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Hong Kong's Strategic Pivot: Reading between the 2026/27 Budget Lines

When Hong Kong's Financial Secretary Paul Chan unveiled the 2026/27 Budget in late February, the headlines predictably fixated on the familiar arithmetic of deficits, relief measures and fiscal consolidation. But buried within the dense paragraphs of policy pronouncements was something rather more consequential: a sustained and increasingly muscular campaign to rebuild Hong Kong's financial infrastructure from the foundations up — rewiring everything from how the offshore Renminbi is priced and settled, to how securities are listed, cleared and tokenised, to how digital assets are regulated and taxed, to how the city competes for corporate headquarters, international trade flows and the capital of the world's wealthiest families. It is a programme that extends well beyond any single sector. This shows how Hong Kong is choosing to compete in an era of deepening geopolitical fragmentation and rapid technological change.

A Plan Within a Plan: Hong Kong's Strategic Alignment With the 15th Five-Year Plan

For international readers accustomed to viewing Hong Kong through the lens of its common law traditions and free market credentials, one of the more striking passages in the Budget concerns something that has no precedent in the city's post-handover history: Hong Kong will, for the first time, formulate its own five-year plan.

The significance of this development should not be underestimated. Under the leadership of the Chief Executive, a cross-bureau, cross-departmental task force will align Hong Kong's priorities with the national 15th Five-Year Plan, the strategic blueprint that will govern China's development trajectory through to 2030. The Recommendations for Formulating the 15th Five-Year Plan give explicit support to Hong Kong in consolidating its status as an international financial, shipping and trade centre while developing into an international innovation and technology centre and a hub for high-calibre talent. Hong Kong is not merely invited to participate; it is assigned a role.

For practitioners in the digital asset and technology space, the substance of that role deserves careful attention. The Recommendations identify several areas where Hong Kong is expected to contribute to national objectives, and the overlap with the Budget's financial and technology agenda is not coincidental.

The first concerns the construction of a modernised industrial system and the acceleration of "high-level scientific and technological self-reliance". Hong Kong is recognised as possessing a unique edge in AI, life and health technology, Fintech and new materials and energy. The Budget explicitly invokes the concept of "Finance+", a formulation that envisages Hong Kong's financial sector not as an end in itself but as a catalyst for the real economy and for technologically competitive industries. The mutual empowerment of finance and innovation technology is the stated goal. For digital asset enterprises, the implication is clear: those whose activities can be characterised as serving this broader agenda of financial and technological self-reliance will find a receptive policy environment.

The second area of contribution concerns China's strategy of "high-standard opening up". Here, Hong Kong's institutional distinctiveness under "One Country, Two Systems" is framed as a functional asset. The city's role as a "super connector" and "super value-adder" facilitating two-way trade and investment positions it as the natural conduit through which Chinese enterprises access global markets and through which international capital enters the Mainland. For digital asset firms

considering their Asia strategy, this framing carries practical weight. Hong Kong offers something that no other city in China can: a common law jurisdiction with international regulatory credibility that is simultaneously integrated into the national development architecture.

The third area is talent. The Recommendations emphasise Hong Kong's world-class universities and internationalised environment as assets for attracting leading scientific and research talent from around the world. The Budget's broader commitments to developing Hong Kong as an international education hub and to establishing the Northern Metropolis University Town are direct expressions of this priority. The concept of integrated development of "Education, Technology and Talent" signals a deliberate effort to build a self-reinforcing ecosystem in which universities, research institutions and commercial enterprises operate in close proximity.

What is most notable about this entire framework, however, is the strategic coherence it provides. The digital asset licensing regime, the stablecoin framework, the tokenisation guidelines, the Hetao and San Tin infrastructure investments and the cross-boundary data flow mechanisms are not, when viewed through this lens, a collection of discrete policy initiatives. They are components of a unified strategy designed to serve both Hong Kong's competitive positioning and China's national development objectives simultaneously.

For international enterprises and investors, this dual character is both an opportunity and a complexity. The opportunity lies in the scale of commitment and the depth of institutional support. When a city's innovation agenda is aligned with the strategic priorities of the world's second-largest economy, the resources available to support that agenda are of a different order of magnitude. The complexity lies in navigating a policy environment in which commercial decisions are inevitably shaped by broader geopolitical considerations. Firms that understand this dynamic and can position themselves accordingly will be best placed to benefit.

Consolidating Existing Strengths: The Renminbi and Market Infrastructure

For all the excitement surrounding digital assets and machine learning, the most strategically consequential passages of this Budget may well be the ones that have attracted the least attention. Buried beneath the futuristic rhetoric is a determined, methodical campaign to upgrade the financial infrastructure that has underpinned Hong Kong's relevance for decades — and at the heart of that campaign sits the offshore Renminbi.

Hong Kong has, of course, been cultivating its position as the primary international venue for China's currency since well before Xi Jinping's current term. The risk with any long-running policy agenda is that it calcifies into boilerplate. What distinguishes this year's measures is the pace and scale at which they are being executed. The liquidity backstop available to banks handling renminbi business was expanded to RMB 200 billion, a full doubling, even before the Financial Secretary rose to deliver his speech.

The deeper objective, though, is about reshaping the architecture of the offshore Renminbi market itself. A programme of regular government bond sales across varying time horizons is designed to construct something the market has long lacked: a robust offshore pricing curve against which institutions can calibrate their Renminbi risk. That may sound like the preserve of fixed-income technicians, but its practical significance is considerable — without dependable reference rates, fund managers and corporate finance teams simply cannot hedge or price Renminbi commitments with the precision they take for granted in dollar or euro markets. In parallel, the authorities are collaborating with dealers and trading platforms to sharpen the mechanisms through which short and medium-term Renminbi interest rates are established, an essential precondition for the kind of organic, self-reinforcing depth that separates a genuinely mature currency market from one that functions only with official support. There is also a quiet but purposeful push to reduce the cost of converting between the Renminbi and neighbouring Asian currencies, an effort aimed squarely at

the persistent friction that still leads many regional corporates to default to the dollar when settling cross-border invoices.

On the demand side, the strategy is equally deliberate. The government wants to draw a broader and more creditworthy pool of borrowers to issue Renminbi debt in Hong Kong, while simultaneously forging stronger transactional links with emerging economies so that a greater proportion of Renminbi-denominated commerce flows through the city's pipes. The underlying arithmetic is simple: an international financial hub derives its gravity from the breadth and volume of what passes through it. Every new issuer and every new trade corridor reinforces a cumulative advantage that late-moving competitors will find exceptionally difficult to dislodge.

Mutual Market Access: Widening the Channels

The Hong Kong Mainland Connect programmes that allow global capital to flow into mainland Chinese stocks and bonds, and mainland money to flow out have matured rapidly from bold experiments into load-bearing pillars of cross-border investment. This Budget makes clear that the next wave of expansion is already under active discussion with Beijing. The items on the negotiating table include bringing sovereign bond futures referencing mainland government debt to Hong Kong's exchange, extending mutual access arrangements to cover real estate investment trusts (**REITs**), and introducing a Renminbi-denominated option within the southbound equity trading link. Upgrades to the fixed-income channel are also being explored.

No single one of these changes would, on its own, transform the investment landscape. But the cumulative effect of steadily adding instruments, currencies and asset classes to the Connect architecture is to make Hong Kong an ever more indispensable waypoint for anyone seeking managed, regulated exposure to Chinese markets.

Fair-Weather Trading — in Foul Weather

A final, decidedly unglamorous reform merits a brief nod, if only because it captures something important about what makes a financial centre reliable in practice rather than merely impressive in theory. Since late 2024, the Hong Kong Stock Exchange (**HKEX**) has kept its markets running through typhoons and rainstorms that would previously have triggered a full shutdown. On seven occasions so far, traders have continued to buy and sell while the weather raged outside and in doing so generated roughly HK\$2.5 billion in stamp duty for the public purse. It is a small detail, but a telling one: the credibility of a market rests not only on the sophistication of its products but on the stubbornness of its refusal to close.

Hong Kong's Securities Market: Recalibrating HKEX's Listing Regime

Beyond the Renminbi agenda, the Budget lays out a substantial programme of reforms to the mechanics of Hong Kong's equity market. The HKEX is embarking on a broad-based review of who can list and how. Earlier this year, it consulted publicly on relaxing the criteria for companies with dual-class share structures, the governance arrangements favoured by many technology founders, and on smoothing the path for overseas-incorporated businesses seeking a secondary listing in Hong Kong. The IPO process itself is being re-examined with an eye to greater efficiency, while the rules confronting early-stage biotech and specialist technology firms are set to be loosened, a recognition that rigid revenue or profitability thresholds can deter precisely the high-growth enterprises Hong Kong most wants to attract.

On the post-listing side, the planned changes are no less consequential. A revamped framework for structured products is being readied for launch, and concrete proposals for compressing the settlement cycle to a single trading day after execution — the so-called T+1 standard increasingly adopted by major markets — will be put before the market for consultation in the first half of the year. The HKEX is also pressing ahead with a rationalisation of board lot sizes, an apparently

mundane adjustment that in practice lowers the minimum cost of participation for retail investors and can meaningfully improve secondary market liquidity. In tandem, the SFC and the HKEX intend to bring into operation this year a regime that finally does away with paper share certificates, dragging Hong Kong's post-trade infrastructure into the digital era.

A further wave of reforms is already signposted. The regulatory framework governing listed companies is to be tightened and clarified, with more explicit guidance issued for overseas firms contemplating a Hong Kong secondary listing. The roster of foreign exchanges whose listings qualify for streamlined admission to Hong Kong will be expanded. And — in what amounts to a quiet acknowledgement that not every listing story ends happily — the authorities are continuing to explore the creation of a dedicated venue where shares in delisted or suspended companies could still be traded, offering investors at least a residual route to liquidity when things go wrong.

Taken together, these measures amount to a comprehensive effort to make Hong Kong's equity market faster, more accessible and more accommodating to the kinds of companies — technology-led, internationally incorporated, unconventionally structured — that define the current era of capital formation. Whether it will be enough to arrest the gravitational pull of New York and the growing allure of other Asian bourses remains to be seen. But the direction of travel is unmistakable, and the breadth of the reform agenda suggests a government that understands the competitive threat it faces.

Digitising Hong Kong's Bond Market

The SFC and the HKMA are now executing a detailed blueprint, unveiled last year, to overhaul Hong Kong's bond market. The programme targets every stage of the chain: expanding the volume and diversity of new issuance, injecting greater vitality into secondary trading and growing the offshore Renminbi component of the business. An electronic trading platform for bonds, expected to go live in the latter half of this year, should help on all three fronts by reducing the opacity and inefficiency that still characterise much of the region's fixed-income dealing.

It is on the digital frontier, however, that Hong Kong's bond market story becomes genuinely distinctive. Late last year, the government completed a third round of tokenised bond issuance — instruments whose ownership and transfer are recorded on distributed ledger technology rather than through conventional clearing systems. At HK\$10 billion, it represented the largest single tokenised bond offering anywhere in the world at the time, a milestone that would have seemed fanciful even two or three years ago. What made the transaction more than a symbolic exercise was the inclusion of an option to settle using tokenised central bank money, effectively laying the groundwork for a future in which digital sovereign currency and digitally native securities move in lockstep through programmable infrastructure. The government has committed to making tokenised issuance a regular feature of its borrowing programme, while the HKMA is actively incentivising private sector borrowers to follow suit through a dedicated grant scheme designed to defray the costs of bringing digital bonds to market in Hong Kong.

Hong Kong Asset and Wealth Management: Courting the World's Capital

There is an old adage in financial services that money goes where it is welcome and stays where it is well treated. Hong Kong's Budget suggests the city has taken that maxim to heart, particularly when it comes to the private wealth industry.

The numbers already tell a compelling story: more than 3,300 single-family offices now operate out of Hong Kong, a concentration of dynastic capital that few cities outside Switzerland and Singapore can rival. The question is how to sustain that momentum: the government's answer is to make the tax framework materially more attractive. Proposed legislative changes, intended for introduction before mid-year and backdated to the 2025/26 assessment period, would broaden the definition of what constitutes a qualifying fund to encompass certain bespoke single-investor vehicles, the

structures through which many ultra-wealthy families prefer to deploy their assets. Perhaps more strikingly, the roster of investments eligible for concessionary tax treatment is being expanded to include digital assets, precious metals and specified physical commodities. That last detail is quietly significant: it signals that Hong Kong's regulators view cryptocurrencies and tokenised instruments not as exotic curiosities to be tolerated at the margins, but as legitimate components of a professionally managed investment portfolio deserving of the same fiscal encouragement extended to conventional asset classes.

The REIT market, long something of an underachiever relative to Hong Kong's broader financial clout, is also receiving targeted attention. Beyond the push to bring REITS within the ambit of cross-border Connect trading, the government plans to introduce legislation enabling the privatisation or corporate restructuring of listed REITs. A stamp duty exemption for transfers of commercial property into vehicles being prepared for REIT listing will further lower the barriers to bringing new trusts to market.

Finally, the HKEX's integrated fund platform is set to extend its reach this year into the transactional nuts and bolts of fund distribution, handling payment and settlement processes that have traditionally involved layers of intermediaries, each extracting a margin. By centralising and streamlining these mechanics, the aim is to compress costs and accelerate execution, making Hong Kong a more efficient and therefore more competitive venue through which to buy, sell and administer investment funds.

AI+: From Buzzword to National Mission

The Hong Kong government has established a new top-level strategic committee, chaired by the Financial Secretary and drawing its membership from across the research, corporate and technology park communities. The body's mandate is to chart the course for AI-driven industrial transformation and to ensure the enabling conditions are in place. What is most instructive, however, is where it plans to direct its early attention: the convergence of AI with biomedical and health sciences, and the emerging discipline of embodied AI — the marriage of machine intelligence with physical robotic systems. Neither choice is arbitrary. Hong Kong's research universities and teaching hospitals have long sustained globally recognised capabilities in the life sciences, and the city's geographic adjacency to Shenzhen's biotech ecosystem gives it a collaborative advantage that few rivals can replicate. Embodied AI, meanwhile, sits at the frontier of industrial reinvention, with transformative potential across manufacturing, logistics and eldercare. Rather than issuing broad, undifferentiated aspirations about artificial intelligence in the abstract, the government is placing concentrated, defensible wagers on domains where Hong Kong can credibly compete at the highest level.

The supporting institutional framework is also taking shape. A new dedicated AI research and development entity, established as a corporate vehicle, is expected to become operational before the end of 2026. Its scope has been deliberately drawn wider than the laboratory: alongside fostering original research, the body will be responsible for bridging the gap between scientific discovery and viable commercial products, and for informing the development of governance structures and regulatory approaches as AI capabilities advance. For a technology sector contending with urgent, unresolved questions about safety, algorithmic accountability and the proper limits of autonomous decision-making, the creation of a Hong Kong institution with a formal seat at the regulatory table is a meaningful development.

Computing Power: The Essential Commodity

No AI strategy is credible without computing infrastructure, and here the Budget offers concrete reassurance. Hong Kong's overall computing power has reached 5,000 petaFLOPS, a figure that provides a meaningful foundation for large-scale model training and inference. The planned data facility cluster at Sandy Ridge, which will deliver a gross floor area of 250,000 square metres, will

substantially augment this capacity. The tender result is expected imminently. For enterprises evaluating where to locate AI research and development operations, computing availability is increasingly a threshold question. The global scramble for GPU capacity and data centre space has made this a genuine constraint in many jurisdictions. Hong Kong's commitment to expanding its computing infrastructure, combined with its reliable power supply and connectivity, addresses one of the practical prerequisites that AI-intensive businesses require.

Funding Hong Kong's AI Research Pipeline

The government's HK\$3 billion AI Subsidy Scheme has already approved approximately 30 research and development applications spanning large language models, new materials and biomedicine. The InnoHK Research Cluster has funded 16 laboratories specialising in AI and robotics, with research focused on technologies applicable to healthcare, logistics, smart manufacturing and construction. These are not trivial sums, and the breadth of application areas suggests a deliberate strategy of seeding AI capabilities across multiple sectors.

The alignment with national policy is explicit. The Budget references proactive efforts to align with the National AI+ Initiative, promoting both "industries for AI" and "AI for industries". This dual formulation captures an important distinction: Hong Kong intends to be both a place where AI tools are built and a place where AI is deployed to transform existing industries.

AI in Financial Services: The HKMA Regulatory Sandbox

The HKMA's AI sandbox initiative deserves particular attention. The HKMA and Cyberport have commenced trials for a second cohort of sandbox participants, with a specific focus on "AI vs. AI" strategies for promoting secure and responsible AI application in the banking sector. The framing is instructive. As financial institutions deploy AI systems for trading, risk management, credit scoring and customer interaction, the prospect of AI systems interacting with other AI systems in adversarial or unpredictable ways becomes a genuine prudential concern. By creating a controlled environment in which these dynamics can be studied, the HKMA is doing something that few financial regulators globally have yet attempted with comparable rigour. This connects directly to Hong Kong's digital asset ecosystem. As AI-driven trading strategies become more prevalent in digital asset markets and as AI tools are increasingly used for compliance, market surveillance and portfolio management, the regulatory frameworks governing AI and digital assets will inevitably converge.

Training a City: The Human Capital Dimension

Perhaps the most socially consequential element of the AI agenda is the commitment to universal AI literacy. The Budget allocates \$2 billion through the Quality Education Fund for digital education in primary and secondary schools, including school-based AI education programmes and teacher training. The Employees Retraining Board will be rebranded as "Upskill Hong Kong" with an explicit mandate to deliver AI application training. Universities funded by the University Grants Committee will introduce 27 new undergraduate programmes related to STEM disciplines, including AI.

Hong Kong Government as Early AI Adopter

Finally, the Budget commits the government itself to AI adoption. An AI Efficacy Enhancement Team has been established to coordinate the application of AI across government departments, supported by HK\$100 million for introducing leading technologies from the private sector. Specific deployments are already underway or planned: AI-powered traffic management, AI-optimised job matching through the Labour Department, AI-driven flood forecasting using large vision-language models to analyse street camera imagery and AI-enhanced landslide risk assessment. The Civil

Service College will collaborate with the Digital Policy Office to provide AI training for civil servants.

Taken together, the AI provisions of the 2026/27 Budget amount to something approaching a comprehensive national AI strategy adapted to a city-state scale. Computing infrastructure, research funding, regulatory sandboxes, institutional machinery, educational programmes, public sector adoption and explicit alignment with national priorities are all present.

Digital Assets: From Aspiration to Architecture

It is in the realm of digital assets, however, that the Budget's proposals are most revealing. What we are witnessing is not simply a collection of regulatory tweaks. It is the systematic construction of an entire institutional architecture designed to make Hong Kong the jurisdiction of choice for digital asset enterprises, investors and intermediaries.

Hong Kong's Comprehensive Digital Asset Licensing Framework

The government has published its second policy statement on digital assets, explicitly articulating the ambition to develop Hong Kong into "*a global hub for digital asset innovation through the establishment of a comprehensive regulatory framework*". A bill will be introduced this year to establish licensing regimes for digital asset dealing platforms and custodian service providers. This is significant. While many jurisdictions remain mired in regulatory ambiguity or outright hostility towards digital assets, Hong Kong is building a framework that offers something the industry desperately craves: legal certainty.

Hong Kong Stablecoins: First-Mover Advantage

Hong Kong has already implemented a licensing regime for issuers of fiat-referenced stablecoins, and the first batch of licences is expected to be issued imminently. This places Hong Kong among the very first major financial centres to offer a bespoke regulatory pathway for stablecoin issuers. The European Union's Markets in Crypto-Assets Regulation (MiCA) has, of course, introduced its own stablecoin provisions, but Hong Kong's approach has the advantage of being embedded within a common law system with deep capital markets expertise and direct connectivity to the Mainland Chinese economy. For issuers seeking a credible, internationally recognised jurisdiction from which to operate, the appeal is considerable.

Enhancing Market Liquidity and Product Offerings

The Securities and Futures Commission (the **SFC**) has been tasked with further enhancing the liquidity of Hong Kong's digital asset market and facilitating the offering of more products and services to professional investors. The SFC will also establish an accelerator to expedite market innovation.

Hong Kong Tokenisation of Bonds & Securities

Perhaps the most technically consequential proposal concerns the application of tokenisation technology to bond issuance and transactions. The government will provide guidelines clarifying that registers of debenture holders may be maintained in the form of a distributed ledger. It will also explore the adoption of electronic signatures for bond issuance documents and the digitalisation of bearer bonds.

For practitioners, this matters enormously. The legal status of distributed ledger-based registers has been a source of persistent uncertainty across multiple jurisdictions. By providing explicit regulatory guidance, Hong Kong is removing a significant friction point for issuers and investors who wish to exploit the efficiency gains that tokenisation can offer. The implications for settlement times, counterparty risk and transaction costs are potentially transformative.

The HKMA's Digital Asset Platform

The HKMA's CMU OmniClear will establish a digital asset platform this year to support the issuance and settlement of digital bonds, with plans to extend coverage to other digital assets and to link with tokenisation platforms across the region.

Tax Transparency: The OECD Dimension

The Budget also confirms that Hong Kong will amend the Inland Revenue Ordinance to implement the OECD's Crypto-Asset Reporting Framework and the amended Common Reporting Standard within the next two years. An amendment bill is expected in the first half of this year.

This is partly about international compliance, but it is also a competitive play. Jurisdictions that adopt the OECD framework early will be better positioned to attract institutional capital, which increasingly demands tax-transparent structures. By moving swiftly, Hong Kong is signalling to global allocators that it intends to be a jurisdiction where digital asset activity is not only permitted but properly reported and internationally respectable.

The Competitive Landscape: Why This Matters

To appreciate the significance of Hong Kong's digital asset agenda, one must understand the competitive dynamics at play.

The United States, despite its enormous domestic market, remains a regulatory patchwork. Enforcement actions by the Securities and Exchange Commission have created an environment of considerable legal uncertainty, prompting several prominent crypto enterprises to relocate or restructure their operations offshore. The United Kingdom has been methodical but slow, with its regulatory framework for cryptoassets still evolving. Singapore, long regarded as Hong Kong's primary rival in Asia, has tightened its approach considerably in the wake of high-profile failures and fraud cases. The European Union's MiCA framework is comprehensive but complex, and its implementation across 27 member states inevitably introduces inconsistencies.

Hong Kong's proposition, by contrast, is increasingly distinctive. It offers a common law legal system, a deep and liquid capital market, direct access to the world's second-largest economy, a sophisticated regulatory infrastructure and a government that has made an explicit policy commitment to digital asset development. The combination is powerful.

There is, of course, a delicate political dimension. Hong Kong's regulatory posture towards digital assets exists in a complex relationship with Beijing's own stance, which has been significantly more restrictive on retail cryptocurrency activity. Hong Kong's ability to maintain a separate regulatory approach under "One Country, Two Systems" is itself part of the value proposition, but it requires careful navigation. The Budget's emphasis on facilitating cross-boundary flows of data, capital and personnel through mechanisms such as "white lists" and "green lanes" suggests that the government is acutely aware of the need to harmonise its ambitions with Mainland priorities.

Beyond Digital Assets: The Broader Financial Architecture

The digital asset proposals do not exist in isolation. They are part of a wider effort to modernise and deepen Hong Kong's financial infrastructure. The Budget's measures to advance the internationalisation of the Renminbi, to enrich mutual market access through Stock Connect and Bond Connect enhancements, to develop the international gold trading market and to strengthen post-trade securities infrastructure all point in the same direction. Hong Kong is repositioning itself not simply as a gateway to China but as a full-spectrum international financial hub capable of serving multiple asset classes, currencies and investor bases.

The establishment of a one-stop multi-asset class post-trade securities infrastructure by CMU OmniClear and the HKEX, covering both Mainland and Hong Kong equity and debt securities, is particularly noteworthy. If successfully executed, it would create a unified infrastructure layer that facilitates cross-product and cross-boundary collateral connectivity. For institutional investors managing multi-asset portfolios across borders, this would represent a meaningful reduction in operational complexity.

The Hong Kong Talent Question

No regulatory framework, however elegant, can succeed without people. The Budget acknowledges this with proposals to expand talent attraction and training programmes, to develop Hong Kong as an international education hub and to establish the Northern Metropolis University Town. Hong Kong's ranking as first in Asia and fourth globally in the World Talent Ranking 2025 provides a strong foundation, but sustaining that position will require continued investment.

For the digital asset sector specifically, the availability of professionals with expertise spanning technology, finance and regulation will be a critical differentiator. Hong Kong's established strengths in financial services, combined with its growing I&T ecosystem, should in principle provide a fertile environment for cultivating such talent.

Exploring Emerging Sectors: The Quiet Battle for Corporate Domicile

If the Renminbi and securities reforms represent an intensification of existing strengths, the next cluster of measures in the Budget ventures into territory that reveals something about the kind of financial centre Hong Kong aspires to become, not merely a marketplace where assets are traded, but a jurisdiction where multinational enterprises choose to anchor their financial operations and, increasingly, their legal identity.

Hong Kong Corporate Treasury Centres

The corporate treasury centre agenda is a case in point. For years, Hong Kong has sought to position itself as the natural home for the in-house banks that large companies use to manage cash, pool liquidity and execute intercompany financing across their Asian operations. The competition for this business, from Singapore, from Dublin, from the Netherlands, is intense.

Yet the stakes are considerable: wherever a multinational parks its treasury function, it tends also to park substantial deposits, generate significant transaction volumes and create well-remunerated employment. The government has signalled that a package of enhanced incentives will be unveiled around the middle of this year, encompassing more generous tax treatment for treasury centres and their affiliated group companies, greater operational flexibility, and a new pre-approval mechanism designed to give prospective entrants certainty about their tax position before they commit to relocating. The details will matter enormously — corporate treasurers are not swayed by vague promises — but the direction is clear: Hong Kong intends to compete more aggressively for this unglamorous but strategically valuable slice of the global financial ecosystem.

Attracting Companies to Re-domicile to Hong Kong

The re-domiciliation regime, introduced in 2025 to allow companies incorporated overseas to migrate their legal home to Hong Kong without the disruption of dissolving and re-forming, offers a complementary angle of attack. Twenty-two applications have already been approved, with a further twenty or so working their way through the system. Those are modest numbers in absolute terms, but for a programme barely a year old they suggest genuine demand, and the government plainly intends to accelerate the pace through more assertive marketing.

Facilitate Companies' Asset Management

The government is proposing to loosen the conditions under which companies within the same corporate group can transfer assets between related entities without triggering a stamp duty charge. Under the current rules, the definition of qualifying associated companies is drawn narrowly enough to create genuine friction when multinationals seek to reorganise their holding structures. The proposed relaxation, which will apply retrospectively to documents executed from the date of the Budget speech, widens the circle of eligible group entities and should materially reduce the cost of routine intra-group reorganisations.

Taken together, these three measures — treasury incentives, re-domiciliation and stamp duty relief on internal transfers — amount to a concerted effort to make Hong Kong not just a place where money is managed and securities are traded, but a jurisdiction where companies actively want to reside.

Hong Kong Fintech and Financial Infrastructure: Regulating the Revolution

There is a particular challenge that confronts any financial centre attempting to position itself at the frontier of digital innovation: move too fast and you risk catastrophe, but move too slowly and the entrepreneurs, the capital and the intellectual energy migrate elsewhere.

Hong Kong's foundation stone is regulatory. A second official policy statement on digital assets, published recently, sets out the ambition plainly: Hong Kong wants to become a global centre of gravity for digital asset innovation, and it intends to get there not by turning a blind eye to risk but by constructing a licensing architecture comprehensive enough to give institutional participants the confidence they need to engage seriously. Legislation to be introduced this year will establish formal licensing requirements for firms dealing in digital assets and those providing custody services, the essential safekeeping function whose absence or inadequacy has been at the root of so many of the sector's most spectacular failures.

On stablecoins, the digital tokens pegged to conventional currencies that have emerged as the workhorse of the crypto economy, Hong Kong moved from consultation to implementation with notable speed. A licensing regime for issuers of fiat-referenced stablecoins is already in force, and the first cohort of approved issuers is expected to receive their licences in the coming months. The regulators have signalled a willingness to work constructively with these newly licensed entities to explore practical use cases, provided activity remains within clearly defined risk parameters. It is a posture that seeks to occupy the middle ground between the permissive ethos of certain offshore jurisdictions and the deep scepticism that still characterises much of the European and American regulatory establishment.

The SFC, meanwhile, is turning its attention to the liquidity problem that has dogged Hong Kong's regulated digital asset venues since their inception. Platforms operating under the VATP licensing framework have struggled to compete on trading volumes with unregulated or lightly regulated exchanges elsewhere. The proposed response is twofold: broadening the range of products and services that can be offered to professional investors, and establishing a dedicated accelerator designed to fast-track market innovation within the regulated perimeter. The implicit bet is that institutional money, which dwarfs retail flows, will ultimately gravitate towards venues that offer legal certainty and robust custody, even if the product range is initially narrower than what the unregulated Wild West provides.

Perhaps the most technically intriguing element, however, concerns the legal plumbing required to make tokenised securities function smoothly within Hong Kong's existing framework. The government intends to issue formal guidance confirming that a company's register of bond holders can be maintained on a distributed ledger, a clarification that may sound prosaic but which removes a genuine legal ambiguity that has inhibited adoption. Further explorations are under way

into permitting electronic signatures on bond documentation and digitising bearer instruments. These are the kinds of granular, unglamorous adjustments, updating a Companies Ordinance provision here, issuing interpretive guidance there, that rarely feature in breathless conference keynotes about the future of finance, but which in practice determine whether tokenised capital markets can operate at scale or remain trapped in the realm of pilot programmes and press releases. Hong Kong appears to have grasped that the revolution will be won not by the jurisdiction with the most ambitious vision statement, but by the one that first rewrites its legal and administrative infrastructure to accommodate what the technology already makes possible.

Tax Transparency and the Plumbing of Digital Settlement

No serious financial centre can afford to be seen as a haven for opacity — least of all one that is simultaneously courting the world's largest institutional investors and seeking to establish itself as a hub for digital assets. The Budget's commitment to implementing the OECD's Crypto-Asset Reporting Framework, alongside updated Common Reporting Standard requirements, should be read in that light. Legislation is expected in the first half of this year, with full implementation to follow over the next two years. The practical effect will be to bring the tax reporting obligations attached to cryptocurrency holdings and transactions into line with the disclosure standards that already apply to conventional financial accounts ensuring that Hong Kong's digital asset ambitions do not come at the cost of the international credibility upon which everything else depends. It is, in essence, the regulatory price of admission to the club of jurisdictions that wish to be taken seriously by both innovators and tax authorities, and Hong Kong appears content to pay it promptly rather than be dragged there reluctantly.

Hong Kong's Project Ensemble

On the infrastructure side, Project Ensemble — the HKMA's initiative to build a controlled environment in which tokenised deposits and digital assets can be used for genuine commercial transactions — has moved from concept to operational reality with impressive efficiency. The pilot platform, dubbed EnsembleTX, went live in late 2025, giving participating financial institutions the ability to execute real-value settlements using tokenised money within a supervised sandbox. The ambition, however, extends well beyond a contained experiment. The HKMA intends to upgrade the system progressively until it supports round-the-clock settlement, a capability that, if realised, would represent a meaningful departure from the time-bound clearing cycles that still govern the vast majority of the world's financial transactions. Alongside this, work is under way to develop domestic technical standards designed to ensure that Hong Kong's tokenised infrastructure can interoperate seamlessly with equivalent systems emerging in other jurisdictions.

The significance of that interoperability objective is easy to underestimate. The history of financial technology is littered with platforms that functioned beautifully in isolation but failed because they could not connect to anything beyond their own walls. By investing early in common standards and cross-border compatibility, Hong Kong is attempting to avoid that trap, positioning its digital settlement infrastructure not as a self-contained local utility but as a node in what may eventually become a global network for the movement of tokenised value. Whether that network materialises, and whether Hong Kong secures a central position within it, remain open questions. But the groundwork being laid is serious, technically grounded and, crucially, already operational.

Trade Finance and Gold: Two Ancient Businesses, Reimagined

Trade finance has long been one of the financial industry's most stubborn holdouts against digitalisation, a world still populated by bills of lading, letters of credit and paper documentation that moves between counterparties with a lethargy that would embarrass a Victorian shipping clerk remains. Hong Kong's HKMA is making a determined attempt to drag at least part of this ecosystem into the present century. Project Cargox, launched last year under the auspices of the Commercial Data Interchange, seeks to harness the vast quantities of cargo and trade data

generated by one of the world's busiest ports and its surrounding logistics networks, channelling that information into a digital infrastructure that can make trade financing faster, cheaper and more accessible, particularly for the smaller enterprises that have traditionally found themselves shut out of conventional bank-intermediated trade credit. An expert panel has delivered its recommendations, and the government is now actively pursuing their implementation with the explicit aim of reinforcing Hong Kong's credentials as a leading centre for trade finance and supply chain management. The logic is compelling: if Hong Kong already sits at the physical crossroads of global trade, it ought to be able to capture a commensurately larger share of the financial flows that accompany it.

The gold market initiative is, on its face, a rather different proposition — but it shares with the trade finance agenda an underlying conviction that Hong Kong's geographical and institutional advantages are being insufficiently monetised. A cooperation agreement signed earlier this year with the Shanghai Gold Exchange, combined with the establishment of a dedicated central clearing system for gold in Hong Kong, has laid the structural foundations. What follows is a three-pronged effort to build a trading ecosystem around them. Tax incentives are being explored for qualifying institutions that conduct gold trading and settlement through Hong Kong — the kind of fiscal inducement that, in a market as footloose as bullion dealing, can tip locational decisions decisively. The industry is being encouraged to establish a dedicated trade association, consolidating what has historically been a fragmented collection of dealers, refiners and vaulting operators into a more cohesive body capable of engaging with international counterparts and promoting Hong Kong as a venue. And a training and development framework is being designed to ensure that the city possesses the specialist human capital — in assaying, market-making, risk management and regulatory compliance — without which even the most generous tax regime and the most elegant clearing infrastructure will amount to little.

The strategic ambition is unmistakable. London and Zurich have dominated the international gold market for generations, with Shanghai emerging more recently as the gravitational centre for Chinese demand. Hong Kong is positioning itself as the bridge — a common-law, internationally connected marketplace with direct access to the mainland's vast appetite for bullion and the clearing and settlement infrastructure to handle institutional-scale flows. Whether the city can genuinely carve out a significant niche alongside such deeply entrenched incumbents remains an open question. But the combination of mainland connectivity, regulatory credibility and fiscal incentive is a powerful one.

Strengthening Market Systems

If the front-office reforms outlined elsewhere in this Budget are designed to attract issuers and investors, the measures directed at post-trade infrastructure address something arguably more fundamental: the hidden architecture through which securities are held, transferred, collateralised and settled. It is the kind of territory that makes most people's eyes glaze over — until, that is, something goes wrong, at which point the adequacy or otherwise of clearing and settlement systems becomes the only thing anyone wants to discuss. Hong Kong's authorities appear determined to ensure that conversation never needs to happen.

The most ambitious undertaking is a joint study, soon to be launched by the HKMA's CMU OmniClear and the HKEX, into the creation of a unified, multi-asset class post-trade infrastructure spanning both mainland Chinese and Hong Kong equity and debt securities. The implications, if the project advances to implementation, would be considerable. At present, the post-trade landscape for cross-boundary securities is fragmented across multiple systems, each with its own rules, operating hours and collateral conventions. A consolidated platform would allow market participants to manage equity and fixed-income positions through a single window, and to mobilise collateral across product types and jurisdictional boundaries with far greater efficiency. In a world where the cost of capital is increasingly determined by the ease with which assets can be pledged

and re-pledged, that kind of connectivity is not a mere operational convenience but a genuine competitive advantage.

The international reach of the Central Moneymarkets Unit is being extended in parallel. CMU OmniClear is actively forging links with central securities depositories around the world, building the network of correspondent relationships through which investors can hold and settle foreign securities without leaving the Hong Kong ecosystem. The central bank of the United Arab Emirates has already joined as a CMU member, a connection that nods to the growing financial axis between Hong Kong and the Gulf, while a linkage with SIX, Switzerland's venerable financial market infrastructure group, is being activated. That Swiss connection is particularly noteworthy: for the first time, the CMU will offer equity post-trade services, moving beyond its traditional fixed-income remit and enabling investors to custody and settle international share positions alongside their bond holdings. The cumulative effect is to transform what was once a relatively parochial debt-clearing utility into something approaching a global multi-asset custodian, capable of supporting the diversified portfolios that institutional investors increasingly demand.

Digital Asset Platform for Hong Kong

On the digital side, CMU OmniClear intends to launch a dedicated digital asset platform this year, initially supporting the issuance and settlement of tokenised bonds before extending its scope to other categories of digital securities. The platform is being designed with regional interoperability in mind, allowing it to connect with comparable tokenisation infrastructures emerging elsewhere in Asia. If the vision is realised, Hong Kong would sit at the centre of a network of interconnected digital settlement systems — a position that would be extraordinarily difficult for rival centres to replicate once established.

Non-traditional Risk Management

Finally, the Budget turns to the less conventional end of the risk management spectrum. Hong Kong's push into insurance-linked securities, the instruments through which catastrophe risk, pandemic exposure and other non-traditional perils are transferred from insurers to capital markets investors, continues with an extension of the dedicated grant scheme through to 2028. The insurance regulator is stepping up its promotional efforts in international markets. Two captive insurance companies were incorporated in Hong Kong last year, a modest but symbolically important milestone for a jurisdiction that has historically played a negligible role in the captive market. The underlying logic is that a truly comprehensive financial centre cannot afford blind spots: if risk is being packaged, priced and traded somewhere in the world, Hong Kong wants a piece of the business and the infrastructure, the regulation and the tax framework to support it.

Financial Inclusiveness: Protecting the Small Print of People's Money

It is a truth often overlooked in the excitement surrounding tokenised bonds and digital asset platforms that the single largest pool of investment capital touching ordinary Hong Kong residents' lives is not held in any hedge fund or family office but in the Mandatory Provident Fund, the compulsory retirement savings scheme through which millions of employees accumulate the nest eggs on which their old age will depend. Getting the governance of that system right is not glamorous work, but it is profoundly consequential, and the Budget signals a determination to modernise the MPF framework in ways that should meaningfully improve outcomes for scheme members.

The centrepiece is the phased introduction of full portability — the principle that employees should be able to consolidate their MPF holdings with a provider of their choosing, rather than leaving fragments of retirement savings scattered across multiple trustees accumulated over a career's worth of job changes. The first phase, covering employees whose service commences on or after the first of May this year, is being implemented imminently. Legislation to extend the same right to

workers whose employment predates that threshold will follow in the first half of next year. The practical effect should be to inject genuine competitive pressure into a trustee market that has long been criticised for charging fees that bear little obvious relationship to the value delivered.

Improving the Regulatory Regime

Alongside portability, the MPF authority is proposing to sharpen the mechanisms through which it pursues employers who fail to make the contributions they owe, a chronic problem that disproportionately affects lower-income workers in smaller enterprises, precisely the people for whom every dollar of retirement saving matters most. Trustees and their service providers will also be given greater flexibility in how they invest MPF assets, a change that could, if implemented thoughtfully, broaden the range of available strategies and improve long-term returns for members. Stakeholder consultation is under way, with legislation to follow once it concludes.

The insurance sector, meanwhile, is being subjected to a recalibration of its prudential framework. The risk-based capital regime — the set of rules determining how much financial ballast insurers must hold against the various risks on their books — is being adjusted in two directions simultaneously. Risk parameters for general insurance business are being refined, while capital relief is being introduced for investments in infrastructure assets, a measure that neatly aligns prudential policy with the government's broader desire to channel private capital towards long-term physical development. A new standardised disclosure checklist will require insurers to present their capital adequacy and risk profiles in a consistent, publicly accessible format, bringing a degree of transparency to the industry. The intention is straightforward: if the public is to trust insurers with their premiums, the public ought to be able to understand, in plain terms, how well capitalised those insurers actually are.

At the other end of the financial spectrum from insurance companies and retirement funds sits the money lending industry, a sector where the interface between financial services and human vulnerability is at its most acute. The government has been consulting on measures to address the persistent problem of excessive borrowing, and next month will publish both the outcome of that consultation and the specific regulatory steps it intends to take. The details remain to be seen, but the direction of travel is towards tighter controls designed to prevent the lending practices that trap the most financially precarious members of society in cycles of debt they cannot escape. It is the kind of intervention that rarely features in discussions about Hong Kong's status as an international financial centre, but which speaks to a broader truth: a city's financial reputation ultimately rests not only on the sophistication of its markets but on the decency with which it treats those least equipped to navigate them.

International Financial Cooperation

There is a well-worn observation in diplomacy that institutions choose their addresses carefully and so the decision by the Asian Infrastructure Investment Bank (the **AIIB**) to establish an office in Hong Kong, announced at the close of last year, carries a significance that extends well beyond the practical matter of leasing floor space. The AIIB, the Beijing-backed multilateral lender that has grown into one of the most consequential development finance institutions of the past decade, is making a deliberate statement about where it sees the connective tissue between Chinese capital and international infrastructure investment being most effectively managed.

The city's calendar of financial diplomacy is also being elevated. Hong Kong will host the APEC Finance Ministers' Meeting for the first time this year, a gathering that places Hong Kong at the centre of macroeconomic and financial policy discussions spanning the world's most economically dynamic region.

The established roster of marquee events continues in parallel. The Global Financial Leaders' Investment Summit, the Wealth for Good in Hong Kong Summit and Hong Kong Fintech Week, now

combined with the StartmeupHK Festival, have collectively become fixtures on the international financial conference circuit, drawing chief executives, allocators and policymakers in sufficient numbers to generate genuine commercial momentum.

The Asian Financial Forum, meanwhile, approaches its twentieth anniversary next year, and the government intends to mark the occasion by deepening the forum's focus on what it terms "Finance+" — the application of financial tools and capital to the practical challenges facing businesses across the region, from decarbonisation to supply chain resilience to digital transformation.

Accelerating Green Development: The Business of Going Green

There is a useful corrective embedded in this section of the Budget for anyone still inclined to view decarbonisation as primarily a cost to be borne rather than an opportunity to be seized. Hong Kong's alignment with the national "dual carbon" targets — peaking emissions before 2030 and achieving carbon neutrality before 2060 — is, of course, a matter of policy obligation. But the government's framing is pointedly commercial: green industries and green transformation require capital, technology and talent, and each of those requirements represents, for a city abundantly supplied with all three, an enormous business opportunity rather than merely a regulatory burden.

Hong Kong's own Climate Action Plan 2050 sets ambitious intermediate milestones: halving carbon emissions from 2005 levels before 2035; and full carbon neutrality before 2050, will demand wholesale transformation of energy systems, building standards, transport infrastructure and industrial processes. The scale of investment required to deliver that transformation is, by any measure, vast, and Hong Kong's financial markets, green bond platforms and professional services sector stand to benefit directly from intermediating the capital flows involved.

Green Technology

On the technology front, the Green Tech Fund has received cumulative government injections of HK\$400 million dollars and is already yielding results. Approved projects span hydrogen fuel production and storage, waste-to-resource technologies and advanced industrial processes. The most encouraging developments involve university research teams whose innovations are being commercialised across the mainland — one promoting a novel industrial wastewater treatment technology in the Greater Bay Area and the Yangtze River Delta, another collaborating with a hydrogen fuel cell enterprise to bring new fuel cell stack technology to market.

Hydrogen and Green Finance: Two Bets on the Same Future

Hydrogen occupies a peculiar position in the energy transition — perpetually described as the fuel of the future, yet perpetually struggling to become the fuel of the present. Hong Kong's contribution to resolving that tension is strategic rather than industrial. The city has no particular ambition to become a major hydrogen producer; what it wants is to become the platform through which hydrogen technologies and products are certified, standardised and exported to the rest of the world. The Strategy of Hydrogen Development in Hong Kong envisages a certification system designed to connect seamlessly with both mainland and international standards.

Green Finance

To consolidate Hong Kong's status as an international green finance centre, the government will continue issuing sustainable bonds while pressing ahead with the implementation of Hong Kong Sustainability Disclosure Standards, the regulatory architecture that underpins investor confidence in green financial products. The Accounting and Financial Reporting Council is consulting on a proposed framework for assurance, addressing the persistent concern that without rigorous,

independently verified reporting, green finance risks degenerating into little more than conventional lending with a virtuous label attached.

The more adventurous proposal is the exploration of a Hong Kong-based Green Technology Projects Accelerator, developed in collaboration with mainland partners and international multilateral financial institutions. Targeted at Belt and Road regions, where the need for green technology is acute but access to capital and expertise often limited, the Accelerator would provide incubation and empowerment services while simultaneously serving as a showcase for Hong Kong's green finance capabilities.

The government is also exploring arrangements that would allow financial institutions, with enterprise consent, to access public utility usage data — energy consumption, water use and the like — to improve the efficiency of green financing decisions and risk assessment. It is a small, technical detail that speaks to a larger truth: in green finance, as in so much else, the quality of the data ultimately determines the quality of the outcome.

Enhancing Industries with Competitive Edge: The Trade Centre Reinvented

If much of this Budget reads as a blueprint for financial market deepening, the next chapter pivots to something more elemental — the movement of goods, services and commercial relationships across borders. Hong Kong's identity as an international trade centre is among its oldest and most deeply embedded competitive advantages and the Budget makes clear that the government regards the defence and enhancement of Hong Kong's trading role as requiring the same strategic intentionality now being applied to its capital markets.

Expanding Hong Kong's Commercial and Trade Network

While Hong Kong's traditional commercial networks have been anchored in the established economies of North America, Europe and North Asia, the Budget's emphasis falls squarely on the frontiers of the Belt and Road Initiative and on the constellation of markets that have emerged as the most dynamic participants in that vast undertaking. ASEAN and the Middle East, already significant trading partners, are to receive intensified attention through collaborative efforts with the private sector. But the more revealing signal lies in the exploration of markets that remain, for many Hong Kong businesses, largely unfamiliar territory: Central Asia, South Asia and North Africa. These are regions where infrastructure is being built at extraordinary speed, where consumer markets are expanding rapidly, and where the commercial relationships being forged today will shape patterns of trade for decades to come.

Hong Kong is methodically expanding its network of investment agreements. Negotiations have been concluded with Qatar, Bangladesh and Peru, while discussions are under way with Saudi Arabia and Egypt. The double taxation treaty network, now encompassing 55 comprehensive agreements, provides a complementary layer of certainty. In 2025, treaties were signed with Jordan, the Maldives, Norway and Rwanda. The trading world is being remade, and Hong Kong is positioning itself not merely to survive the disruption but to serve as the indispensable intermediary through which an increasing share of it flows.

Attracting Enterprises and Investment to Hong Kong

Every financial centre worth the name eventually confronts the same uncomfortable arithmetic: it is not enough to build world-class infrastructure, establish sound regulation and assemble deep pools of capital if the enterprises that generate the economic activity underpinning all of it choose to locate elsewhere. Hong Kong has long traded on its natural advantages, low taxes, the rule of law, proximity to the mainland, but in an era when Singapore, Dubai, Riyadh and a dozen other jurisdictions are competing aggressively for the same pool of mobile international businesses,

natural advantages must increasingly be supplemented by deliberate inducement. The Budget lays out, in unusually specific terms, what that inducement will look like.

A preliminary framework for bespoke preferential packages has been drawn up, designed to attract enterprises whose presence would deliver demonstrable economic value. The criteria are sensible enough: the industry in question, its technological sophistication, the scale of economic contribution it would bring, and the employment it would generate. The toolkit available to policy makers spans land grant arrangements, direct financial subsidies and, most consequentially, tax incentives offering preferential rates of either half the standard rate or a flat five per cent. Legislation to give effect to these measures is promised this year. The approach is avowedly selective: Hong Kong is not slashing its headline tax rate for all comers, but rather constructing a mechanism through which targeted concessions can be offered to businesses that meet a defined threshold of strategic value.

The broader tax landscape is also receiving long-overdue strategic attention. The establishment of an Advisory Committee on Tax Policy, to be chaired by the Financial Secretary, represents an acknowledgement that Hong Kong's fiscal framework cannot remain static while the global tax environment shifts around it. The OECD's minimum tax reforms, the proliferation of digital services levies and the intensifying use of tax incentives by competitor jurisdictions have collectively rendered the old certainties less certain. Gathering views from across the commercial, industrial and professional sectors is a necessary first step towards ensuring that Hong Kong's tax regime remains fit for purpose.

Hong Kong Support for Mainland Enterprises Going Global

A parallel initiative addresses a quite different constituency: mainland Chinese enterprises seeking to expand internationally. As Beijing pursues what it terms high-level, two-way opening-up, a growing cohort of mainland companies is looking beyond domestic borders and Hong Kong is positioning itself as the natural launchpad. A dedicated GoGlobal Task Force will mount promotional campaigns targeting these enterprises, while a new cross-sectoral professional services platform will bring together Hong Kong's formidable array of lawyers, accountants, financial advisers, testing and certification specialists and marketing consultants into a coordinated offering capable of supporting mainland businesses through every stage of their overseas expansion. The proposition is elegant: mainland enterprises gain access to internationally recognised professional expertise operating under common-law standards, while Hong Kong's professional services firms gain a pipeline of clients whose needs are growing in both volume and complexity.

Support for Hong Kong Companies

Closer to home, the Budget does not neglect the small and medium-sized companies that form the backbone of Hong Kong's domestic economy and which are navigating the uncomfortable transition from a world of physical retail dominance to one increasingly shaped by online commerce and shifting consumer habits. The Dedicated Fund on Branding, Upgrading and Domestic Sales (the **BUD Fund**) receives a fresh injection of HK\$200 million, with the ceiling for its simplified application stream raised to HK\$150,000 per application. Notably, additional targeted support is being introduced for enterprises adopting artificial intelligence.

The Hong Kong Export Credit Insurance Corporation, meanwhile, is launching a pilot scheme to extend coverage to small and medium-sized exporters dealing with higher-risk buyers. It is a modest intervention in budgetary terms, but one that could meaningfully expand the commercial horizons of the enterprises it reaches.

Keeping Small Hong Kong Businesses Afloat

The SME Financing Guarantee Scheme has, since its inception, served as one of Hong Kong's most important — if least glamorous — instruments of economic resilience. By standing behind bank loans to small and medium-sized enterprises that might otherwise struggle to obtain credit on acceptable terms, the government effectively absorbs a portion of the risk that the private sector is unwilling or unable to bear, keeping capital flowing to businesses whose survival matters far more to the broader economy than their individual balance sheets might suggest. The Budget confirms that this lifeline will be maintained and strengthened. The application window for the 80% guarantee product has been extended to the end of March 2028, while the principal moratorium arrangement, which allows struggling borrowers to defer repayment of loan principal, remains available until mid-November 2026. The total commitment ceiling under the scheme is being raised by HK\$20 billion, a figure that speaks to both the continuing demand for guaranteed lending and the government's willingness to expand its contingent liabilities to support an enterprise sector still navigating an uneven recovery.

The food industry, meanwhile, receives attention of an altogether different character — not as a sector in need of rescue, but as one with latent potential that has yet to be fully exploited. Hong Kong's food producers have long enjoyed a reputation for quality and safety standards that commands respect both on the mainland and internationally, yet the commercial capitalisation of that reputation has been constrained by the fragmented nature of the industry and the bureaucratic friction involved in securing market access for individual product categories. The government is addressing both obstacles simultaneously. Negotiations with mainland authorities to simplify customs arrangements and broaden market access for Hong Kong food products will continue, while the Centre for Food Safety is waiving certification fees for two years.

Perhaps the most intriguing initiative, however, is the creation of a unified brand for Hong Kong's agricultural and fisheries products, scheduled for launch in the middle of this year. Supported by a certification, testing and traceability framework, the new brand is intended to do for Hong Kong's food sector what appellations of origin have done for French wine: transform a collection of disparate products into a recognisable provenance story that commands a premium in the marketplace.

Hong Kong's Convention and Exhibition Industry: The Business of Bringing People Together

There is a stubborn paradox at the heart of the digital age: the more effortlessly we can connect through screens, the more valuable it becomes to gather in person. One hundred million dollars is being earmarked to attract large-scale international exhibitions with novel elements to the city, working in collaboration with relevant organisations on a pilot basis. The ambition is explicit and unapologetically bold: to establish Hong Kong as the first-choice platform for showcasing both mainland Chinese and international brands — a dual positioning that no other city in Asia can credibly claim to offer with the same facility.

Hong Kong's International Aviation Hub

The Hong Kong International Airport retained its position last year as the world's busiest cargo airport, with throughput exceeding five million tonnes, while passenger numbers reached 61 million. Maintaining that pre-eminence, however, requires constant expansion of the network of air services agreements and traffic rights through which airlines operate.

The Budget signals a push into precisely those regions where growth potential is greatest and where Hong Kong's existing connectivity is thinnest: the Middle East, Central Asia, Africa and South America. These are the geographies that feature repeatedly throughout this Budget, in trade policy, in investment agreements and in financial market development.

The physical infrastructure is being upgraded in tandem. New passenger departure facilities at Terminal 2 are scheduled to commence operations in May, substantially enhancing the airport's overall capacity.

Aircraft Parts Processing and Trading Centre

Beyond the runways and terminals, the Airport Authority is pursuing an altogether more ambitious vision for the land surrounding the airport itself. Airport City SKYTOPIA is being developed as a world-class destination in its own right, encompassing the second phase of the AsiaWorld-Expo convention and exhibition complex, dedicated art storage facilities, a nod to Hong Kong's burgeoning role in the international art market, where climate-controlled freeport storage has become an essential piece of infrastructure, and a yacht bay that adds a lifestyle dimension to what might otherwise remain a purely functional transport node. The intent is to transform the airport precinct from a place people pass through into a place people are drawn to, generating economic activity that extends beyond the aviation sector itself.

Airport City

The Hong Kong Airport Authority is working with a leading overseas aircraft services company to establish professional capabilities in aircraft dismantling and parts recycling — a business that represents a substantial and rapidly growing global market as airlines retire older fleets and require certified replacement components. Hong Kong would become the first dedicated aircraft parts processing and trading centre in Asia.

Co-operation in Transport and Logistics: Stitching the Bay Area Together

Collaborate with airports in the Greater Bay Area

The Greater Bay Area is, in conceptual terms, a single integrated economic region. In practical terms, it remains a patchwork of distinct jurisdictions, regulatory regimes and transport networks that do not always connect as seamlessly as the grand vision demands. The initiatives outlined in the Budget represent a quiet but consequential effort to close that gap by making it easier to move people and goods across the estuary.

The direct passenger service linking Zhuhai to Hong Kong International Airport has already carried over 100,000 passenger trips since its launch, a respectable start that the Airport Authority now intends to build upon through intensified promotion and enhanced connectivity with Zhuhai Airport.

Sea-Air Intermodal Cargo Transshipment Mode

The sea-air intermodal cargo transshipment arrangement with Dongguan is, if anything, more strategically significant. By allowing goods manufactured in the Pearl River Delta's industrial heartland to travel by sea to Hong Kong before being loaded onto aircraft for international delivery, the model combines the cost advantages of maritime transport with the speed of air freight, a hybrid proposition that has already attracted 27 airlines and 140 logistics companies.

The intermodal pier at Phase 1 of the Hong Kong–Dongguan Logistics Park is complete, with remaining works expected to finish this year and commissioning targeted for the first half of 2027.

International Maritime Centre: From Docks to Data

Hong Kong's port has in recent decades been overshadowed by rival facilities in Shenzhen and Guangzhou. The Budget suggests a determination to reverse that drift, aligning Hong Kong's maritime ambitions with national strategic priorities while embracing the digital transformation that is rapidly reshaping the global shipping industry.

The most tangible evidence of this shift is the newly launched Port Community System, which provides real-time tracking of sea, land and air cargo and facilitates the free flow of information across previously siloed industries. Already connected to Guangdong's e-Port platform and offering services such as One-Data-Multiple-Declarations, eliminating the redundancy of submitting identical information to multiple authorities, the system has attracted over 3,000 registered companies.

On the fiscal front, an amendment bill due in the first half of this year will enhance tax concessions for the maritime services sector and extend a half-rate concession to eligible commodities traders. Ship registration, too, is being modernised: proposed legislation will permit dual registration arrangements for the first time, accommodating the complex operating structures of international shipping enterprises that have long found Hong Kong's existing framework unnecessarily rigid.

Green Shipping

The decarbonisation of global shipping is one of the great industrial challenges of our time — a sector responsible for roughly 3% of global greenhouse gas emissions, powered overwhelmingly by some of the dirtiest fuels in commercial use, and facing regulatory pressure that is intensifying far faster than most shipowners had anticipated. Hong Kong, characteristically, sees opportunity in the disruption.

The government is positioning the city as a green maritime fuel bunkering and trading centre, deploying a combination of port dues concessions for vessels powered by or carrying green fuels, alongside an incentive scheme encouraging Hong Kong-registered ships to undertake green conversion. The total subsidy commitment of approximately HK\$34 million is modest, but the signal it sends to an industry acutely sensitive to the economics of where and how it refuels is worth considerably more than the sum itself. Legislative amendments this year will free up additional anchorages for green bunkering operations, addressing the practical constraint that even the most generous incentives are worthless if there is nowhere to conduct the fuelling.

The more ambitious play, however, lies in the intersection of Hong Kong's twin identities as maritime hub and financial centre. The greening of global shipping requires colossal capital investment — new vessels, retrofitted engines, alternative fuel infrastructure — and the industry's financing needs will only grow as regulatory deadlines tighten. Hong Kong is uniquely positioned to marry the maritime expertise concentrated around its port with the capital markets, green bond issuance platforms and sustainable finance frameworks being developed across the harbour in Central.

Opening New Cargo Sources

The arithmetic of Hong Kong's port is straightforward: more cargo means more relevance, and more relevance means more of the high value-added services — trading, financing, insuring — that generate the margins on which the city's logistics sector ultimately depends. The challenge is that cargo has choices, and the massive port complexes of Shenzhen and Guangzhou offer manufacturers in southern China an increasingly compelling alternative. Hong Kong's response is to look beyond its traditional catchment area, deep into the mainland's interior, building out a comprehensive intermodal transport system spanning rail, sea, land and river that would channel inland cargo to Hong Kong for export. Legislative amendments due this year will extend the existing Air Transshipment Cargo Exemption Scheme to cover sea transshipment and sea-air transshipment modes, removing a regulatory asymmetry that has quietly disadvantaged Hong Kong's port relative to its airport.

The digital dimension is being addressed through the Future Innovative Logistics Acceleration Scheme, launching this year, which aims to drive technological transformation across the industry and enhance the interconnectivity of logistics data. The name is perhaps more aspirational than elegant, but the underlying objective — positioning Hong Kong as an international smart logistics

hub where data flows freely — is strategically sound in an industry where visibility, speed and predictive capability are rapidly becoming the primary determinants of competitive advantage.

The physical manifestation of these ambitions will take shape at Hung Shui Kiu and Ha Tsuen, where roughly 32 hectares have been reserved for a modern logistics cluster in the emerging Northern Metropolis. The location is no accident: directly connected to the Qianhai Co-operation Zone across the border, the site will sit at the precise junction between Hong Kong's international connectivity and the mainland's manufacturing hinterland. Expressions of interest for the first development parcel are being invited this year.

Hong Kong as an International Legal & Dispute Resolution Services Centre

In the popular imagination, a financial centre's competitive position is determined by its stock exchange, its tax rates and its airport connections. In reality, it is often the less visible infrastructure of legal services and dispute resolution that proves decisive. Businesses do not merely need a place to raise capital and move goods; they need confidence that when commercial disagreements arise, there exists a credible, impartial and internationally respected mechanism for resolving them. Hong Kong has long possessed that mechanism, and the Budget outlines a concerted effort to elevate it from quiet strength to explicit selling point.

The centrepiece is the planned Hong Kong International Legal Service Building, a physical landmark intended to house the headquarters of the Hong Kong International Legal Talents Training Academy alongside international legal and dispute resolution institutions. Preparatory works commence this year.

The institutional roster is growing. UNIDROIT, the International Institute for the Unification of Private Law, one of the oldest and most respected bodies in the field of international commercial law, will establish its Asia-Pacific Liaison Office in Hong Kong this year, joining the growing constellation of global legal organisations that have chosen the city as their regional base. The government continues actively courting others.

Hong Kong Mediation and Arbitration Services

Mediation, too, is being professionalised. New legislation this year will strengthen the regulatory framework governing accreditation and disciplinary standards for mediators, a necessary step if Hong Kong's mediation services are to command the same international credibility as its arbitration offering.

Sports Dispute Resolution Scheme for Hong Kong

A Pilot Scheme on Sports Dispute Resolution has been launched, staking a claim in a niche but rapidly expanding field where the sums at stake and the complexity of cross-border contractual relationships increasingly demand precisely the kind of sophisticated, internationally minded dispute resolution infrastructure that Hong Kong is building.

Professional Services and Intellectual Property

The Professional Services GoGlobal Platform, launched by the Department of Justice at the end of last year, is a characteristically pragmatic venture: connecting Hong Kong's formidable professional services sectors, lawyers, accountants, surveyors, engineers, with mainland enterprises seeking to expand internationally. The proposition is straightforward. Mainland companies venturing into unfamiliar jurisdictions need advisers who understand both where they come from and where they are going, and Hong Kong's bilingual, bicultural professional class is uniquely equipped to serve as that bridge.

Hong Kong as a Regional Intellectual Property Trading Centre

The more structurally ambitious play concerns intellectual property. Hong Kong has long aspired to become a regional IP trading centre, yet aspiration has consistently outpaced reality, in part because the fiscal and institutional environment has not been sufficiently tailored to attract the trading activity on which such a hub depends. That is now being addressed directly. The government is consulting on enhanced tax deduction arrangements for capital expenditure on purchasing intellectual property or rights to its use, with an amendment bill planned for this year.

From Patents to Profits: Making Intellectual Property Bankable

A patent for a novel biotechnology process or an electronics innovation may represent years of research and millions in development expenditure, yet when its owner approaches a bank seeking a loan secured against it, the conversation tends to stall. Unlike property or equipment, IP cannot be inspected, physically repossessed or sold at auction with any predictable outcome. The result is a financing gap that disproportionately penalises the knowledge-intensive enterprises Hong Kong claims to want more of.

Hong Kong IP Financing Sandbox

The IP Financing Sandbox, launched at the end of last year, represents a deliberate attempt to bridge that gap. Three major Hong Kong banks are participating alongside customers drawn from biotechnology, electronics and technology, supported by legal and professional services firms. The Commerce and Economic Development Bureau, the Intellectual Property Department and the HKMA are monitoring the pilot closely.

Patent Valuation Support

The government is simultaneously investing in the valuation infrastructure without which IP financing cannot function at scale. HK\$28 million has been earmarked to support patent evaluation services based on Guobiao national standards and a two-year Pilot Patent Valuation Support Scheme aimed at helping innovation and technology enterprises establish what their patent portfolios are actually worth.

Patent Examination

On the examination side, the Intellectual Property Department is expanding its team of patent examiners, particularly in major technology fields, to strengthen in-house capacity for original grant patent applications. Faster, more rigorous examination means stronger legal protection for research and development outcomes.

Talent Training

The human capital dimension has not been neglected. A new Intellectual Property Academy, developed in partnership with the Vocational Training Council and backed by HK\$52 million in funding, will provide on-the-job training linked to the Qualifications Framework, with a target launch at the end of this year.

Business Matching

The business matching dimension connects these domestic capabilities to mainland demand. Following an initial arrangement that brought mainland enterprises to Hong Kong for IP matching activities late last year, the Intellectual Property Department will send Hong Kong professionals to participate in mainland programmes from mid-year.

Strip away the fiscal arithmetic and the relief measures, and the 2026/27 Budget reveals a city in the midst of a profound strategic pivot. Hong Kong is betting that its future lies not in low taxes alone but in the construction of world-class infrastructure for the industries and asset classes of the next decade. Digital assets sit at the heart of that bet. The regulatory architecture now taking shape is arguably the most comprehensive and commercially sophisticated of any major financial centre. Whether Hong Kong can translate policy ambition into market reality will depend on execution, timing and a measure of good fortune. But the direction of travel is clear, and for practitioners, investors and enterprises in the digital asset space, it demands close and sustained attention.

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