fees and other market capital).

(a) Co-ordination and Promotion of Local AI R&D Projects

To fulfill the public mission of advancing the development of AI R&D in Hong Kong, the AIRDI may establish major R&D projects after consulting the Academic Committee (see paragraph 18(a)) and relevant stakeholders. Apart from conducting these projects by its own researchers, the AIRDI may also coordinate and carry out such research projects jointly with, or provide research funding to, academic institutions, research organisations, and/or AIRDI Fellows (see paragraph 18(b)). The related arrangements about the specific scope, topics, quantity and implementation details (e.g. evaluation criteria and funding amounts), etc. of these R&D projects or funding scheme will be determined after the establishment of the AIRDI and the Academic Committee, with emphasis on addressing Hong Kong's needs and avoiding duplicate resources.

On the other hand, apart from initiating R&D projects, the AIRDI can also provide effective solutions for public R&D projects led by the Government and public organisations, so as to accelerate AI applications in the public sector. The AIRDI may also be commissioned by the Government to conduct research and provide recommendations conducive to promoting Hong Kong's AI development, including AI standards applicable to Hong Kong, covering areas such as improving infrastructure planning and optimal utilisation of computing power and data resources.

(b) Commercialisation of Midstream and Downstream Outcomes

The AIRDI may commercialise solutions or products derived from its R&D outcomes for procurement or use by Government departments or industry organisations. In addition, the AIRDI may develop businesses related to AI intellectual property management and licensing such as assisting enterprises in managing product licensing matters, to facilitate the transformation of technological outcomes and commercial activities.

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(c) Provision of Technical Advisory, Consulting and Technology Solution Matching Services

(i) AI Technology Solution Matching Services

The AIRDI may explore the establishment of an AI technology solution matching platform to promote effective matching of AI solutions with industry needs. It is suggested that the platform covers AI algorithms, datasets and AI solutions developed, open-sourced or licensed by the AIRDI, as well as other AI solutions approved by the AIRDI. This platform will assist various industry organisations in addressing difficulties and pain points encountered in the application of AI, and provide a communication and collaboration channel for AI data providers, algorithm developers and product tool creators, thereby further promoting the commercialisation of AI products and empowering industry development. The platform's potential revenue would primarily come from user subscription fees, fees for onboarding AI solutions onto the platform, and revenue generated from successful matching services.

(ii) AI Security Assessment

The AIRDI may conduct thematic research on standards tailored to the AI development in Hong Kong, and explore the establishment of a Hong Kong AI technology rating and standards framework, leading the continuous development of local AI governance. It is proposed that the AIRDI may develop rating and certification-related business to provide AI system security and ethical assessment services, as well as relevant compliance risk assessment and certification for individual systems or enterprises (including developers and relevant organisations), according to the legislative and regulatory requirements of different jurisdictions. Such services will assist enterprises in expanding their businesses in different regions in a legal, compliant and reasonable manner, and promote the development of ethical and security standards for AI in Hong Kong.

In addition, the AIRDI may establish and provide an AI experimental testing platform, enabling the industry to conduct AI model training and compliance testing in a safe and standardised environment in accordance with international standards (e.g. the National Standard AI Service Capability

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Maturity Assessment, ISO 42001 AI Management Systems, the AI Act of the European Union, and the AI Risk Management Framework of the United States of America), thereby facilitating local enterprises in conducting performance verification and optimisation tailored to various requirements and scenarios.

(iii) AI-related Consulting Services

The AIRDI may provide consulting services to Government departments and other organisations, covering areas such as AI strategy formulation, planning, intelligent transformation and AI professional training. In this regard, the AIRDI may provide consulting services, enterprise solutions, computing resources, etc. to technology startups and other R&D organisations on a fee-charging basis.

(d) Work Related to Public Mission

The AIRDI may organise local and international technology exchange activities, and collaborate with enterprises, non-governmental organisations, schools, etc., to introduce the application of AI to various industries and sectors of society in myriad formats (e.g. seminars and competitions), enhancing the knowledge and literacy skills of different sectors and members of the public in respect of AI.

CORPORATE GOVERNANCE

16. The AIRDI will operate as a limited company wholly owned by the Government. In order to fulfil its public mission and ensure the proper use of public funds, we will establish a corporate governance system for the AIRDI –

(a) Board of Directors: The Board of Directors of the AIRDI, appointed by the Government, will consist of experts, scholars, Government representatives, etc. with different background and diverse professional experience. The Board will be responsible for devising strategic matters, setting the directions for development, and establishing a sound governance mechanism to ensure that the operation of the AIRDI aligns with its founding vision and public mission; and

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(b) Chief Executive Officer (CEO): The CEO, appointed by and reporting directly to the Board of Directors, will be responsible for leading the AIRDI's team and overseeing the company's day-to-day operation. The candidate should possess international perspective, relevant background in research management and industry knowledge, as well as outstanding leadership capabilities, so that the AIRDI's research standards, development plans, internal administration and financial management, and external relations, etc. meet the strategies and requirements set by the Board of Directors.

ORGANISATIONAL STRUCTURE

17. Based on the above conceptual outline of major functions and business areas, the preliminary organisational structure of the AIRDI will include a Research and Development Division for scientific R&D; a Strategic Partnership Division for industry collaboration; an Information Technology Division for computing power and data management; and a Marketing Division for talent development and external co-operation; as well as an AI Technical Consulting and Advisory Division and the Administration Division. The proposed organisation chart of the AIRDI is at the Enclosure.

Encl.

Scientific Research and Development

18. To enhance the scientific R&D capabilities of the AIRDI and provide high-level steer, we recommend that the AIRDI establish an Academic Committee and introduce a Fellowship system. These will enable the AIRDI to invite external experts and international top-notch talents to participate in its R&D work as needed, on top of its regular organisational structure and staffing establishment, so as to tap into industry expertise and expand the scale and capabilities of the AIRDI.

(a) Academic Committee

In promoting frontier research in the field of AI in Hong Kong, the AIRDI is recommended to establish an Academic Committee comprising top-notch international AI scholars and industry representatives. This committee will be responsible for formulating the AIRDI's upstream research directions, scope and topics. Through close engagement with stakeholders, providing strategic advice to relevant authorities (e.g. the Innovation and Technology Commission) on various research initiatives (including AI-related research projects funded by the AIRDI after its establishment, and existing Government funding schemes related to AI), and setting up collaborative mechanisms with local universities (e.g. by signing memorandums of understanding), the Committee could co-ordinate and align the development of priority AI research directions in Hong Kong.

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(b) Fellowship system

We also propose that the AIRDI should proactively consider establishing a Fellowship system to attract outstanding local, Mainland and international AI talent. These Fellows will be eligible for the roles of principal leaders of AIRDI's major R&D projects, and may apply for scientific R&D initiatives organised and funded by the AIRDI, helping to foster cross-institutional or inter-regional scientific R&D collaboration. Individuals demonstrating exemplary performance in the field of AI may also be conferred the title of AIRDI Fellow through collaborations with universities and other R&D institutions, thereby enriching the AIRDI's pool of research talent.

R&D Outcome Transformation and Industry Applications

19. Spearheading and promoting Hong Kong's midstream and downstream transformation of R&D outcomes, industry application and partnership is one of the key functions of the AIRDI. We recommend that the AIRDI set up a dedicated functional unit to proactively align with industry needs and facilitate collaboration with various R&D institutions (e.g. those under the "AIR@InnoHK" research cluster or their spin-off entities) and other enterprises through different partnership arrangements (such as adopting their technological outcomes and market services). This will help accelerate midstream and downstream R&D, as well as the transformation of R&D outcomes and intellectual property, with a view to driving the "AI+" development in Hong Kong.

OPERATIONAL ARRANGEMENTS

20. During the initial phase of its establishment, the AIRDI shall accord priorities to handling tasks related to governance structure, personnel recruitment, office set-up and procurement of related facilities, etc. These include the appointment of the Board of Directors, recruitment of the CEO and key personnel, and establishment of the Academic Committee, and relevant corporate matters.

21. Pursuant to the preliminary organisational structure, we estimate that the AIRDI will need to recruit scientific research professionals (covering full-time researchers, post-doctoral researchers, engineers and research assistants) and other management and administrative support staff. We suggest the AIRDI to carry out open staff recruitment exercises by phases, with an initial headcount of approximately 50 in the first two years of operation, subject to review and

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adjustment based on the AIRDI's development roadmap, actual operational needs and financial situation. We estimate that there will be approximately 110 employees after five years, with the proportion of scientific researchers gradually increasing over time. The above staffing arrangement will not involve any civil service establishment.

22. To kick-start the work of the AIRDI as soon as possible, we recommend the establishment of a core administrative team (of about 10 members in total) comprising the CEO and key personnel in the initial phase, in order to set up the various functional units of the AIRDI in an orderly manner.

23. The AIRDI requires computing power to underpin its endeavours in AI R&D and industry empowerment. It is suggested that the AIRDI make use of the R&D foundation of the Hong Kong Generative AI Research and Development Center (HKGAI), including hardware and software facilities related to computing power[2], to enable AIRDI's early commencement and scaling up of its R&D work. It should also explore ways to utilise and consolidate related resources to meet the demand for computing power from the industry.

24. Regarding data resources, in compliance with relevant regulations and policies concerning data usage and exchange, the AIRDI will discuss with government departments, public organisations and enterprises on establishing a secure data sharing mechanism. This aims to facilitate the building of secure, compliant and mutually beneficial high-quality inter-departmental and cross-sectoral data sources, so as to support the training and research of local AI models.

25. Moreover, the AIRDI will strive to strengthen cooperation with universities and academic institutions. Through the signing of memorandums of understanding and other means, partnerships will be established with these institutions in areas such as industry transformation, talent cultivation and technology exchange, propelling research in AI in Hong Kong and enabling the all-round development of the local AI ecosystem.

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[2] HKGAI is one of the R&D centres admitted to the InnoHK Research Clusters. InnoHK provides such R&D centres with financial support in terms of capital, operation and research. Before the end of the funding agreement with HKGAI, the Government will discuss with HKGAI the specific arrangements for transferring the relevant equipment, including software and hardware, to the Government or the AIRDI.

26. Regarding external affairs, the AIRDI may enter into collaboration agreements with world-leading AI research centres and innovation organisations to promote joint R&D projects, achieving technology and sharing resource. The AIRDI may at the same time establish an international talent exchange programme to facilitate mutual visits and training between local and overseas AI talent, enhancing the local technological level and innovation capability.

PERFORMANCE ASSESSMENT AND MONITORING

27. To ensure the proper use of resources, the AIRDI is subject to the financial control measures applicable to other Government-funded R&D centres. The Commissioner for Digital Policy will act as the Controlling Officer for the new subhead allocation to the AIRDI. The Digital Policy Office (DPO) will enter into an agreement of administrative and financial arrangements with the AIRDI detailing the financial arrangements and use of funds. This agreement will also specify the arrangements and obligations of both parties for managing Government funds, as well as the administrative and financial control requirements that the AIRDI shall comply with, so as to ensure transparency and public accountability in the use of funds. These requirements include, but are not limited to, the following –

(a) submit reports to the Controlling Officer on the progress of work on a regular basis and as instructed;

(b) comply with the financial, accounting and procurement procedures approved by the Controlling Officer;

(c) prepare the annual plan and estimates of revenue and expenditure in accordance with Government guidelines for submission to the Controlling Officer;

(d) submit to the Controlling Officer the audited statement of income and expenditure for the preceding financial year; and

(e) grant the Controlling Officer and the Director of Audit unimpeded access to the records and accounts of the AIRDI for the purpose of auditing, and provide explanation to the Controlling Officer and the Director of Audit for any matters relating to the expenditure and custody of Government funds.

28. In addition, the Government will require the AIRDI to set performance indicators in areas such as scientific R&D quality and impact, pooling and nurturing of talent, technology transformation and industry influence, as well as international collaboration and reputation, for monitoring and evaluation of the effectiveness of the AIRDI. The DPO will also regularly report the operation of the AIRDI to the relevant Legislative Council Panel.

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FINANCIAL IMPLICATIONS

29. Subject to the approval of the Finance Committee (FC) of the Legislative Council, we will create a new commitment of $1 billion under Head 47 – Government Secretariat: Digital Policy Office Subhead 700 General non-recurrent for the establishment and operation of the AIRDI. The relevant funds will be used for the payment of expenditures relating to R&D projects undertaken by the AIRDI, staff salaries, computing power-related expenditures, as well as other general operational and administrative costs. Subject to the actual progress, the preliminary estimation of the cash flow for the $1 billion commitment is as follows –

Financial Year	Estimated Cash Flow[3] ($million)
2026-27	**298**
2027-28	**292**
2028-29	**186**
2029-30	**132**
2030-31	**92**
Total	**1,000**

30. Regarding operating expenditure, based on the actual progress of the business development plan, income situation and preliminary estimates, approximately 40% of the expenditures of the AIRDI will be related to R&D projects; and 27% will be allocated to remuneration for R&D personnel, AI technology consultants, staff of marketing and industry collaboration activities and other administrative staff. Expenditures on computing power and other general operating expenses are estimated to account for approximately 16% and 17% respectively.

31. Pursuant to the development directions outlined above, the AIRDI will help consolidate Hong Kong's position in the global AI competition. Through AIRDI's continuous development of diversified business activities (including the business directions set out in paragraph 15 above), coupled with the growing market demand for the development and application of AI solutions, the current preliminary estimation is that the revenue of the AIRDI derived from the private sector will gradually increase and become more stable over time. That said, the actual annual resource requirements and revenue of the AIRDI will depend on

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[3] The initial annual operating expenses for the AIRDI are approximately $300 million. As revenue from non-Government sources (including service fees and other market funds) is estimated to increase gradually, the cash flow requirements of the Government's $1 billion commitment will gradually decrease over time.

multiple factors including the pace of technological breakthroughs in AI, progress of product commercialisation and market demand, and will be adjusted in accordance with the business strategies devised by the Board of Directors. In the long run, after establishing the operational model of the AIRDI, enhancing continuously its core technical capabilities, expanding proactively application scenarios and deepening public-private partnership, the AIRDI will endeavour to achieve the target of operating on a self-financing basis gradually through diversified sources of funding (including attracting market capital, fee-based services and commercialisation of R&D outcomes). Any operating surpluses generated by the AIRDI will be maintained as reserves to support its future operation and financial sustainability. The Government and the Board of Directors of the AIRDI will closely monitor the development of the AIRDI and prudently assess its financial status.

IMPLEMENTATION TIMETABLE

32. Subject to the FC's approval, we estimate that the AIRDI will be established and commence operation in 2026 in accordance with the timeline below –

Task		Estimated completion date
(i)	Appointment of the Board of Directors	1st quarter of 2026
(ii)	Appointment of the CEO	1st half of 2026
(iii)	Setting up of office and related facilities	2nd half of 2026
(iv)	Appointment of the Academic Committee	2nd half of 2026
(v)	Call for R&D proposals	2nd half of 2026
(vi)	Commencement of R&D projects	1st half of 2027

PUBLIC CONSULTATION

33. We consulted and obtained general support from the members of the Panel on Information Technology and Broadcasting of the Legislative Council on the establishment of the AIRDI on 14 July 2025.

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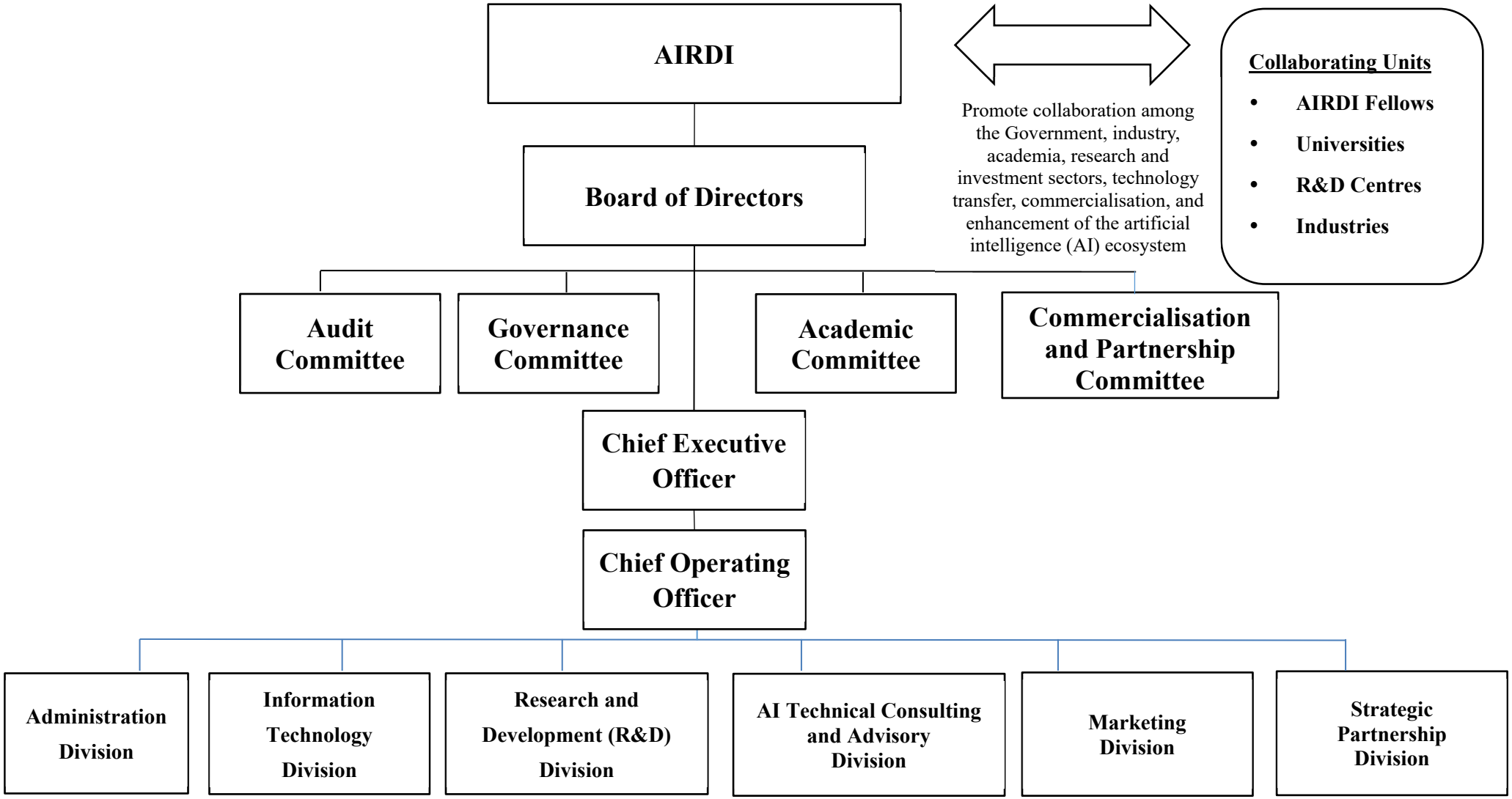
BACKGROUND

34. To further promote Hong Kong's AI development, the 2025-26 Budget announced that $1 billion has been set aside for the establishment of the AIRDI, which will spearhead and support Hong Kong's innovative R&D and industry application of AI, facilitating upstream R&D, midstream and downstream transformation of R&D outcomes, and expanding application scenarios.

Innovation, Technology and Industry Bureau
Digital Policy Office
September 2025

The proposed organisation chart of the Hong Kong Artificial Intelligence Research and Development Institute (AIRDI)