

The Chief Executive's 2018 Policy Address

Striving Ahead **Rekindling Hope**

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Mr President, Honourable Members and fellow citizens,

I. Foreword: Striving Ahead

1. Today, I present this Policy Address not only to reiterate my governance philosophy and elaborate on the vision and initiatives of the current-term Government for different policy areas, but also to share with you my experience since I assumed office as the Chief Executive. What I hope to demonstrate in this Policy Address is my ever growing commitment to Hong Kong, my unwavering confidence and my courage to rise to challenges, which will help Hong Kong brave the wind and billows, seize the opportunities and move towards a brighter future.

2. In the past year or so, my political team and I have taken a pragmatic approach to “care”, “listen” and “act” while being “innovative”, “interactive” and “collaborative” in implementing our policy initiatives proactively. From enhancing our position as a financial centre, which includes revision of listing regulations and application of financial technologies (Fintech), to forging ahead the development of innovation and technology (I&T), such as the establishment of I&T clusters on healthcare technologies, artificial intelligence and robotics technologies, the outcomes of our initiatives have been remarkable. All these are testimonies to my belief when I was running for the Chief Executive: “Hong Kong people are outstanding and our foundations are solid. As long as we stand united and remain focused, I have no doubt that we will scale new heights!”

3. My another realisation is that there is no perfect solution in this world and it would be difficult to forge an absolute consensus in the community, yet divergence of views should not become an obstacle to the Government’s leading Hong Kong to make progress and more importantly, it should never bring Hong Kong to a standstill. We have already spent a lot of efforts on many rounds of public consultation, whether on land supply options or abolition of the “offsetting” arrangement under the Mandatory Provident Fund (MPF) Scheme. It is high time for us to decide and proceed after discussions; since procrastination will just bring greater sufferings to families living in a poor and overcrowded environment, in particular the children, and to grass-roots workers who need better retirement protection.

4. My third realisation is that we need companions as we “move forward”; the more inclusive the Government is, the more companions it will have. I would not harbour an unrealistic wish that all our political parties or Members of this Council share the same political stance, yet so long as the principle of “One Country” is not compromised, there should be plenty of room for collaboration. A good case in point is the visit by a cross-party delegation to

various Mainland cities in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) arranged by the Legislative Council (LegCo) early this year; another example is the approach of “dealing with simple issues before the difficult ones” adopted by the Government in presenting the many funding items to this Council after consultation with legislators of different parties. This has helped reduce confrontation in this Council and contributed to the smooth passage of initiatives that benefit our economy and people’s livelihood.

5. My last realisation is that the Government should act swiftly and boldly on matters which clearly serve the public interest. In this Policy Address, I propose to impose a total ban on electronic cigarettes, strengthen primary healthcare services and provide further resources for research and development (R&D) – all are big strides towards clear objectives.

6. These realisations are derived from my experience in serving as the Chief Executive. While they have added a personal touch to this Policy Address, a majority part of this Policy Address also reflects the views presented to me by LegCo Members and various sectors of the community. I, of course, have to thank my political team and colleagues of various ranks in the civil service for their exemplary dedication and progressive attitude in seeking and embracing change. While the road ahead may not be all smooth and easy, I strongly believe that it will lead to a broad runway for Hong Kong to take off again.

II. Good Governance

My Belief

7. I solemnly pledged in my first Policy Address that the Hong Kong Special Administrative Region (HKSAR) Government and myself will, with our utmost endeavours, implement the “One Country, Two Systems” principle, uphold the Basic Law and safeguard the rule of law; and good governance is the cornerstone for discharging the above constitutional responsibilities. The HKSAR, being an inalienable part of the People’s Republic of China, is directly under the Central People’s Government and enjoys a high degree of autonomy. With the support of the Motherland in the past 21 years and an international vision, Hong Kong has maintained its unique strengths which are protected by the Basic Law, including the rule of law, executive power, legislative power, independent judicial power including that of final adjudication, human rights and freedom, etc. To ensure the robustness of the “One Country, Two Systems”, the HKSAR must uphold the “One Country” principle and handle the relationship between the Central Government and the HKSAR correctly.

Relationship between the Central Government and the HKSAR

8. The Chief Executive is responsible to both the HKSAR and the Central Government. Under this “dual responsibility”, the Chief Executive is required to comprehensively, accurately and firmly implement the “One Country, Two Systems” principle, uphold the Basic Law, defend the rule of law and promote the relationship between the Central Government and the HKSAR. In face of the complex situations and new conflicts emerged in the Hong Kong society in recent years, the HKSAR Government and I will not tolerate any acts that advocate Hong Kong’s independence and threatens the country’s sovereignty, security and development interests. We will fearlessly take actions against such acts according to the law in order to safeguard the interests of the country and Hong Kong. To nip the problem in the bud, we have also reinforced the understanding of all sectors of the Constitution, the Basic Law and national security and fostered an awareness of “One Country” in the community.

9. Meanwhile, with the Central Government’s staunch support for Hong Kong’s integration into the overall national development, we will make the best use of the advantage of “Two Systems” and actively participate in the Belt and Road (B&R) Initiative and the development of the Greater Bay Area.

10. The HKSAR Government has signed a number of co-operation agreements with different central ministries and commissions over the past year or so. These include the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Co-operation in the Development of the Bay Area signed with the National Development and Reform Commission (NDRC), the Guangdong Provincial Government and the Macao Special Administrative Region Government, the Arrangement for Advancing Hong Kong's Full Participation in and Contribution to the Belt & Road Initiative signed with the NDRC, the Agreement between the Mainland and HKSAR on Enhancing the Arrangement for Closer Cultural Relations signed with the Ministry of Culture and Tourism, as well as the Arrangement on Enhancing Innovation and Technology Co-operation between the Mainland and Hong Kong recently signed with the Ministry of Science and Technology (MOST). These co-operation agreements have provided Hong Kong with ample opportunities to participate in national development and enhance the opportunities of its industries and professional services. To put the spirit of these agreements into practice, the bureaux concerned are taking forward specific initiatives that can benefit various sectors.

11. On 15 August this year, I, as a member, attended the first plenary meeting of the leading group for the development of the Greater Bay Area convened by the Vice Premier of the State Council, Mr HAN Zheng. The leading group provides top-tier design to advance the development of the Greater Bay Area and enhance co-ordination of its development. This is the first time that the Chief Executives of Hong Kong and Macao Special Administrative Regions (SARs) have attended a meeting at central leadership level as members, highlighting the importance the Central Government attaches to the role of the two SARs in the Greater Bay Area and its continued support for their integration into the overall national development.

12. The Central Government's support for the HKSAR is also fully manifested in a host of policy initiatives rolled out in the past year that would facilitate Hong Kong people's study, work and living in the Mainland, in particular the introduction of the Regulations for Application of Residence Permit for Hong Kong, Macao and Taiwan Residents in August this year, whereby eligible Hong Kong residents can apply for residence permits¹ and are entitled to enjoy, in accordance with the law, various rights, public services and convenience at the place of residence.

13. This year marks the 40th anniversary of the reform and opening up of our country. Hong Kong enterprises have been the major source of external investment in Mainland provinces and municipalities and, in recent years, have

¹ From 1 September when applications were accepted until 30 September, over 50 000 Hong Kong residents submitted application for residence permits.

assisted Mainland enterprises to expand their business overseas. Hong Kong continues to serve the important function of being a platform for our country to attract foreign investment and for Mainland companies to go global. The HKSAR Government will strengthen collaboration with Mainland provinces and municipalities and actively performs its role as a “facilitator” and “promoter”, so as to identify more business and development opportunities for Hong Kong people and enterprises. In May this year, I led a delegation to Chengdu and co-chaired the First Plenary Session of the Hong Kong-Sichuan Co-operation Conference with the Secretary of the CPC Sichuan Provincial Committee to establish a new high-level co-operation mechanism between Hong Kong and Sichuan. In August, I co-chaired the Hong Kong/Shanghai Co-operation Conference with the Mayor of Shanghai in Hong Kong and signed co-operation agreements on a number of areas. I will conduct the Hong Kong/Beijing Co-operation Conference with the Mayor of Beijing later this month while the Chief Secretary for Administration will co-chair the Hong Kong-Fujian Co-operation Conference with leaders of the Fujian Province in late November.

Executive Authorities

Proactive Government

14. The new style of governance, new roles for the Government and new fiscal philosophy I have adopted for the current-term Government have received wide support from the community, and specific initiatives are being implemented. Among these, I have advocated that the Government should play the roles of “facilitator” and “promotor”, and various bureaux and departments have become more proactive in handling economic and livelihood issues. Part of the efforts have been reflected in the 2018 Policy Address and the over 240 new initiatives in the Policy Agenda.

15. Some may ask whether the Government’s proactiveness will deviate from the market economy upheld by Hong Kong. My answer is “no”; but a city’s competitiveness is like a boat sailing against the current and it must forge ahead in order not to be driven back, and hence the Government has every responsibility to provide policy support and explore business opportunities for enterprises locally and overseas, and to engage in more “government-to-government” interactions.

16. Some may also question whether the Government will, by allocating public resources more robustly to improve people’s livelihood, deviate from the principles of fiscal prudence and keeping expenditure within the limits of revenues, thus embarking on the road to a welfare society. My answer is “no”. With our ample fiscal reserves, it is the Government’s responsibility to use the resources derived from the community for the good of the community, invest for

the future, relieve people's burdens and enable people from different walks of life to share the fruits of our economic growth. In fact, the spirit of self-reliance among Hong Kong people has been impressive. Currently there are about 12 000 unemployment cases under the Comprehensive Social Security Assistance (CSSA) Scheme, representing only 24% of the peak caseload in September 2003.

17. In respect of playing the role of a "facilitator" more effectively, a major function of the Policy Innovation and Co-ordination Office (PICO), which was set up on 1 April this year, is to provide "first-stop and one-stop" consultation and co-ordination services for different sectors. For projects with wider public benefits proposed by civil groups, the PICO will co-ordinate the requirements and views of the relevant departments while maintaining communication with the proponents to facilitate project implementation. In addition, the Efficiency Office, which has been transferred to the Innovation and Technology Bureau (ITB), will assist bureaux and departments in implementing business facilitation measures. Over 70 related measures have been rolled out last year, and more than 130 new measures will be launched this year to reduce the compliance cost and remove red tape for various industries.

Upholding the Principle of Meritocracy

18. We attach importance to public participation and engagement. I have called upon all policy bureaux to uphold the principle of meritocracy and cast their net wide in scouting for talent, as well as to increase the proportion of female and young members. In the past 12 months, a total of over 3 400 members have been appointed by policy bureaux to various public organisations and advisory committees. At present, female members account for about 33% of all the non-official members appointed by the Government to advisory and statutory bodies, whereas young people account for 9%². I believe that these appointees drawn from different sectors of the community will enable us to take into account extensive views in the policy formulation process.

Open and Transparent

19. Historical archives not only record the decision-making process, but also preserve the collective memory of society. I would reiterate that the current-term Government attaches importance to the integrity of government records and holds a positive view towards the enactment of an archives law. The Law Reform Commission (LRC) of Hong Kong has completed its study on our existing records management system and the relevant laws of other jurisdictions. Public consultation is expected to commence by the end of this year. The Government will follow up on this after receiving the report from

² The present target appointment rate of women is 35%. For youth members (i.e. aged between 18 and 35), the target is to increase the proportion gradually to 15% within the current-term Government.

LRC. At the present stage, the Government will continue to enhance its records management work, including formulating a more comprehensive training plan for bureaux and departments, providing more professional training programmes for staff of the Government Records Service, and reviewing the implementation progress of electronic recordkeeping systems, etc.

20. The Code on Access to Information (the Code) manifests the openness and accountability of the Government as it provides an effective framework for the public to access an extensive range of government information. Since the implementation of the Code, the percentage of requests where information is provided has consistently exceeded 95%. LRC formed a sub-committee on access to information earlier to review the current system of public access to government information, with a view to making appropriate recommendations on reforms. After the LRC has submitted its report, the Government will deliberate on the recommendations and consider how to further improve the system of access to information.

Enhancing the Institution

21. Institutional safeguard and accountability are key elements of good governance. When there are major public incidents, the Government must front up and commit itself to solving the problems. In the past year, to address the extensive public concern over a bus accident that resulted in serious casualties and the problematic construction works at the Hung Hom Station Extension of the MTR Shatin to Central Link Project, I promptly set up independent inquiry committees to carry out in-depth investigations. I believe that the recommendations of the two committees will help the Government and the relevant organisations improve their systems and reinforce public confidence in the services concerned.

Boosting Implementation Capabilities

Augmenting the Civil Service Establishment

22. To effectively implement the new policies and initiatives proposed by the current-term Government and to tie in with the commissioning of various large-scale cross-boundary infrastructures, we have expanded the civil service establishment substantially by 3.7% in 2018-19, far exceeding the average year-on-year increases in the past ten years. Looking ahead, the Government will uphold the prudent principle in the management of the civil service establishment to ensure that our civil service will continue to develop in a steady and orderly manner and cater for the needs of social development.

Extending the Service of Civil Servants

23. To tie in with the goal of expanding the labour force and respond to the aspirations of our civil service colleagues, the Civil Service Bureau (CSB) invited, in July this year, serving civil servants joining the service between 1 June 2000 and 31 May 2015 to choose to retire at 65 (for civilian grades) or 60 (for disciplined services grades).

Establishing a Civil Service College

24. In my Policy Address last year, I proposed to establish a new civil service college with upgraded training facilities so as to further enhance training for civil servants in the areas of leadership, interactive communication with the public, use of I&T, etc. Apart from deepening civil servants' understanding of our country's development and the relationship between the Central Government and the HKSAR as well as enhancing their awareness of international affairs, the college is also tasked to promote exchanges with civil servants in other places. We have identified a "Government, Institution or Community" site with an area of about 11 000 square metres in Kwun Tong for redevelopment. In addition to the civil service college, our preliminary proposal is to provide a District Health Centre (DHC) and other community facilities in this composite development under the themes of "healthy living" and "lifelong learning", with a view to enhancing the accessibility and city landscape of the district. We will consult the Kwun Tong District Council on the proposal in due course.

25. The civil service college is expected to be completed in 2026. In the meantime, the Civil Service Training and Development Institute currently under the CSB will continue to enhance training for civil servants, including training in innovation and use of technology to tie in with the Government's Smart City Blueprint for Hong Kong. We will set up a civil service training advisory board comprising relevant professionals and government officials to give guidance on training programmes for the civil service and its long-term development strategy, and to prepare for the development of the new civil service college.

Enhancing Inter-departmental Collaboration and Efficiency

26. Set up on 1 April this year, the PICO has, within just half a year, performed rather effectively in, for example, assisting the co-ordination of government measures to facilitate the development of the maritime industry and identifying suitable sites for the new public markets to be provided in Tin Shui Wai and Tung Chung. The PICO has employed 18 policy and project co-ordination officers on a contract basis whereby young people can be closely involved in assignments reporting directly to the Chief Executive and participate in policy research and project co-ordination.

27. Besides, we have completed two organisational changes in the Government by transferring the Efficiency Unit to the ITB and the Legal Aid Department to the Chief Secretary for Administration's Office. During public consultation on the Policy Address, there was a considerable amount of views suggesting that the Transport and Housing Bureau (THB) was overburdened and should be split into two, with the establishment of a new policy bureau to co-ordinate housing and land policies. I generally agree that there is such a need and will further consider how to implement the suggestion.

28. To enhance the integrity of family policies, the Labour and Welfare Bureau (LWB) will lead a study group to explore the feasibility of integrating the family-related policies, including those on children, women, the elderly and family currently put under the respective purviews of the LWB and the Home Affairs Bureau (HAB).

29. High-level steering with enhanced co-ordination is a practicable alternative to organisational restructuring. The Chief Secretary for Administration, the Financial Secretary and I provide steer for the relevant policy areas by chairing high-level committees. For example, I chair the Steering Committee on Innovation and Technology and the Steering Committee for the Development of the Greater Bay Area to be established shortly; the Chief Secretary for Administration chairs the commissions and steering committees in relation to youth development, ethnic minorities and human resources; and the Financial Secretary chairs the Financial Leaders Forum and the high-level tourism co-ordinating meeting.

30. I would like to take this opportunity to express my gratitude to the civil service, which has all along been delivering efficient and quality services to the general public with professionalism. In particular, when the Super Typhoon "Mangkhut" swept through Hong Kong recently, all government departments worked together to protect the lives and properties of the citizens and ensure public safety by discharging their duties fearlessly under the inclement weather. I would also like to thank thousands of volunteers and people from the local community who have actively participated in handling the aftermath. They should be commended for fully demonstrating the Hong Kong spirit of mutual care and assistance.

The Judiciary

31. The rule of law is the most important core value of Hong Kong, and independence of the Judiciary is the key to embodying the rule of law. The Basic Law lays out the fundamental principles underpinning our independent judicial system. Notable ones are the independent exercise of judicial power by our courts free from interference, vesting of the power of final adjudication of the HKSAR in our Court of Final Appeal (CFA), and invitation of judges from

other common law jurisdictions to sit on our CFA. We will continue to steadfastly safeguard judicial independence and uphold the rule of law. Let me reiterate that, any behaviour arising from disappointment with certain court verdicts, including unreasonable attacks on the judicial system and the Judiciary, interference with the independence of judicial power or verbal insults on judges, are totally unacceptable as well as detrimental to the judicial system and the spirit of jurisdiction in Hong Kong. As the Chief Justice of the CFA, Mr Geoffrey MA Tao-li, pointed out at the Ceremonial Opening of the Legal Year 2018, any criticisms which are levelled against the Judiciary should be on an informed basis. Courts and judges are concerned only with the law and the legal issues which arise in any disputes to be determined by them. It is not relevant, nor is it any part of their constitutional duty to adjudicate on political, economic or social issues as such without reference to the law. It is in everyone's interest that the rule of law remains strong, respected and visible.

32. To ensure the effective operation of the Judiciary, the Government has all along been providing sufficient resources and necessary support to the Judiciary. Concerning court facilities, the Judiciary has set up a central steering committee to oversee the new High Court project adjacent to the Central Government Offices at Tamar and the District Court project at Caroline Hill Road. The relevant departments will work closely with the Judiciary to press ahead with these two major projects that can address the long-term needs of the courts. On human resources, the Government has accepted the proposals of the Judiciary and plans to extend the statutory retirement ages for judges and judicial officers to 70 (judges at the level of the Court of First Instance of the High Court and above) and 65 (judicial officers below the High Court level). This will be conducive to the goal of enhancing judicial manpower, address the recruitment difficulties of the Judiciary, and help retain senior judicial talent with extensive experience. We will introduce the relevant legislative amendments for scrutiny by the LegCo as soon as possible.

Legislating for Article 23 of the Basic Law

33. The HKSAR Government has the constitutional responsibility to legislate for Article 23 of the Basic Law in order to safeguard national security. I have stated publicly for a number of times that the Government will carefully consider all relevant factors, act prudently and continue its efforts to create a favourable social environment for the legislative work. Yet, it does not suggest that we will turn a blind eye to the acts of violating the Constitution and the Basic Law, attempting to secede from the country and endangering national security; or our existing laws will be put aside and never be applied to deal with certain acts that should be prohibited. The fact that the Secretary for Security took actions last month by applying the Societies Ordinance bears a strong testimony to the above. This issue has aroused extensive public concern and

intense discussion on the legislation for Article 23. I will listen to these views earnestly and explore ways to enable the Hong Kong society to respond positively to this constitutional requirement on the HKSAR.

Article 45 of the Basic Law: Selection of the Chief Executive by Universal Suffrage

34. On the work to effect the selection of the Chief Executive by universal suffrage, my stance remains the same as last year. I understand the aspirations of the community, in particular our young people, for selecting the Chief Executive through “One Person, One Vote”. Yet, I cannot ignore the reality and rashly embark on political reform again as this will divert the attention of our society from development. The HKSAR Government will act prudently in this respect.

Executive-Legislature Relationship

35. The Basic Law stipulates the respective responsibilities of the executive authorities and the legislature of the HKSAR. The HKSAR Government respects the functions of the LegCo to exercise checks and balances on the executive authorities. This does not only manifest good governance, but also forms an integral part of the new style of governance of the current-term Government. Upon the proposal of the LegCo Committee on Rules of Procedure, I have been attending Chief Executive’s Question Time on a monthly basis to answer Members’ questions in a “short question, short answer” format, in addition to Chief Executive’s Question and Answer (Q&A) Session held four times a year. In the 2017-18 legislative session, I attended four Chief Executive’s Q&A Sessions and seven Chief Executive’s Question Times, and responded to a total of 139 questions. The Q&A Sessions strengthen accountability, while interaction with Members allows me to better feel the pulses of society and promptly respond to issues of public concern. For example, the “Lift Modernisation Subsidy Scheme” proposed in this Policy Address to assist the public with repair of lifts in older buildings is a response to Members’ suggestions.

36. In the 2017-18 legislative session, despite all the disputes relating to revision of the Rules of Procedures, the LegCo has achieved a lot. It passed a total of 27 Government Bills, more than double of the 12 bills passed in the 2016-17 legislative session. The Finance Committee also approved 98 items involving over \$250 billion. The effectiveness of LegCo in carrying out its two major constitutional functions, i.e. law enactment and approval of funding, and in serving the people, to some extent, reflects the enhanced Executive-Legislature relationship. My political team and I will continue to communicate and interact with LegCo Members in a sincere and pragmatic manner, so that we may discuss, decide and proceed from the perspective of Hong Kong’s overall interests.

District Administration

37. We attach great importance to taking in views from members of the District Councils (DCs) and local stakeholders, which helps resolve district issues and take forward district administration more effectively. After taking office, I asked all Secretaries of Department and Directors of Bureau to visit all 18 districts within two years to meet with people in the local communities and understand better the sentiment and needs of the districts. As at end-September 2018, they made 174 district visits, which translated into one visit every two working days on average. During the visits, the officials listen earnestly to local feedback and take necessary follow-up actions.

38. Cityscape and environmental hygiene are among the livelihood issues of greatest concern to the DCs and local communities. In this connection, the relevant departments have consulted the DCs on hygiene blackspots and action priorities in the second quarter of this year, and are implementing the corresponding action plans. These include stepping up efforts in cleansing, mosquito prevention, rodent prevention, the strength of enforcement, as well as beautifying and opening up selected vacant sites progressively.

39. Since its launch in 2013, projects under the Signature Project Scheme spearheaded by the respective DCs have been delivering results. Among the 25 funded projects, six have been in operation and are in general well received by the local community. We expect that most of the remaining projects will gradually come into operation next year to benefit local residents.

Integrity

40. A corruption-free government and society as well as a deep-rooted probity culture in all walks of life are among Hong Kong's key competitive edges. For 45 years, the Independent Commission Against Corruption (ICAC) has been pursuing the corrupt independently and professionally in accordance with the law, without fear or favour. Its relentless effort has implanted a culture of integrity across the territory. The ICAC will continue to keep international ranking institutions abreast of Hong Kong's probity situation, and will also assist foreign countries, particularly the Association of Southeast Asian Nations (ASEAN) countries and other B&R countries, in building up their anti-corruption capacity. Such work not only fulfils Hong Kong's international obligations, but also benefits Hong Kong investors seeking development opportunities in these places.

Non-refoulement Claims

41. The Government commenced a comprehensive review of the strategy of handling non-refoulement claims in 2016. Initial results are positive, with the

number of non-ethnic Chinese illegal immigrants and new non-refoulement claims dropping drastically by 80%. The number of claims pending screening by the Immigration Department has dropped from the peak of over 11 000 claims to less than 2 000 at present.

42. Having reviewed the experience in screening non-refoulement claims and taken into account overseas laws and practices, the Security Bureau will introduce a bill to amend the Immigration Ordinance early next year. The bill aims to improve the screening procedures by preventing people from using various means to delay or impede the screening process, so as to further increase the overall efficiency.

The Chief Executive's Mission and Leadership

43. In March 2018, we set up the Chief Executive's Council of Advisers on Innovation and Strategic Development. More than 30 members of the council are tendering advices on Hong Kong's future development and strategies for driving innovation. Besides, in my Policy Address last year, I proposed to hold Chief Executive Summits on important policy areas. Since assuming office, I have already chaired three summits respectively on new directions for taxation, poverty alleviation and quality education, during which I listened to the views of the relevant sectors and stakeholders directly. I will chair a summit on rehabilitation next month. We will also organise summits on youth development and I&T next year.

44. On 1 July last year, I accepted the greatest honour in my life with humility and got myself prepared for the greatest challenge in my public service career. Over the past year or so, I have led my governing team to work with one heart. We stand united and rise to various challenges. I have worked in the Government for 38 years and have been upholding the principle of "saying what needs to be said; doing what needs to be done", and I have never evaded anything. The mission of my team and myself is to grasp the opportunities, focus on development and improve people's livelihood by uniting all sectors in the community, so as to enable the HKSAR to leverage its strengths under new circumstances to meet the needs of our country and integrate into its overall development.

45. The work of the Chief Executive is undoubtedly taxing. I need to remain composed and resilient under pressure, while taking care of the internal and external environment and unite all sectors of the community. Nevertheless, people's aspirations for a happy life and good governance are the driving force to keep me striving forward.

III. Housing and Land Supply

My Belief

46. As I stated in the Policy Address last year, the housing policy of the current-term Government comprises four elements. First, housing is not a simple commodity; while maintaining respect for a free market economy, the Government has an indispensable role to play in this area. Second, we will focus on home-ownership and strive to build a housing ladder to rekindle the hope of families in different income brackets to become home-owners. Third, we will focus on supply and, based on the Long Term Housing Strategy (LTHS), increase the supply of housing units. Fourth, when new supply is not yet available, we will optimise the existing housing resources to help families that have long been on the waiting list for public rental housing (PRH) and residents in poor living conditions.

47. To implement the aforesaid housing policies and meet the demand for land and housing in the course of our economic development, it is imperative for us to increase land supply. We must make bold decisions, overcome all difficulties and develop land resources in a resolute and persistent manner. To prevent the acute problem of land shortage from emerging again, the determination of the Government to identify and produce land and build a land reserve should never waver in face of short-term changes in economic environment or fluctuations in property prices.

48. Our people will call Hong Kong their home only when there is adequate housing for all to enjoy life in this city, and it is the Government's responsibility to provide suitable housing for families in different income brackets. With the persistent imbalance in housing demand and supply, the average waiting time for PRH has lengthened and prices of private housing, which have been rising substantially in recent years, are well beyond the affordability of ordinary families. During my term of office, I will increase the ratio of public housing, allocate more land to public housing development³, and undertake that 70% of the housing units on Government's newly developed land will be for public housing.

Current Situation

49. Surging property prices and shortage of housing supply are major livelihood concerns of the public. The overall private residential price in August 2018 was historically high, registering a 16% increase over the same period last year. The index of home purchase affordability (i.e. the ratio of mortgage

³ One of the six new housing initiatives announced in June this year is to re-allocate nine private housing sites for public housing development and it is expected that a total of 10 600 units will be provided.

payment to median income of households) also continued to deteriorate to 74% in the second quarter this year, and was above the annual average of 67% in 2017. At present, there are over 150 000 families and elderly singletons waiting for PRH, with an average waiting time of 5.3 years.

Housing Policy

50. Of the six new housing initiatives I announced in June this year, the most important one is the revision of the pricing mechanism of subsidised sale flats (SSFs) to the effect that the selling prices of these flats will no longer be linked to market prices of private flats. Instead, it will be determined primarily with reference to the affordability of applicants. This is well received by the community and the upcoming sale exercises are expected to attract a large number of applications. Following the new pricing policy, the Hong Kong Housing Authority (HKHA) has reopened applications for Home Ownership Scheme (HOS) 2018. The sale of the first project under the regularised Green Form Subsidised Home Ownership Scheme (GSH) and the “Starter Homes” (SH) pilot project for Hong Kong residents provided by the Urban Renewal Authority (URA) will also be launched subsequently. These three projects will provide a total of 7 426 housing units.⁴

51. The revised pricing mechanism, together with the arrangement for buyers to obtain mortgage loans of up to 90% or even higher loan-to-value ratio, will render future SSFs affordable to the target households. The monthly mortgage payment will generally not exceed 40% of the total household income.

The Hong Kong Housing Society

52. As an important partner to the Government in implementing housing policies, the Hong Kong Housing Society (HKHS) has played an active role in providing PRH units and SSFs for low and middle-income families. As the new HOS pricing mechanism will affect the selling prices of SSFs developed by the HKHS and may have financial impact on the HKHS, the Government will review the land premium arrangement for the HKHS' projects. In addition, the Government is prepared to support the HKHS in redeveloping its aged rental estates with a view to increasing the supply of public housing units. The Government has decided to allocate one of the sites in Kai Tak, which was re-allocated for public housing as announced in June this year, to the HKHS for the redevelopment of Chun Seen Mei Chuen in the vicinities. The remaining new units on the Kai Tak site can also be dedicated to rehousing other eligible non-owner occupier households affected by government development or URA projects.

⁴ Three sites in Cheung Sha Wan, Kai Tak and Tung Chung will provide a total of 4 431 HOS flats; one site in Cheung Sha Wan will provide 2 545 GSH flats; and the URA will provide 450 SH units at its Ma Tau Wai Road project.

Buildings Developed under the Civil Servants' Co-operative Building Society Scheme

53. Some of the buildings developed under the Civil Servants' Co-operative Building Society Scheme (CBS) are clustered in high-density development areas in the urban districts. Aged and of a low density, these buildings did not fully utilise the plot ratios of the sites concerned. In addition, some of these sites are in the vicinity of existing public housing estates and their ancillary facilities. By kicking start the redevelopment of these buildings, we can increase housing supply.

54. In this connection, I will invite the URA to identify one or two clusters of CBS sites suitable for high-density development as pilot sites, and explore the redevelopment of the sites in accordance with the usual project implementation approach adopted by the URA. If we can fully utilise the plot ratios of the sites through redevelopment, we will request the URA to earmark some of the resumed land for public housing development. The dedicated rehousing approach of the HKHS mentioned earlier can also help address the accommodation issue arising from the redevelopment of CBS buildings.

Redevelopment of Tai Hang Sai Estate

55. Tai Hang Sai Estate in Shek Kip Mei is a private rental housing estate catering for low-income families at below market rentals. It is constructed and managed by the Hong Kong Settlers Housing Corporation Limited (HKSHCL), which is a non-profit-making organisation. The HKSHCL plans to redevelop the estate in situ in phases, and is now consulting the affected households on rehousing arrangements. On the premise that the HKSHCL will make proper rehousing arrangements for its tenants, the Government has clearly indicated that we will firmly support the HKSHCL in taking forward the redevelopment project as soon as possible and will provide the necessary assistance, with a view to improving estate facilities and increasing housing supply.

Review of the Long Term Housing Strategy

56. On the basis of my principles and policies on housing, the public/private split of the future ten-year housing supply target under the LTHS may need to be adjusted. In fact, there are divergent views as to whether the public/private split of new housing supply in the next ten years should be maintained at 60:40. The THB will have full regard to the latest developments and views from various sectors when announcing the next ten-year housing supply target.

Efficient Use of Public Housing Resources

57. To increase short-term housing supply, I suggest that the HKHA and the HKHS consider implementing the following three new initiatives:

- (i) in the light of the operational experience of the HKHS' pilot scheme, the HKHA to join the scheme and allow owners of HKHA's SSFs with premium unpaid to sublet their flats to needy families;
- (ii) accept the HKHS' recommendation of launching a "Flat for Flat Pilot Scheme for Elderly Owners" for its SSFs with premium not yet paid. Under this scheme, owners aged 60 or above who have owned their flats for at least ten years can sell their original flats and then buy a smaller SSF flat in the secondary market without payment of premium; and
- (iii) The HKHA to launch a new initiative whereby under-occupation households whose family members are all aged 70 or above are allowed to enjoy lifetime full rent exemption upon their transfer to smaller, new or refurbished units.

Increasing the Supply of Transitional Housing

58. Before new supply becomes available, a task force under the THB will actively facilitate the implementation of various short-term community initiatives to increase the supply of transitional housing. As of today, the Community Housing Movement operated by the Hong Kong Council of Social Service has introduced a number of projects providing a total of 153 units; the Modular Social Housing Scheme on Nam Cheong Street in Sham Shui Po, with funding support from the Community Care Fund, is expected to provide a total of 90 units. On the relaunching of measures to revitalise industrial buildings, we will allow wholesale conversion of industrial buildings for transitional housing. The Government is also actively supporting non-profit-making organisations to explore the feasibility of constructing pre-fabricated modular housing on idle private and government sites. A number of such projects are underway.

Land Supply

59. In the past year, the current-term Government has restored the housing ladder and revised the prices of SSFs. Finding land is the pressing problem that we need to tackle urgently. In fact, the shortage of land supply not only leads to a shortage of housing supply, but also affects people's quality of life. From child care centres to elderly care facilities; from basic education and healthcare services to leisure open space and cultural and recreational facilities; and from

maintaining the advantages of traditional trades to promoting new economy industries, land is strictly necessary. In short, the improvement of livelihood and the development of the economy and transport infrastructure of our society hinge on land resources, without which all strategies or plans will end up in empty talk.

Land Development – a Daunting Task

60. In November 2011, as the then Secretary for Development, I launched a public engagement exercise entitled “Enhancing Land Supply Strategy”, which proposed six measures including reclamation outside Victoria Harbour, rock cavern development, optimising the use of brownfield sites and agricultural land etc. I made the following remarks publicly at that time: “It is utterly difficult to developing land resources, and it is getting increasingly even more difficult. Nevertheless, we must rise to the challenge for the sake of Hong Kong’s long-term development.” Now seven years have passed, the larger scale land development projects are still struggling with hurdles along the way. While the last term Government raced against time to press ahead with rezoning as a major short-to-medium term measure and various new development areas (NDAs) projects in Kwu Tung North/Fanling North, Hung Shui Kiu, Yuen Long South as well as Tung Chung, these efforts are constrained by project complexities and lengthy processes. Adding to these is the long lead time required to resolve the conflicting interests of land owners, residents and other stakeholders affected by land development, which invariably resulted in delays or scaling back of the projects.

Task Force on Land Supply

61. The Task Force on Land Supply (Task Force) set up in September last year has shouldered the task of forging collaborative deliberation with the public, in an attempt to build the greatest consensus in society. The chairman, vice-chairman and members of the Task Force have been fully committed to the five-month long public engagement exercise which was concluded last month. I would like to express my heartfelt thanks to the Task Force and look forward to receiving the full report of the Task Force by the end of this year.

62. Half a month ago, upon my request, the Task Force shared with me its preliminary key observations. While public attention has centred on the observations in respect of individual land supply options, I am attracted to the Task Force’s three general observations that the community broadly agrees that land supply is pressing; that we should be prepared for the rainy days; and that a multi-pronged approach should be adopted. I now present some plans on land supply in line with such policy objectives. As regards the further analysis of individual options, I will give detailed consideration to the Task Force’s recommendations in its full report.

Lantau Tomorrow

63. Lantau, the largest outlying island in Hong Kong, is home to the Hong Kong International Airport and the gateway to the world. Upon the commissioning of the Hong Kong-Zhuhai-Macao Bridge (HZMB), the transport connectivity between Hong Kong and other cities in the Greater Bay Area will be further improved, making Lantau a “Double Gateway” to the world and other Greater Bay Area cities.

64. The Government’s vision for the development of Lantau covers the development areas at the artificial islands near Kau Yi Chau and Hei Ling Chau in the Central Waters, North Lantau as well as the coastal areas of Tuen Mun including the River Trade Terminal after re-planning and Lung Kwu Tan, to be supported by a new set of transport networks connecting various development areas. The vision aims to instil hope among Hong Kong people for economic progress, improve people’s livelihood and meet their housing and career aspirations. We will realise this vision in the coming 20 to 30 years through the following five policy directions and investment.

(1) Unleashing land potential, increasing land supply and developing a liveable near carbon-neutral city

To unleash the development potential of existing land on Lantau, we kicked off the statutory planning procedures for the Mass Transit Railway Corporation Limited’s (MTRCL) Siu Ho Wan Depot Site early this year. It is estimated that its topside development can provide no less than 14 000 residential units in the medium to long term. We hope to develop the depot site into a Siu Ho Wan community with public and private housing as well as community facilities, with due regard to factors including planning, public-to-private housing mix, transport infrastructure, development timeline and MTRCL’s participation etc.

The Government has decided to commence immediately a study on phased reclamation near Kau Yi Chau and Hei Ling Chau for the construction of artificial islands with a total area of about 1 700 hectares. The study and design work will begin shortly with the aim of commencing the first phase of reclamation in 2025. The land reserve to be provided by reclamation could be planned for building 260 000 to 400 000 residential units. These units, with 70% being public housing, could accommodate a population of 700 000 to 1 100 000. We anticipate that the first batch of residential units could be available for intake in 2032. The construction of artificial islands in the Central Waters helps meet the housing, economic and employment needs in the long run, which ties in with the overall population growth and economic development of Hong Kong. We can make use of the additional land

reserve to thin out the dense population in urban areas. This will facilitate the redevelopment of old districts, improve living environment, and achieve a more balanced spatial development pattern for the territory.

We plan to develop near carbon-neutral pilot zones on the artificial islands at Kau Yi Chau and Hei Ling Chau. We will explore the wider use of renewable energy, energy efficient design and technologies, green transport, higher greening ratio, more advanced recycling and waste management measures etc. to progress towards the long-term vision of carbon-neutral community. On the other hand, we will adopt city concepts that are smart, green and resilient to environment and climate in the Tung Chung New Town Extension for their first trial.

(2) According priority to transport infrastructure, reinforcing advantages of a “Double Gateway”

One of the key development axles of the Lantau Tomorrow Vision is to accord priority to transport infrastructure development. We will study the construction of a new major transport corridor to link up the coastal areas of Tuen Mun, North Lantau, the artificial islands in the Central Waters and the traditional business centre in Hong Kong Island North with roads and railways, and take forward works for a highway parallel to the North Lantau Highway and the Lung Mun Road improvement. This new transport corridor will not only shorten the travelling distance between the Chek Lap Kok airport and Hong Kong Island, thereby strengthening the role of Lantau as a “Double Gateway” and facilitating the formation of the Western Economic Corridor, but also release the development potential of the artificial islands in the Central Waters, reclaimed land at Lung Kwu Tan, as well as coastal areas such as the River Trade Terminal, Tuen Mun East and Tuen Mun West. Besides, the corridor will help relieve the congestion at the West Rail and Tuen Mun Road during peak hours, and significantly improve the transport system in the North West New Territories as well as enhance the flexibility and resilience of the entire transport network of Hong Kong.

(3) Developing the Aerotropolis and the third Core Business District to promote economic development

The Government will invite the Airport Authority Hong Kong (AAHK) to submit a proposal for the topside development at Hong Kong Boundary Crossing Facilities Island. Such development, coupled with the Three-runway System, high value-added logistics centre at the South Cargo Precinct, the SKYCITY project, as well as the AsiaWorld-Expo, of

which a private interest was recently acquired by the AAHK, and its Phase Two development, will create at Lantau an Aerotropolis connecting the Greater Bay Area and the world, thereby strengthening and enhancing Hong Kong's position as an international business centre.

The artificial islands formed by reclamation in the Central Waters will evolve into the third Core Business District (CBD) of Hong Kong following Central and Kowloon East. Capitalising on the favourable geographical advantages, the artificial islands will link up Central/Sheung Wan area with Lantau via a new transport system. Complementing traditional CBDs and synergising with the advanced Aerotropolis, the artificial islands will create extensive room for the development of conventional and emerging industries. Our preliminary estimate is that about 340 000 jobs will be created by developing the artificial islands.

(4) Enhancing environmental capacity for sustainable development

The fourth key development axle of the Lantau Tomorrow Vision is sustainable development. Upholding firmly the planning principle of "development for the north, conservation for the south", we will carry out infrastructure and development projects along the direction of "conservation to precede development". A \$1 billion Lantau Conservation Fund will be set up to promote and implement conservation of rural Lantau, and to pursue livelihood improvement works in remote villages and communities.

We will also review the legislation concerned and map out more effective means to control landfilling, dumping of wastes and associated development activities causing environmental damage to areas of high ecological values at Lantau, with a view to enhancing protection of the natural beauty of these areas.

(5) Increasing leisure and entertainment facilities to promote a healthy lifestyle

Lantau has a wealth of green and blue natural resources. Given proper measures for environmental protection, it has the potential of developing into a leisure and entertainment destination of choice. We will provide additional pedestrian-friendly walkways and extend the cycle track network as linkage to the Tung Chung New Town, and explore the feasibility of connecting Tung Chung with the airport island, with a view to encouraging green living. We will also formulate and implement in phases a comprehensive Lantau Trails and Recreation Plan for the development of a hiking trail network connecting as many

heritage, ecological and recreational hotspots as possible, provision of diverse leisure experience and promotion of healthy living.

Sunny Bay will be developed into a leisure and entertainment node, where mega-scale activities as well as international or local major competition events will be held to attract visitors. The development of Sunny Bay will create synergy with the Hong Kong Disneyland Resort expansion project.

65. The Lantau Tomorrow Vision involves the overall planning of the city and implementation of a number of major infrastructure projects in the coming decades, and requires the efforts of various bureaux, government departments and Non-Governmental Organisations (NGOs), which entails a large amount of meticulous co-ordination work. As the Lantau Tomorrow Vision is a priority area of the current-term Government, I will set up as soon as possible a dedicated co-ordination office, which is directly accountable to me, to steer the overall direction as well as co-ordinate and monitor the planning and implementation of the programme. This office will be expanded as needed to ensure that the policy and implementation could be effectively matched.

Development of Brownfield Sites in the New Territories

66. Brownfield sites in the New Territories are disturbed greenfield or agricultural land. Using them for housing development is a logical and natural choice. This seemingly easy option is in fact fraught with difficulties. I must first point out that developing brownfield sites has always been an important part of our land supply strategy. NDAs projects under planning and implementation, including those in Kwu Tung North/Fanling North, Hung Shui Kiu, Yuen Long South etc., will cover about 340 hectares of brownfield sites in total, while another some 200 hectares are within the New Territories North strategic growth area. From public consultations, rezoning, to land resumption and clearance, as well as compensation and rehousing, implementation of NDA projects invariably requires a decade or so. For example, the North East New Territories Development (referred to as Kwu Tung North/Fanling North NDAs nowadays) was initiated in 2008 when I was then the Secretary for Development, but land resumption has yet to start formally, not to mention commencement of works.

67. Nevertheless, I share the community's aspiration about developing brownfield sites to increase housing supply and improve the current haphazard landscape in some parts of the New Territories. I have asked the Development Bureau (DEVB) to co-ordinate among relevant departments to advance the study about developing brownfield sites in New Territories North, and initiate a study on the remaining 760 hectares of scattered brownfield sites to identify those with greater development potential. As many brownfield sites are now used for

port back-up, logistics operations, recycling workshops, and storage of construction machinery and building materials, etc., we need to consider how these existing operations can be handled or relocated in light of the needs of economic development. We expect to complete within this year two studies on brownfield operations that have commenced earlier on, with a view to formulating relevant policy strategies and implementation measures.

Land Sharing Pilot Scheme

68. According to some open information and rough guesstimate, private developers hold altogether no less than 1 000 hectares of agricultural land in the New Territories. In the past five years, the Town Planning Board (TPB) processed some 20 rezoning applications for private housing development in the New Territories involving about 40 hectares of land in total. Because of inadequate infrastructure support, planning considerations or local objections, only seven applications have been approved by the TPB. These approved applications cover an area of about 18 hectares with an estimated supply of about 2 800 housing units. The plot ratio is far lower than that of public housing resulting in an underutilisation of the land concerned. If private land is covered by Government's plans for public housing development or provision of infrastructure facilities, we will continue to resume it pursuant to the Lands Resumption Ordinance. However, if we want to unleash earlier the potential and make better use of privately owned land not covered by Government's planned development, we believe we can do so through a Land Sharing Pilot Scheme (LSPS) that is based on fairness and high transparency, so as to meet the needs of both public and private housing in the short to medium term.

69. The Secretary for Development will formulate the feasible arrangements for the LSPS along the following directions and principles:

- (i) the Government will openly invite land sharing applications. Applicants are required to explain clearly in their proposals how the private land they hold could, in the short to medium term, bring about substantial increase in housing flats through means such as enhancing infrastructure, increasing plot ratio, changing land uses, etc. The increased floor areas will be shared between the Government and applicants, among which not less than 60% to 70% have to be used for public housing development mainly SSFs. The types of public housing to be provided will depend on factors like subsidised housing policies, site location and provision of ancillary facilities;
- (ii) applicants should comply with all applicable statutory procedures and land administration regimes, including submitting to the TPB rezoning or planning applications and paying to the Government

land premium at full market value in respect of lease modifications for the private housing and ancillary commercial facilities in the development;

- (iii) to take advantage of the efficiency of the private sector and expedite development, applicants will be responsible for building infrastructure facilities that can support the development concerned or even benefit the local community. Subject to assessment by the Government on cost effectiveness, the relevant cost will be deducted from land premium. Besides, applicants are required to consolidate private property interests within the development site on their own. If the infrastructure facilities encroach onto private land, the Government may consider, on the basis of public interest and in line with established arrangements, resuming the land for the provision of such facilities; and
- (iv) the application mechanism must be fair, open and transparent, allowing participation by all eligible private land owners. A set of transparent criteria and procedures must also be put in place for processing applications and selecting suitable projects. In addition, information of the pilot scheme must be released in a timely and transparent manner so as to dispel public worries. In this connection, applications will be considered by the Land and Development Advisory Committee (LDAC) which comprises mostly non-official members, before submitting to the Chief Executive in Council for approval.

70. I will also ask the DEVB to set a time limit, and a cap on the total area to be handled, for the pilot scheme so that the Government may process projects that are the most effective and beneficial in the short and medium term. I hope the pilot scheme can be introduced next year after making reference to the final report of the Task Force.

Revitalisation of Industrial Buildings

71. Under the previous revitalisation scheme for industrial buildings, the Government has so far approved a total of 124 applications for wholesale conversion and redevelopment of aged industrial buildings. The scheme provides more floor area to meet Hong Kong's changing social and economic needs, and makes better use of our valuable land resources. Having reviewed its effectiveness, we have decided to reactivate the revitalisation scheme for industrial buildings. The new scheme has been expanded to include wholesale conversion of industrial buildings for transitional housing use.

72. The new scheme will include the following measures:

- (i) the Lands Department will accept owners' applications, on a three-year time-limited basis, and exempt the waiver fees incurred, for wholesale conversion of industrial buildings aged 15 years or above in "Commercial" (C), "Other Specified Uses" annotated "Business" (OU(B)) and "Industrial" (I) zones into permissible planning uses. Compared with the previous scheme, we propose incorporating a new condition that the applicants should designate 10% of the floor area for specific uses prescribed by the Government upon completion of such conversion works;
- (ii) to encourage owners to redevelop industrial buildings constructed before 1987, we will extend the application of the present planning policy about suitably increasing the maximum permissible domestic plot ratio within certain "Residential" (R) zones, so as to allow relaxation of the maximum permissible non-domestic plot ratio by up to 20% for redevelopment projects of these pre-1987 industrial buildings located outside "R" zones in Main Urban Areas and New Towns. Individual applications have to be made to the TPB within three years, and the modified lease should be executed within a specified period after the town planning approval; and
- (iii) we will allow revitalisation of industrial buildings to provide transitional housing. In practice, the Government will exercise flexibility in the application of planning and building design requirements, and charge a nil waiver fee for the specific use of transitional housing, if owners provide transitional housing in portions or entire blocks of industrial buildings located in "C", "Comprehensive Development Area", "OU(B)" and "R" zones which have already undergone or will pursue wholesale conversion into non-industrial uses. We would encourage owners to collaborate with non-government institutions to provide transitional housing, so as to provide more suitable accommodation for those yet to be allocated PRH or other grassroots citizens with housing needs. A task force under the THB will provide one-stop, co-ordinated support to facilitate the community in pursuing transitional housing.

73. Owing to multiple ownership of some industrial buildings, owners may not be able to reach a consensus in the immediate future over wholesale conversion or redevelopment of the buildings. As such, we will also introduce the following measures to optimise the use of existing industrial buildings:

- (i) relaxing the waiver application policy on a time-limited basis (for five years initially) to permit the arts and cultural sectors and creative industries to operate at individual units of existing industrial buildings without the need for making separate waiver applications and paying waiver fees, so long as such uses are permitted under the planning regime;
- (ii) with due regard to public safety, widening the permissible uses of buffer floors to cover telecommunications exchange centres and computer/data processing centres, so as to facilitate conversion of lower floors of industrial buildings into non-industrial uses; and
- (iii) promulgating a wider definition for “godown” uses under lease provisions of industrial buildings to cover cargo handling and forwarding operations and recyclable collection centres.

The DEVB will announce the specific details of the above measures in due course, and launch the measures progressively by the end of this year.

Expediting Supply by Streamlining Control

74. To expedite housing and land development, the DEVB has set up a steering group to explore ways to streamline the process of development approval for departments under its purview. We have also established a joint sub-committee under the LDAC to build consensus on the streamlining proposals. In September this year, we consulted the joint sub-committee on the first batch of proposals on how to rationalise the approval of building height, greening coverage and landscape requirements, and the joint-committee generally supported the proposals. In the coming year, the steering group will continue to examine carefully if there is any room for streamlining the approval process, and will implement the necessary arrangements progressively.

IV. Diversified Economy

My Belief

75. Hong Kong has been acclaimed as the world's most open, freest and most competitive city by many international organisations⁵. Leveraging our unique strengths under "One Country, Two Systems", we will continue to respect economic principles, uphold operation of the market and promote free trade. We will also strive to develop new areas of economic growth. The National 13th Five-Year Plan pledges support for Hong Kong to reinforce and enhance its status as an international financial, transportation and trade centre; develop its I&T industry; and establish itself as a centre for international legal and dispute resolution services in the Asia-Pacific region. The B&R Initiative of our country, as well as the Greater Bay Area development personally planned, deployed and taken forward by President XI Jinping have brought enormous opportunities for the economic development of Hong Kong. The HKSAR Government will do its best as a "facilitator" and "promoter", seizing the opportunities to capitalise on Hong Kong's strengths to serve the country's needs, and seeking active liaisons with the world to explore more business opportunities.

Hong Kong's Current Economic Situation and Outlook

76. I attended the World Economic Forum in Davos in January this year. While an optimistic sentiment prevailed at that time among heads of states and governments, chiefs of international organisations and economic commentators, the situation has changed after a few months. Amid the unstable and fluctuating international trade environment, coupled with the rise of unilateralism and the intensifying trade friction between China and the United States (US), Hong Kong cannot stay immune. The apparently inevitable dispute reminds us that Hong Kong, as an externally-oriented economy, must always remain vigilant and get ourselves equipped and prepared for responding to contingencies. At the same time, we must pursue the development of a diversified economy in order to enhance our capabilities in withstanding external shocks.

77. In the first half of this year, the Hong Kong economy grew strongly by 4% in real terms over the previous year, riding on the broadly positive global economic environment. Entering the third quarter, economic activities

⁵ The Heritage Foundation of the United States has been naming Hong Kong the world's freest economy for 24 consecutive years; the Canadian Fraser Institute has been crowning Hong Kong as the world's freest economy since 1996; and the International Institute for Management Development based in Lausanne, Switzerland, ranked Hong Kong second in world competitiveness in 2018.

sustained solid expansion, with both external trade and local consumption continued to achieve notable growth. The labour market was in a state of full employment, with the unemployment rate staying at 2.8% in recent months, the lowest in more than 20 years. Income showed broad-based increases, among which, with the employment earnings of full-time employees in the lowest three income decile groups rose by 2.3% in real terms over the previous year after discounting inflation. Inflation largely stayed within a moderate range.

78. However, uncertainties in the global economy have increased markedly. As the trade friction between China and the US may persist or even escalate, international trade, financial markets and investment activities might be affected and the direct and indirect impacts on our economy will become more visible. Moreover, rising US interest rates have led to an increase in Hong Kong's prime rate for the first time in 12 years. This, together with a possibly more volatile global financial environment, might impact on our economy and asset prices in the future. Given the limited impact of the trade friction between China and the US on our economy for the time being, and considering the actual outturn since early this year, the economy should still be able to attain 3-4% growth this year, which is higher than the average annual growth rate of 2.7% in the past decade. Yet, we must closely monitor upcoming changes in the economic environment so that we may respond swiftly and suitably.

Land and Manpower

79. Land and manpower are currently the two major bottlenecks in Hong Kong's economic development, and they are not easy to resolve. The current-term Government will make every effort to provide sufficient land for housing and economic purposes through short, medium and long-term initiatives. We will also adopt a multi-pronged approach to ensure the sufficient supply of talent for the development of different sectors.

Human Resources

80. The Government is committed to enhancing our human resources planning to support the development of Hong Kong as a high value-added and diversified economy. The Human Resources Planning Commission, chaired by the Chief Secretary for Administration, is examining the manpower situation of various industries, the opportunities and challenges presented for them and co-ordinating relevant studies and analyses, with a view to exploring strategies for nurturing talent, unleashing the potential of local workforce and attracting outside talent. Our first Talent List promulgated in August this year covers 11 specific professions needed most for Hong Kong's economic development.

81. Through the provision of additional resources and the updating of relevant policies and measures, the Government will nurture and attract talent

for Hong Kong. On the I&T front, for example, the Government has progressively introduced various initiatives, such as the Postgraduate Programme Finance Scheme for Local Students, the Technology Talent Admission Scheme, the Technology Talent Scheme and the enhanced Internship Programme, to proactively attract and nurture scientific research talent. On maritime sector, we will inject \$200 million into the Maritime and Aviation Training Fund to enhance the training and nurturing of industry talent. As for the construction industry, the Hong Kong Institute of Construction established this year offers well-structured and advanced programmes accredited by the Qualifications Framework to attract more young talent. As for legal services, the Department of Justice (DoJ) proactively supports legal professional talent in enhancing Mainland, regional and international co-operation and exchange, including arranging internships in international organisations, as well as participation in important legal conferences and training programmes in Hong Kong, for local young legal professionals. Moreover, in addition to engaging Senior Counsel/experienced junior counsel to prosecute some of the cases of complexity or sensitivity, the DoJ will also actively consider expanding the existing arrangement whereby counsel with less than ten years' experience are engaged to act as junior counsel to the Senior Counsel/experienced junior counsel, so that more less-experienced counsel can gain precious experience and skills in case handling. The DoJ also plans to launch an understudy programme for less-experienced counsel to be engaged in civil law matters.

Government-to-Government Business

82. Over the past year, we have given full play to the functions in terms of Government-to-Government through establishing bilateral and multilateral ties to explore more opportunities for Hong Kong, promote our strengths and attract more overseas and Mainland enterprises, investors and talent to Hong Kong.

83. On the enhancement of economic and trade relations, the HKSAR Government has signed three free trade agreements (FTAs) with 12 economies (namely the ten Member States of ASEAN, Georgia and Macao Special Administrative Region) in the past 12 months. We have also concluded FTA negotiations with the Maldives, while our bilateral negotiations with Australia are ongoing. Building on the good foundation of the Strategic Dialogue on Trade Partnership and the joint statement on closer collaboration on trade and economic matters between Hong Kong and the United Kingdom (UK), we are exploring with the UK options for forging even closer economic ties, including the possibility of a FTA in future. We are exploring a FTA with the four members of the Pacific Alliance, namely Chile, Colombia, Mexico and Peru. Combined together, these four Pacific Alliance member countries account for nearly 40% of the gross domestic product (GDP) of the whole Latin America.

84. Besides, we plan to seek accession to the Regional Comprehensive Economic Partnership (RCEP) after completion of negotiations by ASEAN with relevant economies, in accordance with the terms on accession of new members therein. Apart from the ten Member States of ASEAN, other RCEP members are Australia, India, Japan, Korea, the Mainland and New Zealand. The combined GDP of these 16 economies represents nearly one-third of the world's total. Joining the RCEP will enable Hong Kong to become a part of the largest FTA in the Pan-Asia region.

85. To attract foreign investors to Hong Kong and to protect overseas investments of Hong Kong businesses, Hong Kong has so far signed 20 investment agreements with foreign economies, covering most of Hong Kong's major trading partners. We have completed negotiations with Bahrain, the Maldives, Mexico and the United Arab Emirates (UAE) respectively and will arrange for signing of the investment agreements after completion of the required internal procedures by both sides. Currently, negotiations with Russia are underway, and we will explore the possibility of commencing negotiations with Turkey.

86. To consolidate and enhance the status of Hong Kong in the international trade market, as well as to explore new business opportunities, in addition to our existing 12 overseas Economic and Trade Offices (ETOs), we are actively expanding the ETO network. The plan to set up the Bangkok ETO in Thailand as announced in my Policy Address last year has received high level of attention from the Thai Government with the relevant discussion concluded within a short period of time. Upon approval by the LegCo for funding and creation of the relevant posts, the Bangkok ETO is expected to commence operation in early 2019, following the coming into effect of the Hong Kong-ASEAN FTA and the investment agreement in January 2019 at the earliest. The ETO will become our third ETO⁶ in ASEAN and will further strengthen our bilateral ties with ASEAN. As regards the earlier proposed ETOs in India (Mumbai), Korea (Seoul), Russia (Moscow) and the UAE (Dubai), discussions are being held with the respective governments.

87. The Government has so far concluded comprehensive avoidance of double taxation agreements (CDTAs) with 40 tax jurisdictions. We hope to further expand our CDTA network, bringing the total number of such agreements to 50 over the next few years.

88. As the Chief Executive, I make every effort to promote bilateral and multilateral ties and raise Hong Kong's international profile. After taking office in July last year, I attended a number of international conferences, including the Asia-Pacific Economic Co-operation Economic Leaders' Meeting, the World

⁶ At present, the HKSAR Government has two ETOs in ASEAN, namely the Singapore ETO and the Jakarta ETO in Indonesia, which were established in 1995 and 2016 respectively.

Economic Forum Annual Meeting held in Davos, the Boao Forum for Asia Annual Conference and the Meeting of the United Nations Economic and Social Commission for Asia and the Pacific. I also paid visits to the UK, Switzerland, France, Belgium, Saudi Arabia, Singapore, Thailand, Vietnam, Myanmar and Indonesia etc., during which I reiterated the successful implementation of “One Country, Two Systems” in Hong Kong after our return to the Motherland, promoted Hong Kong’s strengths on various fronts and explored co-operation opportunities.

Enhanced Co-operation with the Mainland

89. The HKSAR Government will continue to enhance liaison with the various Mainland provinces, municipalities and autonomous regions through the five offices and 11 liaison units in the Mainland, as well as to introduce the latest development of Hong Kong to the Mainland enterprises and people, to establish platforms for direct communication between Hong Kong’s business sector and the relevant Mainland authorities, and to connect with Hong Kong people working, studying and living in the Mainland.

90. In the past year, the HKSAR Government has been actively exploring room for closer co-operation with the Central authorities and the municipal and provincial governments respectively. The scope of co-operation is no longer confined to trade, finance and investment, but has been extended to cover I&T, creative industries, youth exchanges etc.

Policy Direction

Belt and Road Initiative

91. The Government has strived to grasp the opportunities brought by the B&R Initiative. At the end of last year, we entered into the “Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative” with the NDRC. Through the 26 collaboration measures laid down therein seeking to support Hong Kong’s full participation in and contribution to the B&R Initiative, we have established Hong Kong’s pivotal position in the promotion of the B&R Initiative by leveraging our strengths to meet the country’s needs. These measures cover six key areas in which Hong Kong have distinctive strengths and positions, namely finance and investment, infrastructure and maritime services, economic and trade facilitation and co-operation, people-to-people bond, taking forward the development of the Greater Bay Area, and enhancing collaboration in project interfacing and dispute resolution services. In June this year, the first B&R Joint Conference, establishing Hong Kong’s unique and direct communication mechanism with

relevant Mainland authorities regarding the B&R Initiative, was held in Beijing. Furthermore, we have co-organised consecutively with the Hong Kong Trade Development Council three Belt and Road Summits since 2016. Within a short span of three years, the Summit has established itself as the largest and most important B&R commerce, investment and business matching platform for Mainland, overseas and Hong Kong enterprises.

92. Hong Kong has firmly established itself as the prime platform and a key link for the B&R Initiative. Riding on our various unique advantages, and in view of the opportunities and challenges, we have formulated a five-pronged B&R key strategy on continuous engagement with the Mainland and B&R related countries and regions. These themes include (i) enhancing policy co-ordination; (ii) fully leveraging Hong Kong's unique advantages; (iii) making the best use of Hong Kong's position as the professional services hub; (iv) promoting project participation; and (v) establishing partnership and collaboration. The Commerce and Economic Development Bureau (CEDB) plays a leading and co-ordinating role in promoting the B&R Initiative, and is in the process of recruiting the Commissioner for B&R to undertake the relevant work. The Professional Services Advancement Support Scheme administered by CEDB will continue to provide funding support for projects to enhance external promotion for our professional services and to better equip the professional services sector in seizing the opportunities and meeting the challenges brought by the B&R Initiative.

Guangdong-Hong Kong-Macao Greater Bay Area

93. This year marks the 40th anniversary of the reform and opening-up of the country. Under the theme of "Joint Development, Shared Prosperity", the Government is organising activities for the public to look back on how Hong Kong has actively taken part in the country's reform and opening-up over the past 40 years, and to look ahead on how Hong Kong and the Mainland may work together to expand the scope of co-operation and explore more opportunities under the country's further reform and opening-up.

94. In July last year, President XI Jinping visited Hong Kong and witnessed the signing of the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Co-operation in the Development of the Bay Area between the NDRC and the governments of Guangdong, Hong Kong and Macao. In the past year, relevant Central authorities and the governments of Guangdong, Hong Kong and Macao continued to proactively take forward work relating to the development of the Greater Bay Area.

95. On 15 August this year, I attended, as a member, the first plenary meeting of the leading group for the development of the Greater Bay Area convened by the Vice Premier of the State Council, Mr HAN Zheng, in Beijing.

As I said at this meeting, “One Country, Two Systems” is a unique characteristic of the Greater Bay Area, as well as the key foundation for its internationalisation. In fact, leaders of the Central Government have repeatedly made it clear that in taking forward the development of the Greater Bay Area, we should, under the framework of “One Country, Two Systems”, strictly adhere to the country’s Constitution and the Basic Law, as well as stay committed to the basis of “One Country” and leverage the benefits of “Two Systems”.

96. The development of the Greater Bay Area will bring Hong Kong new areas of economic growth and the opportunity to enlarge the living environment of Hong Kong residents. With the commissioning of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the HZMB and the new land boundary control point at Liantang/Heung Yuen Wai, a one-hour living circle encompassing Guangdong, Hong Kong and Macao is basically formed. Since last year, the Central Government has introduced a series of measures to provide facilitation for Hong Kong people living, working and studying in the Mainland, in particular the measure introduced by the State Council in August this year to allow Hong Kong, Macao and Taiwan residents to apply for residence permits, which has substantially enriched this living circle.

97. I will make good use of the Chief Executive’s membership of the leading group to explore and identify the economic, social and livelihood opportunities brought to Hong Kong by the development of the Greater Bay Area. Within the HKSAR Government, I will establish a high-level Steering Committee for the Development of the Greater Bay Area, with me as the chairperson and its membership comprising all Secretaries of Department and Directors of Bureau. The Steering Committee will be responsible for the overall co-ordination of matters relating to the HKSAR’s participation in the development of the Greater Bay Area. The Constitutional and Mainland Affairs Bureau will also set up a Greater Bay Area Development Office and appoint a Commissioner for the Development of the Greater Bay Area to implement the relevant work.

Innovation and Technology

Good Progress

98. In last year’s Policy Address, I outlined eight major areas for I&T development and committed enormous resources for this purpose. This strategy has received wide recognition from various sectors and good progress has been made, including:

- (i) The bill⁷ for providing enhanced tax deductions for qualifying R&D expenditure incurred by local enterprises has entered the final stage of scrutiny in the LegCo, the passage of which will benefit enterprises for their qualifying R&D expenditure in 2018-19. The Government has also accepted the recommendations made by the Task Force on Review of Research Policy and Funding led by Professor TSUI Lap-chee, including an additional injection of \$20 billion into the Research Endowment Fund set up by the Research Grants Council (RGC) under the University Grants Committee (UGC) to strengthen the research capabilities of our universities, and the setting up of a scientific research matching fund of \$3 billion to increase the source of research funding;
- (ii) Funding approval of \$10 billion has been obtained from the LegCo for establishing two I&T clusters at the Hong Kong Science Park, with one focusing on healthcare technologies and the other on artificial intelligence and robotics technologies. Institut Pasteur from France, as well as the Guangzhou Institute of Biomedicine and Health and the Institute of Automation in Beijing under the Chinese Academy of Sciences have expressed interest in joining the clusters as the first batch of institutions to work in collaboration with local universities and research institutions. Our target is for the first batch of scientific research institutions to set up their laboratories in the two I&T clusters progressively starting from the latter half of next year. On pooling of technology talent, the Government has launched the Technology Talent Admission Scheme and the Technology Talent Scheme, and has adopted the recommendation of the above-mentioned task force to set up fellowship schemes using a three-pronged approach to attract, train and retain talent, thereby enlarging the local I&T talent pool. The Greater Bay Area academician alliance to be set up in Hong Kong will certainly add to the might of our talent pool;
- (iii) Under the I&T Venture Fund, the I&T Commission entered into agreement with six investment companies in July and August this year to invest, on a matching basis, in local technology start-ups. The Government has also provided funding of \$7 billion and \$200 million to the Hong Kong Science Park and Cyberport respectively for enhancing their support for tenants;
- (iv) The infrastructure works of the Hong Kong-Shenzhen I&T Park at the Lok Ma Chau Loop has commenced in June this year, with the

⁷ We will provide 300% tax deduction for the first \$2 million of the qualified R&D expenditure of enterprises, and 200% for the remaining amount. There is no cap on the amount of the tax deduction.

objective of providing the first batch of land parcels for superstructure development not later than 2021. The Science Park expansion project will be completed one year ahead of schedule in 2019, the InnoCell residential building for talent, as well as the Data Technology Hub and the Advanced Manufacturing Centre at Tseung Kwan O Industrial Estate will be completed progressively starting from 2020 as scheduled;

- (v) The PICO is now reviewing existing legislation and regulations, so as to remove outdated provisions that impede the development of I&T. The PICO is consulting the relevant sectors and sorting out the scope for the review;
- (vi) Opening up government data can provide the ingredients needed for technology research. Last month we firmed up the policy and implementation measures on opening up government data to promote smart city development. The policy requires all government departments to formulate and publish their annual open data plans by the end of this year. Besides, the Hospital Authority (HA) is actively making preparations for a Big Data Analytics Platform, which will allow academic researchers to access HA's clinical data. The HA will also provide training for them to facilitate collaborative research projects;
- (vii) We will introduce a pro-innovation government procurement policy in April next year. By raising the technical weighting in tender assessment, tenders with innovative suggestions will stand a better chance of winning government contracts. We will also enhance exchange with the sector and dissemination of procurement information to facilitate the participation of I&T start-ups and small and medium-sized enterprises (SMEs) in government procurement; and
- (viii) Popular science education is important in promoting I&T development. The Education Bureau (EDB) has been promoting Science, Technology, Engineering and Mathematics (STEM) education in primary and secondary schools and will continue to enhance the support for schools in providing students with more learning, exchange and competition opportunities, with a view to unleashing their potentials in science and technology. Last year, the EDB issued a supplementary curriculum document on "Computational Thinking – Coding Education" for use by schools, and started organising intensive training programmes on STEM education for the leadership tier and mid-level administrators of schools. The STEM Education Centre at Lok Fu, Kowloon Tong,

has commenced operation. We are pleased to note that an organisation plans to set up the first school in Hong Kong with STEM as its main direction of curriculum planning, with the aim of nurturing local students interested in I&T. I much appreciate that various organisations have been organising I&T expos, seminars and competitions for students to enhance their interest in science and technology and put what they have learnt to application. To promote the use of I&T in addressing livelihood issues and create a fervid I&T atmosphere, we will allocate \$500 million for organising an annual “City I&T Grand Challenge” in the next five years. We will openly invite various sectors to put forward I&T solutions to tackle issues closely related to our daily lives. In addition to prize money, solutions selected will have the opportunity to be tried out in suitable public organisations for application and refinement.

99. The most heartening and impactful event in our I&T development over the past year has been the personal steer of President XI Jinping. President Xi recognises that Hong Kong, with its solid foundation in science and technology and a pool of high quality technology talent, is an important force in implementing the nation’s innovation-driven development strategy and building an innovative country, and renders his support for the development of Hong Kong into an international I&T hub. In May this year, the MOST and the Ministry of Finance launched a new initiative, allowing universities and research institutions in Hong Kong to bid for science and technology funding of the Central Government on the basis of merit and competition, and the funding granted can be used in Hong Kong. This has realised the cross-boundary remittance of science and technology funding, which the local technology sector has been longing for. Just in end-September, the Arrangement on Enhancing Innovation and Technology Co-operation between the Mainland and Hong Kong was signed between the MOST and the Innovation and Technology Bureau (ITB), providing an overarching framework for mutual I&T collaboration.

Expediting Re-industrialisation

100. While Hong Kong is a service-oriented economy, high-end and high value-added manufacturing has a promising prospect, following the development of I&T and promotion of R&D. Moreover, high-end manufacturing will generate R&D needs, which is conducive to raising R&D investment by the industries, thus contributing to robust and sustainable development of the R&D work of local universities and research institutes. High-end manufacturing will also provide quality jobs for local I&T talent, particularly young graduates.

101. To encourage the industries to engage in high-end production by tapping into I&T and application of smart technologies and production processes, and expediting the realisation of “re-industrialisation”, I propose to allocate \$2 billion for launching a “Re-industrialisation Funding Scheme” to subsidise manufacturers, on a matching basis, to set up smart production lines in Hong Kong. The ITB will work out the operational details of the scheme, such as the eligibility criteria and approval mechanism. The Precision Manufacturing Centre established by the Hong Kong Science and Technology Parks Corporation (HKSTPC) in Tai Po Industrial Estate and the Advanced Manufacturing Centre to be completed in Tseung Kwan O Industrial Estate will provide the industries with facilities for smart production. I also recommend providing an additional allocation of \$2 billion for the HKSTPC to identify suitable land in industrial estates for building manufacturing facilities required by the dedicated advanced manufacturing sector.

Promoting Technology Transfer

102. There is gifted and outstanding scientific research talent in various local universities. To fully unleash our strengths in scientific research and promote technology transfer as well as the realisation of R&D findings, funding for three relevant schemes under the I&T Fund will be doubled. The maximum annual funding for the Technology Transfer Office of each university will be increased from the existing \$4 million to \$8 million; the maximum annual funding for each specified university under the Technology Start-up Support Scheme for Universities will also be increased from the existing \$4 million to \$8 million; and the annual funding for each State Key Laboratory and each Hong Kong branch of the Chinese National Engineering Research Centre will be increased from the existing \$5 million to \$10 million to support scientific research and commercialisation of outputs.

Smart City

103. The Smart City Blueprint for Hong Kong published last year has set out more than 70 initiatives, including infrastructure projects such as eID, smart lamppost, a revamped Government’s cloud infrastructure and a new big data analytics platform. Under the direction of the steering committee chaired by myself, these projects have commenced in succession.

104. An important objective in promoting smart city development is to enhance the Government’s capability in innovation and the standard of city management. The ITB set up a TechConnect (block vote) in mid-2017 to support government departments in planning and implementing technology projects for higher operational efficiency and better public services. To date, the block vote has supported over 40 technology projects proposed by departments, many of which are closely related to our daily living, such as the use of technology to

assist in water seepage investigation in buildings, strengthening integrated weather monitoring and enhancing the efficiency of customs clearance for cross-boundary vehicles and cargoes. I will allocate another \$500 million to the block vote to promote further technology adoption by departments, with a view to providing better services for the community.

105. We will tap into the latest I&T to further revamp our e-Government services. We will introduce artificial intelligence and chatbot functions to the GovHK portal in 2019 to facilitate searching and access of e-Government services by the public, and enhance e-Government services in mid-2021 through the application of eID. We will also pilot the use of chatbot to handle 1823 public enquiries.

106. To tap the views of the technology sector, the Office of the Government Chief Information Officer will set up a Smart Government Innovation Lab and invite the industry to put forward proposals on I&T applications and product suggestions for various public services. Trials and technology testing will be arranged for suitable proposals, thereby allowing government departments to formulate innovative measures more effectively to improve public services such as municipal services, crowd control and cargo clearance. This will also create more business opportunities for local start-ups and SMEs.

107. To cope with the rising challenges on law enforcement brought about by technological development, we will adopt a four-pronged strategy covering “application”, “research and development”, “analysis” and “fortification” of I&T to enhance the capabilities of law enforcement agencies. “Application” includes developing smart prisons, smart customs clearance and law enforcement, as well as using technology to enhance services of the Immigration Department. “Research and development” and “analysis” include strengthening R&D on technologies for government security, combating crimes and enhancing the analytical capabilities for digital and forensic evidence. “Fortification” includes fortifying cyber security and using big data analysis to enhance fire safety strategies.

Transportation and Logistics

108. The maritime sector has all along been driving Hong Kong’s economic development. It is a major pillar of Hong Kong’s trading and logistics industry, with more than 90% of freight volume to and from Hong Kong still transported by water at present. Although there has been a declining trend in the container throughput of Hong Kong Port in recent years, we still have our advantages, which include a long-established maritime tradition, our geographical location, and the clustering of shipowners, shipping companies and maritime services sectors. The Hong Kong Shipping Registry (HKSR) provides shipowners with round-the-clock quality services throughout the year, and its shipping register

comes fourth in the world in terms of gross tonnage of ships on the register. Ships registered in Hong Kong are well-recognised as a high quality fleet⁸ in the international maritime arena.

109. In the past few months, I have convened inter-departmental meetings and met with the industry to review the future development strategies for our maritime sector; I have also consulted the Chief Executive's Council of Advisers on Innovation and Strategic Development. Facing the fierce competition among neighbouring ports and ports in the region, we must admit that relying on our port container trade alone can no longer bring strong and sustained impetus for Hong Kong's economic growth. For this reason, we must capitalise on Hong Kong's unique strengths and the immense opportunities brought by the B&R Initiative and the Greater Bay Area development to develop high value-added maritime services.

110. The Government will implement the following measures to support and enhance the development of high value-added maritime services:

- (i) using tax measures to foster ship leasing business in Hong Kong and commissioning the Hong Kong Maritime and Port Board to set up a task force to devise the details, with a view to enhancing Hong Kong's position as a ship leasing centre in the Asia-Pacific region;
- (ii) providing tax reliefs to promote the development of marine insurance and the underwriting of specialty risks in Hong Kong;
- (iii) exploring streamlining regulation with a view to facilitating the operation of protection and indemnity club for shipowners in Hong Kong;
- (iv) offering the necessary facilitation and measures in support of Hong Kong's provision of reliable and quality dispute resolution services for the global maritime industry;
- (v) setting up Regional Desks of the HKSR in selected ETOs and Mainland Offices and Liaison Units to render more direct and prompt support to shipowners at the ports concerned and to promote the HKSR;
- (vi) injecting \$200 million into the Maritime and Aviation Training Fund to enhance the training and nurturing of talent for the sectors;

⁸ The detention rate of ships registered in Hong Kong in port state control regimes around the world is very low. The figure in 2017 was 0.7%, which is significantly lower than the global average (around 3%).

- (vii) further expanding our CDTA network to attract more international marine and maritime service providers to set up offices in Hong Kong; and
- (viii) working with the trades to jointly promote our maritime and port services to overseas and local stakeholders and encourage more companies and individuals to seize the business and job opportunities of the relevant industries.

111. Our maritime sector has also suggested that the Government should consider implementing additional measures to encourage more commercial principals of the maritime industry (such as shipowners, ship operators and ship managers) to base their operations in Hong Kong. Given that the commercial principals are involved in a wide range of businesses, we need to further examine the proposal. I have asked the THB to take the lead, together with other relevant government departments, in putting forward feasible proposals as soon as possible.

112. The booming growth of e-commerce worldwide has generated an ever-increasing demand for cross-border logistics and delivery services, in particular air delivery and transshipment services. The AAHK awarded tender for the development of a premium logistics centre in June this year; meanwhile, it has been 20 years since the Air Mail Centre at the Hong Kong International Airport commenced operation, Hongkong Post is actively exploring the feasibility of redeveloping the centre with advanced equipment, in order to boost its operating efficiency and handling capacity.

Finance

113. With highly international and professional financial infrastructure and market profiles, and riding on the reform and opening-up in the Mainland, Hong Kong has developed into a mature international financial centre. These characteristics not only form an integral part of our prosperity and stability, but also contribute to our country in opening up the financial market.

114. To further strengthen Hong Kong's position as an international asset and wealth management centre, the Government will continue to forge a conducive environment for the fund industry by enhancing our legal and tax frameworks. The open-ended fund company regime that commenced in July this year provides a new fund structure in addition to the unit trust form. We are also studying the establishment of a limited partnership regime for private equity funds, and reviewing the existing tax concession arrangements for the fund industry to ensure that the industry can stay in line with international requirements on tax co-operation while promoting their business. To further expand the fund distribution channels, we will continue to promote mutual recognition of funds arrangements with other markets.

115. Spurring the continued development and strengthening our capital markets are vital to cementing our status as an international financial centre. With our internationally-aligned legal and regulatory system, free flow of capital, and our listing regime which is compatible with the needs of the market, we ranked first globally in terms of Initial Public Offering (IPO) funds raised in five out of the past nine years.

116. In April this year, the Stock Exchange of Hong Kong (SEHK) launched a new listing regime, under which companies from emerging and innovative sectors with weighted voting rights structure held by individuals, and pre-revenue or pre-profit biotech companies are allowed to be listed in Hong Kong, subject to compliance with a range of investor protection requirements. IPO activities this year sustained the growth momentum of previous years. Up to September, the total IPO funds raised in Hong Kong was over \$238 billion, the highest among our counterparts over the world so far. The SEHK will continue its endeavour to develop Hong Kong into a broader and deeper fund-raising platform.

117. We have introduced the Financial Reporting Council (Amendment) Bill 2018 into the LegCo to initiate a reform of the regulatory regime for auditors of listed entities. In the new regulatory regime proposed, the functions of the Financial Reporting Council (FRC) will be enhanced to become a full-fledged independent oversight body for auditors of listed entities. After enactment of the bill, we will inject no less than \$300 million into a seed capital to facilitate the FRC's smooth transition from the existing auditor regulatory regime to the new regime.

Insurance Industry

118. The B&R Initiative facilitates the development of infrastructure and trade in countries along the routes. It also generates demand for insurance and risk management services for large-scale infrastructure and investment projects. With a mature insurance market and a robust regulatory regime, Hong Kong is well positioned to provide quality services for these projects. Meanwhile, the development of the Greater Bay Area spurs the flow of production factors, consolidates Hong Kong's advantages in the financial market and supports the growth of real economy in the region, giving a fresh impetus to our insurance sector. After having consulted the Financial Leaders Forum, the Government will adopt various measures, including tax reliefs to promote the development of marine insurance and underwriting of specialty risks in Hong Kong so as to strengthen Hong Kong's status as an international insurance hub. In addition, the Government will make relevant legislative amendments to allow for the formation of special purpose vehicles in Hong Kong specifically for issuing insurance-linked securities with a view to enriching the risk management tools available in the Hong Kong market. I expect the Insurance Authority to make

further proposals to promote the competitiveness of Hong Kong's insurance industry.

Financial Technologies

119. The Government has adopted a five-pronged approach in facilitating Fintech development, namely promotion, facilitation, regulation, talents and funding. Just last month, the Hong Kong Monetary Authority (HKMA) launched the Faster Payment System to link up banks and stored value facilities operators. It enables the public to make real-time money transfer anytime and anywhere with the use of mobile number or email address as account proxy for the payee. A common QR code standard was also launched last month to facilitate retail payments across different e-wallets, offering convenience to merchants and customers alike.

120. The HKMA is processing the first batch of virtual banking licence applications. The licences are expected to be issued by end-2018 or early 2019 at the earliest. The Open Application Programming Interface framework for the banking industry will allow access by third-party service providers and offer innovative financial services to members of the public. While we embrace Fintech to enhance the competitiveness of our financial services industry, we are also mindful of the risks involved and will fulfil our duties to protect the investing public.

121. I announced in my last Policy Address that the Government would take the lead in issuance of green bonds to signify our support for sustainable development and determination to combat climate change, and to promote the development of green finance in Hong Kong. We are now seeking the relevant authorisation by the LegCo for launching the Government Green Bond Programme early and making an inaugural green bond issuance under the Programme.

Tourism

122. To facilitate the balanced, healthy and sustainable development of the tourism industry and to formulate forward-looking strategies for the future, the Government promulgated the Development Blueprint for Hong Kong's Tourism Industry last year. We are actively pressing ahead with various initiatives, including promoting in-depth district tourism to enable visitors to experience Hong Kong's local life and district characteristics. In this connection, following the launch of Old Town Central promotion last year, the Hong Kong Tourism Board just launched another district tourism campaign in Sham Shui Po this September to promote the distinctive characteristics of the district to our visitors. We will continue to identify suitable local areas for district tourism promotion. We are also enhancing the supporting facilities of key hiking trails

and piers with a view to strengthening the development of Hong Kong's green and eco-tourism.

123. Hong Kong Disneyland and Ocean Park, as the two major theme parks in Hong Kong, have for years attracted many visitors locally and from around the world. We will continue to ensure that the two theme parks can enhance their attractiveness so as to draw more high value-added overnight visitors. The Government is closely monitoring the existing expansion plans of Hong Kong Disneyland and will explore whether there is room for its next-stage development. We will also continue to support Ocean Park in reviewing its strategic positioning and future development plan, with a view to bringing more comprehensive recreational experience to visitors. In addition, the Peak Tram has always been an iconic facility in Hong Kong since it commenced operation in 1888. The Peak Tramways Company Limited, to which the second 10-year operating right up to 2035 has just been granted by the Government, will implement an upgrading plan of over \$650 million to improve the existing facilities so as to provide better services for the tourists and locals alike, which will be conducive to enhancing the attractiveness of peak tramway as an important tourism and recreational facility.

124. It is of great importance to strengthen trade regulation for safeguarding the rights and interests of visitors. We hope that the LegCo will pass the Travel Industry Bill in the near future, so that the Travel Industry Authority can be established as soon as possible to commence necessary preparations for setting up the new regulatory regime.

Protection of Consumer Interests

125. We do our best to protect the interests of consumers and boost their confidence in consumption. In recent years, there have been many complaints that consumers felt aggrieved at being pressurised or were forced into making purchases unwillingly by salespersons of certain trades who deploy aggressive sales tactics. Person-to-person telemarketing calls have also caused nuisance to many members of the public. The Government is studying the feasibility and scope of proposed legislation requiring traders to provide a cooling-off period in certain service contracts that involve large contract sum or long contract period, and will put forward a proposal for public consultation at the end of this year or early next year. We have completed a public consultation earlier on the proposal to establish a statutory Do-not-call Register so that those who do not wish to receive person-to-person telemarketing calls may so indicate by registering their phone numbers. Our target is to introduce the above mentioned two Bills within the current term of the LegCo.

Trade and Investment

Coping with the Rise of Trade Protectionism

126. With its long-established business environment and an open, free and competitive system, Hong Kong is currently the seventh largest trading entity and the third largest foreign direct investment recipient in the world. As a founding member of the World Trade Organisation (WTO), Hong Kong has remained steadfast in our firm commitment to the free trade principles and has given staunch support to the rule-based multilateral trade system. Together with our Motherland and other countries in the world, we have been persistently advocating the reduction of tariffs and elimination of trade barriers to promote global trade liberalisation. The unilateral trade protectionist measures adopted by the US since early this year challenge the WTO system, representing a major setback in the international trade development. We have grave concern over this issue, particularly the imposition of heavier tariffs by the US on grounds of national security on certain products from Hong Kong and other places. We must keep a close eye on the impacts of the trade friction between China and the US on Hong Kong and formulate response plans accordingly.

127. The HKSAR Government has been maintaining close liaison with the trade and has taken a number of immediate initiatives to assist them in market development and risk diversification. Such initiatives include strengthening various funding schemes for SMEs, and implementing special enhanced measures by the Hong Kong Export Credit Insurance Corporation to strengthen the protection for Hong Kong exporters affected by the US tariff measures. We will enhance the special concessionary measures under the SME Financing Guarantee Scheme operated by the Hong Kong Mortgage Corporation Insurance Limited and extend the application period to further relieve the financing burden of local enterprises. The HKSAR Government will continue to closely monitor developments and implement timely measures to support the trade.

Investment Promotion

128. We will continue to actively attract foreign inward investments. According to the latest survey jointly conducted by Invest Hong Kong (InvestHK) and the Census and Statistics Department, there are over 8 700 business operations in Hong Kong with parent companies situated overseas or in the Mainland. Among them, 1 530 have their regional headquarters situated in Hong Kong, representing an increased by 8.3% as compared with the same period last year.

129. By adopting a more proactive and targeted strategy, InvestHK, together with the relevant bureaux as well as overseas ETOs and Mainland offices, successfully attracted many renowned organisations in priority sectors to set up

operations in Hong Kong over the past year. For example, a spin-off from Hamlyn Centre of Imperial College London established a surgical robotics research and development centre in Hong Kong; Alibaba, in partnership with SenseTime and the HKSTPC, launched the HKAI Lab; Tencent set up Tencent WeStart in Hong Kong, its first creative hub outside the Mainland for digital entrepreneurs; Deloitte launched its Asia Pacific Blockchain Lab; and The Floor, a Fintech platform from Israel, established its presence in Hong Kong. Hong Kong's start-up ecosystem is developing rapidly. A survey conducted by InvestHK revealed that there were over 2 200 start-ups in Hong Kong last year, representing a growth of 16% over 2016.

Convention and Exhibition

130. The Convention and Exhibition (C&E) industry is vital to Hong Kong as an international business and trading centre. In order to reinforce the advantages of the C&E industry of Hong Kong and enhance the synergy between C&E venues and facilities in their vicinity, we will continue to actively increase the supply of C&E venues and facilities, including developing Wan Chai North into a C&E hub in Asia. As announced in my Policy Address last year, we will redevelop the sites of the three government towers in Wan Chai North and Kong Wan Fire Station into C&E facilities, hotel and office. We are constructing as planned a number of new government buildings in various districts to relocate the government departments and law courts concerned. The sites are expected to be vacated by 2026 at the earliest for demolition and redevelopment, and their plot ratios will be fully utilised to maximise their potential. We are working at full steam on technical assessments and design, and will consult stakeholders and conduct town planning procedures as soon as possible.

131. Regarding AsiaWorld-Expo (AWE), another important C&E venue, as the AAHK has completed the acquisition of the private interest in it, we will discuss with the AAHK the Phase Two expansion plan of AWE.

Legal Services

132. The DoJ is committed to promoting Hong Kong as an international dispute resolution centre for the B&R Initiative. A task force has been set up to explore the establishment of a credible and neutral B&R Dispute Resolution Centre in Hong Kong, providing parties from all over the world with one-stop dispute resolution services to resolve a wide range of cross-border and international disputes, including commercial, trade and investment-related disputes. The centre will feature panels of international dispute resolution experts to offer dispute resolution solutions that accommodate the various cultures involved. It will also consider preparing a set of bespoke B&R dispute resolution rules.

133. On the development of LawTech, the DoJ supports the development of a B&R e-arbitration and e-mediation platform by NGOs, so that Hong Kong will be able to provide efficient and cost-effective online dispute resolution services. The HKSAR Government will provide funding for the cost of development of this project.

134. The DoJ will continue to enhance legal co-operation in civil and commercial matters between Hong Kong and the Mainland, including the early conclusion of an arrangement with the Mainland to broaden the mechanism for reciprocal recognition and enforcement of judgments in civil and commercial matters, as well as exploring the arrangement for entering into an agreement with the Mainland for reciprocal recognition and enforcement of international commercial settlement agreements resulting from mediation.

135. The Government is committed to taking forward the Legal Hub project. Works are in progress to renovate the West Wing of the former Central Government Offices and the former French Mission Building. It is expected that space will start to be provided to international and local law-related organisations commencing mid-2019. The Legal Hub project will help attract more reputable international legal services and dispute resolution institutions to provide services or set up offices in Hong Kong, and thus further consolidate the competitiveness of Hong Kong's international legal and dispute resolution services sector.

Telecommunications and Broadcasting

136. The advent of the fifth generation mobile communications technology (5G) presents new opportunities and challenges. It will not only upgrade telecommunications, I&T infrastructure, but also open up high value-added markets and industries, boost efficiency and competitiveness and revolutionise mobile user experience, bringing vast potential for various commercial services and smart city applications.

137. To enable early launch of 5G services, we have made advance planning to release sufficient radio spectrum with a total of 4 500 MHz in various frequency bands for assignment to mobile service operators in phases next year, thus enabling them to plan ahead and launch 5G services as soon as possible. Since the roll-out of 5G networks will involve installing a larger number of base stations, it will pose challenges for network operators to put in place the infrastructure. In this connection, the Government will proactively open up suitable government premises and roof-tops for the installation of base stations by mobile service operators. At the same time, we are making use of the subsidy scheme to extend fibre-based networks to villages in remote locations in the New Territories and on outlying islands to provide the backbone for the extension of 5G coverage.

138. Following our earlier review of the television and sound broadcasting regulatory framework to provide a more balanced competitive environment and given our intention to introduce legislative amendments to give effect to our proposals, we will proceed to the second phase of the review that will cover the Telecommunications Ordinance. Our aim is to ensure that our laws and regulations dovetail with the latest developments in technologies to pave the way for early adoption and provision of innovative services, so that Hong Kong can consolidate its leading position as a regional telecommunications hub. We plan to consult the public on our proposals before the end of this year and to introduce legislative amendments next year.

Creative Industries

Design Industry

139. The array of measures to support creative industries I announced in the Policy Address last year is being implemented, including a one-off injection of \$1 billion into the CreateSmart Initiative to promote the development of design and other creative sectors, of which \$300 million has been earmarked for the Hong Kong Design Centre (HKDC) mainly to fund mega activities. I also undertook to make full use of the traditional base for apparel and fabrics in Sham Shui Po District to develop our design and fashion sectors, with a view to driving the district's local economy and promoting its unique charm for local tourism. The Government, in collaboration with the URA and the HKDC, has secured space in a redevelopment project in the district for establishing a Design and Fashion Project to combine design and industry, to bring Hong Kong's fashion design development to a new level, and to groom young designers. Construction works of the project will soon commence and are expected to be completed in 2023-24.

140. We have been actively promoting design thinking as a problem-solving capability in the past year. The HKDC, in collaboration with the Efficiency Office and the Civil Service Training and Development Institute, is holding classes and seminars both at the community level and within the Government. The Government will draw up internal guidelines to encourage departments to adopt pro-innovation proposals and apply design thinking in the procurement process to enhance efficiency, to meet the needs of the public, and to advocate the "people-oriented" service culture.

Film Industry

141. The film industry, a key sector amongst the eight creative industries in Hong Kong, does not only enrich our cultural life, but has also successfully built up a brand name for "Hong Kong Films".

142. Although the global film market has undergone major changes in recent years, and there is a significant decline in the number of local productions, Hong Kong filmmakers are doing well in other markets, and many talented and enthusiastic young people still choose to pursue their career in the film industry.

143. Recently, I have met with two groups of experienced filmmakers on separate occasions to gain a better understanding of the state of play and their views on the prospect of the sector. I believe that there is strong potential for our film industry to prosper. It is important for the Government to work closely with industry players to turn challenges into opportunities so that Hong Kong films can shine again.

144. I propose to make a one-off injection of \$1 billion into the Film Development Fund to support initiatives for boosting the development of our film industry in the next few years. We will realise this vision through measures under the following four broad directions:

(i) Nurturing talent

Enhancing the First Feature Film Initiative by increasing the number of winning teams and the prize sponsorship; providing more comprehensive nurturing and training programmes for various film disciplines to integrate theory and practice; and providing targeted support to address gaps of skill in scriptwriting and script production with a view to grooming more scriptwriters;

(ii) Enhancing local production

Expanding the scope of the Film Development Fund to cover mid-budget films and raising the Government's investment ceiling to enhance Hong Kong films' competitiveness in the local and overseas markets; encouraging content production of different genres and different lengths to cater for a more diversified and multi-media market; and encouraging the industry to utilise Hong Kong's facilities and talent for post-production services;

(iii) Market expansion

Promoting the brand of "Hong Kong Films" through film festivals and other publicity activities in the Mainland and overseas markets; and establishing a platform for film financing to match investors and filmmakers; and

(iv) Building audience

Cultivating cinema-going habits among young people and students; and encouraging more cinemas to screen local film productions.

Regarding the proposals of the industry for facilitating Mainland-Hong Kong co-productions and entry of Hong Kong productions into the Mainland market, I am prepared to discuss with relevant Central authorities and seek their support.

Construction Industry

145. To cope with the huge demand for housing, land, healthcare services and community infrastructure development, we will collaborate with the Construction Industry Council in leading the industry to make changes by implementing “Construction 2.0” advocating “Innovation”, “Professionalisation” and “Revitalisation”, uplift the capacity and sustainability of the industry, increase productivity, enhance regulation and quality assurance, improve site safety and reduce environmental impact. We will also encourage innovative minds and strive to nurture the younger generation, offering them more opportunities to develop their strengths. The Government will pilot “Construction 2.0” in public projects to promote industry enhancement. We have also established a \$1 billion Construction Innovation and Technology Fund to encourage wider adoption of innovative technologies and stimulate the provision of cutting-edge solutions by local I&T enterprises for industry enhancement. Moreover, industry practitioners and students can observe the latest construction technologies under the auspices of the fund. Coupled with the establishment of the Hong Kong Institute of Construction this year to offer well-structured and advanced programmes accredited by the Qualifications Framework, we aim to attract more young talent to join and provide impetus for the industry.

Agriculture and Fisheries Industry

146. The Government will continue to take forward the measures under the New Agriculture Policy, including the works of the Agricultural Park Phase 1 to be commenced next year. We will recommend designating new fish culture zones at suitable locations, as well as resuming issuance of new marine fish culture licences, with a view to facilitating the change in mode of operation and sustainable development of the fisheries sector.

V. Nurturing Talent

My Belief

147. Talent is the most important element in Hong Kong's continued development, and education is the key to nurturing talent. Success in education requires the collaborative efforts of all who care about our next generation, with the Government playing a key role. During the past year, I have fulfilled my promises made during the election campaign and after election by devoting substantial resources to education, maintaining professional leadership in charting the way forward and listening carefully to voices of the education sector. My two statements regarding education – “the Government's expenditure on education is the most meaningful investment in our future” and “we should treat our teachers nicely” – have earned wide support from the education sector and become our internal guiding principles for handling education matters. The education sector has, over the years, gone through some anxious and besetting times, I am glad to see that “education is re-emerging as education” and a stable and caring teaching and learning environment is gradually taking shape. That said, in order that our learning and teaching could be even more inspiring and satisfying, we still need to continue with our efforts.

Latest Development in Education

148. In accordance with my belief and vision in education, the Government has, since the 2017/18 school year, allocated considerable new resources to and done a lot of work for education. We have increased the teacher-to-class ratio for public sector schools by 0.1 across-the-board and provided around 2 200 additional regular teaching posts. Besides, aided secondary schools with surplus teachers arising from the reduction of secondary one classes in the past few years were allowed to extend the retention period for the surplus teachers concerned until the overall secondary one student population rebounds steadily. I have also pledged earlier that the Government will work together with schools to tackle the issue when the same situation arises in future due to decline in primary one student population.

149. We strive to provide more opportunities for secondary graduates to further their studies. Last year, we set up a \$30,000 non-means-tested subsidy for eligible students pursuing locally-accredited self-financing undergraduate programmes, and increased subsidised places from 1 000 to 3 000 per cohort under the Study Subsidy Scheme for Designated Professions/Sectors (SSSDP). In the 2017/18 academic year, about 23 000 students benefited from the above two measures. Our policy has enabled the provision of subsidised tertiary education for all students who meet the general entrance requirement (i.e. “3322”) in the Hong Kong Diploma of Secondary Education (HKDSE) Examination.

150. To achieve balanced development of students and whole-person education, we have put in place various enhanced measures in respect of the primary and secondary school curricula, student support, relieving pressure on students, promotion of reading, as well as strengthening moral and civic education. We are now refining the primary and secondary school curricula progressively. In the past year, we have revised the junior secondary Chinese History curriculum and implemented Chinese History as an independent compulsory subject at junior secondary level, with a view to enabling all secondary students to learn Chinese History in a holistic and systematic manner and develop a more comprehensive understanding of our country's history and cultural heritage. The revised junior secondary Chinese History curriculum is expected to be implemented from the 2020/21 school year onwards.

151. The development of our young people should be holistic and should not be limited to academic achievement. An important component in our school curriculum is values education, which includes elements such as moral and civic education, sex education, environmental education, commitment to the community and development of national identity. The Task Force on Review of School Curriculum is now deliberating on the school curriculum with a view to creating space for schools to deliver values education in a holistic manner and to help students develop positive values and attitudes at a young age. For students in their teens, proper sex education is particularly important. I hereby appeal to schools, parents and stakeholders who care about the growth of our children to continue to collaborate with the EDB in cultivating an atmosphere conducive to helping students develop positive values and attitudes to life.

152. In terms of resources for schools, apart from the new education resources of \$3.6 billion of recurrent expenditure allocated shortly after my assumption of office, the Quality Education Fund, in response to the invitation of the Government, has set aside \$3 billion for application by primary and secondary schools, kindergartens and special schools for launching school-based curriculum and student support measures, as well as relevant school improvement works and procurement of supplies, through simplified procedures. This initiative has provided schools with more opportunities to enhance learning and teaching and is well received by the school sector, and many schools have submitted applications to the Fund.

153. In addition, starting from the 2018/19 school year, we disburse a new Promotion of Reading Grant involving a recurrent expenditure of about \$50 million to all public sector schools. This will encourage schools to create a better reading atmosphere, enhance students' interest in reading and help them develop a good reading habit.

154. We care about students' learning pressure, including the over-drilling problems brought about by the assessment system. In response to the drilling

and pressure issues associated with the Primary 3 Territory-wide System Assessment (TSA), we have introduced a new arrangement early this year after extensive consultation. Under the new arrangement, Primary 3 TSA will be conducted every year on a sampling basis, while schools may also choose to arrange all their Primary 3 students to participate in TSA and obtain school reports. This year's TSA has been conducted smoothly with positive feedback. The new arrangement has affirmed the value of making good use of assessment data to provide feedback to learning and teaching, and re-established TSA as a low-stake assessment without the need for drilling.

155. At the same time, the EDB also stresses to schools and school sponsoring bodies through different channels the importance of quality over quantity of homework. We are delighted to see more schools designing meaningful and interesting homework based on school contexts and student abilities and allowing more room and time for students to develop their personal interests.

156. Our next generation needs not only knowledge and skills, but also positive thinking. I am glad to know that schools are continuously enhancing life education to cultivate in students a positive attitude towards life and enable them to learn to overcome difficulties and cherish their lives. To enable students to understand the Basic Law accurately, we adopt different approaches and organise more activities to actively promote the Basic Law education.

157. My commitment to education is continuous. Taking into consideration the recommendations and preliminary views of the various task forces, I now announce the concrete measures in which the Government will inject resources with a view to enhancing the quality of education further and addressing the concerns of teachers, principals and parents.

Diversified Life-wide Learning

158. Today's education is not confined to classroom learning. The EDB has all along been advocating the adoption of diversified pedagogies to enhance students' motivation in learning and to promote self-directed learning. I propose to provide, starting from the 2019/20 school year, a new recurrent Life-wide Learning Grant with an annual provision of \$900 million. The Grant will support public sector schools and schools under the Direct Subsidy Scheme to take forward, on the present foundation, life-wide learning with enhanced efforts through organising more out-of-classroom experiential learning activities in various curriculum areas such as the humanities, STEM education, physical and aesthetic development, moral and civic education. Community service, for example, can help develop students' care for others and empathy, and sports activities can strengthen students' perseverance and resilience. Moreover, activities such as field studies, exchanges outside Hong Kong and workplace

experience can enable students to learn in real-life contexts, broaden their horizons and foster their whole-person development. We trust that the enlivened and enriched learning experiences and the opportunities to apply what students have learned will not only enhance their interest in learning, but also help them develop positive values and attitudes, enhance their spirit to serve and sense of responsibility, and foster positive thinking and good character.

Professional Led Active Listening

159. I all along believe that the way to quality education must be led by professionals and the Government must actively listen to and join hands with the education sector. Within the first month of my assumption of office, I directed the Government to embark on studies in eight major policy areas. Over 70 education experts have participated in a number of task forces and commenced their work. As I mentioned earlier, the task force reviewing the assessment system has completed the review of TSA and new arrangement has been implemented by the EDB early this year. The work on review of school curriculum is complicated and four sub-groups have been set up under the relevant task force to probe into different key areas. Recommendations are expected to be available for consultation in mid-2019. For the remaining six task forces, some of them have completed their work and submitted reports to the Government.

Strengthening Research Capacity

160. Under the lead of Professor TSUI Lap-chee, the Task Force on Review of Research Policy and Funding has submitted report to me last month. The Task Force considers that strengthening our support for the work of researchers and fostering a research culture can help promote the vigorous development of industries as well as technological innovation, thereby enhancing Hong Kong's long-term competitiveness and propelling Hong Kong's development into an international I&T hub. After detailed consideration, I have decided to accept in full the recommendations made by the Task Force.

161. First, we will inject \$20 billion into the Research Endowment Fund (REF) of the RGC under the UGC to increase the provision of more stable research funding to help attract and retain talents. We will also ask the UGC to rationalise the use of different pots of REF for more effective deployment of funding.

162. In order to encourage private entities to increase support for the R&D work of universities, I propose to launch a new Research Matching Grant Scheme with a total commitment of \$3 billion for three years for applications by local degree-awarding institutions. R&D expenditure and donations from

private sector and philanthropists secured by individual institutions would be matched by the Government for research-related purpose. The Scheme will allow the higher education sector to tap more research funding sources as well as encourage the industries to collaborate with the sector in R&D activities, thereby enhancing the social impact of research conducted by the higher education sector.

163. We also support the RGC in introducing three new regular Fellowship Schemes, which will benefit post-doctoral fellows, researchers at associate professor and professor ranks. This will not only encourage doctoral graduates to pursue careers in research, but also provide support to promising researchers, as well as enable universities to attract and retain talents. I have reserved \$190 million recurrent expenditure per annum for these new schemes.

Professional Development of Teachers

164. On teachers' professional development, the Government will implement in one go the all-graduate teaching force policy in public sector primary and secondary schools in the 2019/20 school year. Schools may, taking into account their school-based circumstances, achieve full implementation in two years. The amount of additional funding involved is about \$1.5 billion. Meanwhile, in tandem with the full implementation of whole-day schooling and the all-graduate teaching force policy in primary schools, the Government will earmark a recurrent allocation of \$500 million to rationalise the salaries for principals and vice-principals and to improve the manpower at the middle management level in primary schools. The Task Force on Professional Development of Teachers will submit its recommendations in this regard later.

School-based Management

165. To strengthen school-based management and at the same time reduce the administrative work of teachers and principals so that they may focus on teaching and have more time to take care of the development of students, starting from the 2019/20 school year, the Government will provide public sector schools and schools under the Direct Subsidy Scheme with additional resources of \$570 million each year to strengthen the administrative support for schools and their management committees.

Parent Education and Home-School Co-operation

166. Parents play a vital role in the growth and learning of their children. I hope, through enhancing home-school co-operation, parents and teachers together could nurture children to grow up healthily and happily. To promote parent education and home-school co-operation, starting from the 2019/20 school year, we will increase recurrent funding by about \$30 million so that

additional resources can be provided to Federations of Parent-Teacher Associations and Parent-Teacher Associations of schools for organising more community-based and school-based parent education programmes or activities.

Post-secondary Education

167. To further increase the opportunities and subsidies for local students to pursue post-secondary education, the Government has decided to step up support for self-financing sub-degree programmes that nurture talents to meet our social and economic development needs. Starting from the 2019/20 academic year, about 2 000 students per cohort will be subsidised to undertake designated self-financing sub-degree programmes through the SSSDP. Current students of the designated programmes will also receive the subsidy. It is expected that about 4 000 students will benefit in each academic year. This initiative will incur \$120 million additional recurrent expenditure each year.

Vocational and Professional Education and Training

168. Vocational and professional education and training (VPET) allows students to pursue pathways that best suit their abilities. A comprehensive review had been conducted on VPET in the last term Government. As such, the Task Force on Promotion of VPET was only set up in April this year. The review is underway and public consultation is scheduled for the second quarter of next year.

169. Meanwhile, we strive to explore opportunities to develop VPET. The Vocational Training Council (VTC) will offer 1 200 training places per year to enable trainees to join industries which require specialised skills under the “Earn & Learn” model. Furthermore, to encourage working adults in designated industries to pursue higher qualifications, the Government will continue to provide tuition fee subsidy for three years to a total of 5 600 students admitted to designated professional part-time programmes offered by the VTC. Both schemes will enhance the employability of young people and working adults, and attract and retain talents for the relevant industries.

Supporting Students with Special Educational Needs

170. Apart from the eight areas of common concern in the education sector, I also care deeply about students with special educational needs (SEN). Last year, we created a special educational needs coordinator (SENCO) post for each ordinary primary and secondary school. This year, we will enhance our efforts to provide support for students with SEN in different areas. Starting from the 2019/20 school year, I will implement the following support measures with an additional funding of \$800 million each year:

- (i) re-structuring the Learning Support Grant (LSG), Intensive Remedial Teaching Programme and Integrated Education Programme to provide permanent teaching posts and grant based on students' needs. LSG will be extended to all public sector ordinary schools and the grant rate for the tier-3 support will be increased. Under the enhanced measure, schools will have a more stable teaching force and additional resources for flexible deployment to support their students with SEN;
- (ii) upgrading the SENCO post to a promotion rank in public sector ordinary schools with comparatively large number of students with SEN to facilitate SENCOs to deliver their leadership duties more effectively;
- (iii) extending further the Enhanced School-based Educational Psychology Service, with the target of about 60% of public sector ordinary primary and secondary schools receiving the service by the 2023/24 school year through enhancing the ratio of educational psychologist to school from 1:6 – 1:10 to 1:4. The ratio will be enhanced to 1:6 for the remaining 40% of schools; and
- (iv) creating school-based speech therapist (SBST) posts in public sector ordinary schools by phases in three years starting from the 2019/20 school year to allow schools to form clusters to employ SBSTs to support students with speech and language impairment or other students with SEN.

Hong Kong Examinations and Assessment Authority

171. The Hong Kong Examinations and Assessment Authority (HKEAA) has been administering the HKDSE Examination since its introduction in 2012. It strives to ensure professional administration of the HKDSE Examination as well as fair and just assessment of all candidates. With a continuous decline in candidature in recent years and an increase in operating expenditure, for example, the need to make special examination arrangements for candidates with SEN, the HKEAA is under great pressure to substantially increase the examination fees. To allow time for the Government and the HKEAA to study in detail how to alleviate the serious deficits resulting from the declining number of candidates and to work out a long-term solution, we will provide the HKEAA with a non-recurrent funding of \$360 million in four years to support the effective operation of the HKEAA during the period.

Kindergarten Education

172. Great importance has been attached to early childhood education in recent years and quality kindergarten education fosters in children an inquisitive mind, develops in them an interest in learning and exploration, promotes their balanced development, and develops their healthy self-concept and confidence. In this connection, the Government has implemented the new kindergarten education policy starting from the 2017/18 school year with a substantial increase in government expenditure to enhance teachers' remuneration, reduce parents' financial burden and improve quality of teaching. We will use the data of the three school years from 2017/18 to 2019/20 as the basis to explore the feasibility of introducing a salary scale for kindergarten teachers. We have initially collected the data concerned and plan to start a review in mid-2019 on the implementation of the new policy, including the salary arrangements for kindergarten teachers. We will consult stakeholders during the process.

Investment for the Future

173. The commitment for the above work and measures will exceed the \$3.4 billion additional recurrent provision earmarked earlier. However, given the determination of the current-term Government to promote quality education, we would not haggle over the resources needed, nor would we trim our measures due to resource constraints. I believe that the new resources for education would not be expended for no purpose and I look forward to working hand in hand with the education sector in nurturing quality future generations for Hong Kong.

VI. Improving People's Livelihood

My Belief

174. To promote social harmony and achieve sustainable development, our economic development has to be inclusive and beneficial to different sectors of society. When attending different international conferences in the past year, I emphasised time and again that the practice of capitalism and market economy in Hong Kong was not in conflict with the Government's social policies to actively improve people's livelihood. I deployed two figures to exemplify the determination of the HKSAR Government to improve people's livelihood: about 60% of the recurrent government expenditure was allocated to education, healthcare and welfare, and an increase of 86% in social welfare expenditure over the past six years. However, I must also point out that, with a supply of public resources which are not unlimited, implementing policy initiatives on improving people's livelihood is not just a matter of demand and supply, but also an issue of allocation of resources that cannot be evaded by our society. To make better use of the resources, we should promote cross-sector and cross-profession collaboration as well as public-private partnership in adherence to the principles of pro-child, pro-family, pro-work and pro-user. Besides, Hong Kong people are by nature kind and willing to help others. The Government should further engage in tripartite co-operation with the community and the business sector to build a harmonious society.

Healthcare Services

175. Healthcare services are livelihood issues of greatest public concern just after housing. Hong Kong enjoys a safe and sound public healthcare environment with accessible and quality healthcare services. Life expectancy for male and female populations in Hong Kong ranks first globally⁹ and our healthcare services are among the most efficient in the world¹⁰. We will continue to improve our healthcare system and services, including strengthening primary healthcare services and formally recognising Chinese medicine as part of Hong Kong's healthcare development. We will also plan ahead for medical hardware facilities and manpower requirements of healthcare professionals.

Primary Healthcare

176. To effectively change the current focus of our healthcare services on treatment and to alleviate the pressure on public hospitals, we are committed to enhancing district-based primary healthcare services. The Food and Health

⁹ In 2016, the life expectancy at birth for men and women was 81 years and 87 years respectively.

¹⁰ According to the Bloomberg Health-Care Efficiency Index published in September 2018, Hong Kong ranked first among 56 economies.

Bureau (FHB) is now setting up the first DHC in Kwai Tsing District as proposed in my Policy Address last year. Operating through district-based medical-social collaboration and public-private partnership, the DHC will provide services in health promotion, health assessment, chronic disease management, community rehabilitation, etc.

177. We envisage that the DHC will be a service hub with a Core Centre serving as the headquarters and complemented by five Satellite Centres in sub-districts at convenient locations. Enabled by information technology infrastructure, the DHC will form a service network manned by medical and healthcare practitioners in the district. The DHC will strive to better co-ordinate with other district-based primary healthcare services and facilities, making it more convenient to meet individual healthcare needs of the community. We have selected the site for the Core Centre of the Kwai Tsing DHC and invited tenders for the operating right, with a view to commissioning the DHC around the third quarter of 2019.

178. The Government will allocate substantial resources to subsidise the operation of the DHC at around \$100 million a year. Members of the public will have to bear part of the costs of the services so as to encourage them to manage their own health. We will proactively take forward the setting up of DHCs in other districts, with the Kwai Tsing DHC as the blueprint. To ensure service stability, we will reserve premises for DHCs within Government properties in various districts, and have already identified suitable locations in Kwun Tong and the Eastern District. We will, however, first rent suitable premises for DHCs in various districts to enable early service delivery.

Prevention and Control of Diseases

179. Upon announcement of the Towards 2025: Strategy and Action Plan to Prevent and Control Non-communicable Diseases in Hong Kong by the Department of Health in May this year, we have been actively implementing measures to meet various indicators. These measures include promotion of healthy diets and physical activities, reduction in alcohol and tobacco-related harms, and strengthening of the healthcare system.

180. To safeguard the health of the public, the Government has made strenuous efforts in tobacco control. Different measures have been introduced, including the designation and continuous expansion of no-smoking areas, and periodic increases in tobacco duty. With the concerted efforts by the Government and other stakeholders over the years, smoking prevalence among persons aged 15 and above has significantly dropped from over 20% in the 1980s to 10% at present. The Government has also laid down the target of further reducing smoking prevalence to 7.8% by 2025.

181. In recent years, the emergence of electronic cigarettes (e-cigarettes) and other new smoking products has posed new health risk and challenges. Often packaged as less harmful substitutes with promotion tactics targeted at youngsters and non-smokers, these products open a gateway to the eventual consumption of conventional cigarettes. The fact is: all these new smoking products are harmful to health and produce second-hand smoke. There is also a lack of sufficient evidence to prove that these products can help quit smoking. The public may underestimate the harmful effects of these products and eventually endorse the smoking image and relevant behaviours once again.

182. Since the Government proposed to legislate for the regulation of e-cigarettes and other new smoking products in the middle of this year, the medical professions, education sector, parents and many members of the public have expressed concerns about the adoption of a regulatory approach for the issue. They are worried that allowing the sale of e-cigarettes and other new smoking products with restrictions in the market will not be adequate to protect public health, and will bring about very negative impact on children and adolescents in particular. After weighing the pros and cons of a regulatory approach as opposed to a full ban, I have decided that, with the protection of public health as the prime consideration, the Government will submit proposed legislative amendments in this legislative session to ban the import, manufacture, sale, distribution and advertisement of e-cigarettes and other new smoking products.

183. The Cancer Co-ordinating Committee chaired by the Secretary for Food and Health is drawing reference from World Health Organisation's recommendations, international practices and actual local situations with a view to mapping out in 2019 strategies related to cancer prevention and care services for the period between 2020 and 2025, thereby reducing the burden on society imposed by cancer. At present, government-subsidised cancer screening already covers colorectal cancer and cervical cancer.

184. According to the recommendations of the Scientific Committee on Vaccine Preventable Diseases and the Scientific Committee on AIDS and Sexually Transmitted Infections in mid-2018, the Government will, starting from the 2019/20 school year, introduce free HPV vaccination to school girls of particular age groups as a public health strategy for prevention of cervical cancer.

185. As far as breast cancer is concerned, a government-commissioned study to identify risk factors associated with breast cancer for local women is expected to be completed in the latter half of 2019. The Government will closely monitor the scientific evidence and outcome of the study to review what type of screening is to be adopted for women of different risk profiles.

186. Genomic medicine is an important sphere in contemporary medicine and scientific research, with huge potential in screening, diagnosis and precision medicine. I announced in the Policy Address last year the establishment of a steering committee to lead the study on strategies for developing genomic medicine in Hong Kong. The steering committee has put forth a preliminary recommendation to conduct a large-scale genome sequencing project in Hong Kong in order to enhance the clinical application of genomic medicine. The project also aims to promote innovative scientific research on genomic medicine to cater for future medical development in Hong Kong through the establishment of genome data of local population, testing infrastructure and talent pool. I have accepted this recommendation of the steering committee and will provide government funding for this purpose. FHB will later set up an expert group to finalise the relevant details.

187. The Government has earmarked an annual funding of \$50 million to embark on an on-going mental health promotion and public education initiative. The first phase of the new initiative aims to enhance public understanding of mental health, thereby reducing stigmatisation towards persons with mental health needs, with a view to building a mental-health friendly society in the long run. The Government will commission universities to conduct territory-wide mental health prevalence surveys covering children, adolescents and the elderly to tie in with the initiative.

188. To enhance seasonal influenza vaccination uptake rate, the Department of Health has implemented a pilot programme in the 2018/19 school year to roll out free outreach seasonal influenza vaccination services for primary students at schools. The department has also increased the subsidy under the Vaccination Subsidy Scheme and expanded its eligible groups to cover people aged between 50 and 64, etc.

Positioning and Development of Chinese Medicine

189. Chinese medicine is widely used among Hong Kong people. Over the years, the Chinese medicine sector has urged that a holistic Chinese medicine policy be formulated. I have pledged in my Policy Address last year that the Government would strive to promote the development of Chinese medicine in Hong Kong so that it would assume a more prominent role in promoting public health. Over the past year, the Chinese Medicine Hospital Project Office and the Chinese Medicine Unit, a dedicated unit responsible for overseeing the development of Chinese medicine in Hong Kong, have been established in FHB. Both teams have worked closely with the Chinese medicine sector, and the Executive Council has confirmed the positioning of Chinese medicine in the development of medical services in Hong Kong.

190. Through government subsidising defined Chinese medicine services, Chinese medicine will be incorporated into the healthcare system in Hong Kong. These services include:

- (i) a combination of government-subsidised in-patient and out-patient services offered by the future Chinese medicine hospital;
- (ii) government-subsidised out-patient services offered by the 18 Chinese medicine Centres for Training and Research at the district level; and
- (iii) government-subsidised in-patient services providing Integrated Chinese-Western Medicine treatment in defined public hospitals, in consultation with the HA.

191. Furthermore, a dedicated fund with \$500 million has been established for promoting Chinese medicine development. Administered by the Chinese Medicine Unit under FHB, the fund would provide support in areas such as applied research, Chinese medicine specialisation, knowledge exchange and cross-market co-operation, and assist local Chinese medicine traders with the production and registration of proprietary Chinese medicine. The dedicated fund will commence operation in the first half of 2019.

192. Following confirmation of the positioning of Chinese medicine in Hong Kong's medical services, we will introduce Chinese medicine as part of the civil service medical benefits. The CSB will explore which form to take in providing Chinese medicine services for civil service eligible persons, having regard to the existing mode of operation of different components of the civil service medical benefits and resources consideration.

Enhancing Healthcare Services

193. Many patients worry about the financial burden posed by drug expenses. The HA has commissioned a consultancy study to comprehensively review the existing means test of the Samaritan Fund and Community Care Fund Medical Assistance Programmes. Based on the findings of the review, we suggest modifying the calculation method of the annual disposable financial resources of patients by lowering the contribution of assets that has to be calculated so as to lower the patients' out-of-pocket spending. We will also revise the relevant factors for the purposes of financial assessment, so as to relieve the patient families' financial burdens. The implementation of the review recommendations can benefit grassroots and middle-class patients alike.

194. To benefit more elderly persons with financial difficulties, the Government will expand the target beneficiaries of the Community Care Fund Elderly Dental Assistance Programme in early 2019 to cover all elderly persons

receiving Old Age Living Allowance by lowering the age limit from 70 or above to 65 or above, and refine the service scope of the programme.

195. To allow terminally-ill patients more options of their own treatment and care arrangements, the Government will consult the public in 2019 on arrangements of advance directives and the relevant end-of-life care.

196. We fully understand the worries and anxieties of parents who may encounter difficulties in arranging proper burial or cremation of their abortuses. In this connection, the Food and Environmental Hygiene Department and the HA have already implemented various administrative measures to facilitate the handling of abortuses. The Government is examining proposals to further improve such arrangements in a holistic manner, including provision of facilities.

Sustainable Development of Healthcare System

197. To meet the increasing demand for healthcare services arising from an ageing population, we need to plan ahead the necessary healthcare infrastructure and have set aside \$300 billion as announced in the 2018-19 Budget for such purposes. In parallel with the implementation of projects under the first 10-year hospital development plan, we have invited the HA to commence planning for the second 10-year hospital development plan. A total of 19 projects involving about \$270 billion will be covered. Upon completion of the whole plan, there will be over 9 000 additional beds and other additional hospital facilities that will largely meet the projected service demand up to 2036. The Department of Health will also update or improve its healthcare facilities by stages.

198. In preparation for the foreseeable tight manpower situation of the healthcare profession and considering the long training cycle, the Government will further increase the number of healthcare training places. In the 2019/20 to 2021/22 UGC triennium, the number of healthcare-related publicly-funded first-degree intake places will increase by over 150 from about 1 780 to about 1 930 (including 60 medical, 60 nursing, 8 dental, 20 physiotherapy and 5 optometry places).

199. To expand the capacity for relevant professional healthcare training, the Government will earmark about \$20 billion out of the provision of \$300 billion for short, medium and long-term works projects to upgrade and increase the teaching facilities of the University of Hong Kong, Chinese University of Hong Kong and Hong Kong Polytechnic University. Moreover, while the Government has set aside resources for renovating the Prince Philip Dental Hospital in the short term, reprovisioning options will also be considered for the longer-term development of this dental teaching hospital.

200. We will fully implement and promote the Voluntary Health Insurance Scheme as well as provide tax deduction to encourage the public to purchase Certified Plans, so that they may choose to use private healthcare services when needed, thereby alleviating the long-term pressure on the public healthcare system.

Enhancing Public Health Regulation

201. Upon the passage of the Private Healthcare Facilities Bill, the Department of Health will set up a full-fledged Office for Regulation of Private Healthcare Facilities to undertake the relevant statutory enforcement work, with a view to ensuring patient safety and protecting consumer rights. Regarding the regulatory framework for medical devices, we are working on the Medical Devices Bill and aim to introduce the Bill into the LegCo in the current legislative session. The development of Advanced Therapy Products (ATPs) is one of the fastest moving areas in the medical field at present. The Government will introduce legislation to regulate ATPs with an aim to safeguarding public health.

202. We are also following up on the Report of the Strategic Review on Healthcare Manpower Planning and Professional Development which was published in 2017. We have invited the regulatory bodies to submit proposals to the Government on regulation and development of healthcare professions, including how to take forward mandatory continuing professional education and development, review of the Dentists Registration Ordinance, implementation of a voluntary registration scheme for the development of nursing specialties to pave the way for setting up a relevant statutory registration system, and review of the regulation and development of allied health professions. The Government will also complete and evaluate the Pilot Accredited Registers Scheme for Healthcare Professions, and study how to formulate a statutory registration regime for relevant accredited professions.

Employees' Benefits and Support

203. Good labour relations and sharing the fruits of economic growth with all walks of life are the essential elements of an inclusive society. With regard to labour policies, I consider that employers and employees alike should attempt reverse thinking. Initiatives to support the business sector can in fact help employers be good bosses, and policies to protect and assist workers can help secure a quality and stable workforce for employers.

204. The current 2.8% unemployment rate in Hong Kong is at its lowest level in more than 20 years and we have basically achieved full employment. Employers of many sectors have expressed difficulties in staff recruitment. From high-tech talent to grassroots employees, manpower supply is generally on

the tight side. Aside from protecting and improving basic labour welfare and treatment, we also have to maintain the competitiveness of Hong Kong enterprises and provide sufficient manpower for them. We need to work on various fronts to unleash the potential of the local labour force, especially that of women and elder persons, and to import as appropriate the talent and labour in need. As for the improvement of labour welfare, retirement protection tops the labour policy agenda of the current-term Government.

Abolishing the “Offsetting” Arrangement under the Mandatory Provident Fund Scheme

205. The current retirement protection system in Hong Kong draws reference from the multi-pillar model advocated by the World Bank, and one of the pillars is the employment-based MPF Scheme with contributions by both employers and employees. From the time I took up the position of the Chief Secretary for Administration to July last year when I assumed office as the Chief Executive, I repeatedly made clear my unwavering stance that, for the purpose of enhancing employees’ retirement protection, the arrangement for “offsetting” severance payment (SP) and long service payment (LSP) with MPF benefits will be abolished.

206. “Listen to both the employees and employers, especially those from small and medium enterprises, and strive to reach a consensus” has been my attitude towards handling the “offsetting” issue as mentioned in my Election Manifesto. Since July last year, we have been in active discussion with both the business sector and the labour sector to explore viable options. We understand the labour sector’s worry about the reduction of the rate of calculating SP and LSP under the last term Government’s proposal. We also note the business sector’s concern about the financial pressure on some employers, in particular the micro, small and medium-sized enterprises (MSMEs), who would have to pay SP or LSP after the abolition of the “offsetting” arrangement. In this regard, I stated clearly in the Policy Address last year that the Government was willing to increase its financial commitment to mitigate the impact of the abolition on enterprises, in particular MSMEs.

207. In March this year, we put forth a preliminary idea on abolishing the “offsetting” arrangement. It provides for a two-tier subsidy scheme of 12 years to enterprises, with the Government’s total financial commitment increased from the last term Government’s \$7.9 billion to \$17.2 billion. We also propose to set up designated savings accounts to assist employers in saving up early for meeting their potential SP or LSP expenses in future, so as to reduce the financial pressure on employers in making the relevant payments. To address the labour sector’s concern, we have decided to restore the rate of calculating SP and LSP to two-thirds of the monthly wages of employees instead of half of the employees’ monthly wages as proposed by the last term Government.

208. In the past few months, the Secretary for Labour and Welfare (SLW) has proactively met with key stakeholders to listen to their views on the preliminary idea. Having carefully considered the views of various parties, we have decided to further enhance the Government's support for employers. We will extend the period of the second-tier subsidy to 25 years. Together with the 12-year first-tier subsidy, the financial commitment of the entire government subsidy scheme will be significantly increased to \$29.3 billion. We believe that the arrangement of significantly extending the period and increasing the commitment will go a long way in helping MSMEs make preparations relating to possible SP or LSP payable by them. On the worry expressed by labour groups that in certain extreme circumstances individual employees might receive a smaller amount of aggregate benefits (SP or LSP entitlement together with the accrued benefits of the employers' mandatory contributions to their MPF accounts) than what they would otherwise receive under the current "offsetting" regime, the Government will undertake to make up for any such shortfall.

209. The issue of MPF "offsetting" has been a bone of contention for a long time. After years of active discussion, the community has reached a broad consensus on abolishing the "offsetting" arrangement. I consider now the time to make a decision in order to settle the issue that has beleaguered wage earners for years and to accord better retirement protection to employees. Our target is to secure the passage of the enabling legislation by the LegCo within the current term of the Government (i.e. by 2022), and implement the abolition of "offsetting" arrangement two years after the passage of the legislative amendments.

Protection for Employees Injured at Work

210. Although the overall occupational safety and health condition of our workforce has been improving, there are still a considerable number of work injury cases every year. In order to strengthen the protection of the rights and benefits of employees injured at work and suffered from occupational diseases, the Government is actively looking into new measures, including considering provision of timely and well co-ordinated treatment and rehabilitation services for injured workers in need through private medical services. Our aim is to enhance effectiveness of these services and speed up workers' recovery, so as to facilitate their early return to work. In addition, the Government will strengthen the processing of employees' compensation claims with enhanced Claims Support Services to facilitate settlement of work injury disputes through dedicated follow-up, early intervention, proactive contact and arrangement of face-to-face meetings; and enhance the follow-up procedures for sick leave relating to work injury to speed up case processing, through early screening of those cases that do not require assessment by the Employees' Compensation Assessment Board so that the employees concerned will not be required to

attend the follow-up procedures in person and the Labour Department will issue the Certificate of Compensation Assessment direct for settling the claims. We will also strengthen investigation and prosecution to combat violation of the Employees' Compensation Ordinance.

Occupational Safety and Health

211. The Government takes employees' occupational safety and health seriously. Targeting at the relatively higher risks faced by employees of certain industries or engaging in certain work procedures, the Labour Department will strengthen its efforts on inspection and enforcement, publicity and promotion, as well as education and training. The department is also actively reviewing the penalties of relevant legislation to amplify their deterrent effect.

Employment Support

212. We will enhance the employment support programme under the CSSA Scheme to provide its participants with more focused employment and retraining services through the joint efforts of departments and agencies.

213. We will strengthen the Labour Department's work in processing and disseminating job vacancy information so as to more effectively assist job seekers in finding jobs and employers in recruiting workers.

Importation of Labour

214. Individual sectors, particularly the elderly care service sector, have long been encountering human resources shortage and recruitment difficulties. However, with the extremely tight overall labour force and rapidly ageing population, the elderly care service sector experiences particularly acute shortage of manpower supply. In the Policy Address last year, I mentioned that on the premise that local workers' priority for employment would be safeguarded, consideration might be given to allowing greater flexibility for subsidised elderly service and rehabilitation service units to import carers. The Government has, through a number of measures, been helping the subsidised elderly care service sector for employing additional manpower. However, given the increasing need for additional subsidised elderly care services, we will review the practical circumstances and determine when and how to implement the importation of carers.

215. On the premise of according employment priority to local workers, employers may apply for importation of workers at technician level or below under the Supplementary Labour Scheme (SLS) to alleviate manpower shortage. The Labour Department plans to increase its manpower for processing the relevant applications and stepping up inspection to ensure employers' compliance with the terms of employment contracts and the protection afforded by labour laws and the SLS to imported workers.

Foreign Domestic Helpers

216. Currently, there are about 380 000 foreign domestic helpers (FDHs) in Hong Kong. They assist local families with their household chores and take care of children and elderly, thereby unleashing the potential of the local labour force and making significant contribution to Hong Kong's development. To maintain Hong Kong's attractiveness as a place of work and meet local families' increasing demand for FDHs, the Government will continue to enhance its support for FDHs and protection of their labour rights, and step up enforcement and prosecution against unscrupulous employment agencies.

Government Outsourcing System

217. The employees of government service contractors are also an important source of human resources in the provision of government services. I met with over 100 workers earlier at Government House to listen to their and contractors' views. The inter-departmental working group set up by the SLW has completed a review of the employment terms and conditions as well as labour benefits of non-skilled employees engaged by government service contractors. The major recommendations include increasing the technical weighting in the marking schemes for tender evaluation and the weighting of wage level as a criterion for technical assessment, enhancing the employment benefits (including providing a contractual gratuity) for the non-skilled employees, and encouraging procuring departments to adopt service contracts with a minimum term of three years where operational situations permit. The above measures will be introduced to the relevant government service contracts tendered on or after 1 April 2019.

Navigation Scheme for Young Persons in Care Services

218. The Government will continue with the operation of the Navigation Scheme for Young Persons in Care Services, providing a total of 1 200 training places in the coming years under an enhanced scheme, with a view to better equipping the trainees and helping the social welfare care sector attract young people and retain talent.

Paternity Leave and Maternity Leave

219. We will secure support from the LegCo for early passage of the Employment (Amendment) Bill 2018 to implement the proposal to increase the statutory paternity leave from the existing three days to five days.

220. The Government has completed the review of the statutory maternity leave (ML). To allow mothers more time to spend with and take care of their newborn babies, we propose to extend the statutory ML from the current 10 weeks to 14 weeks. If an employee is entitled to ML pay under the Employment Ordinance, the employer shall, together with the current 10 weeks'

statutory ML pay, also provide her with ML pay for the additional four weeks' statutory ML, the rate of which shall be maintained at four-fifths of the employee's average daily wages and be subject to a cap of \$36,822 per employee (this cap may be adjusted from time to time). The cap is equivalent to four-fifths of the wages of an employee with a monthly wage of \$50,000 in four weeks. Employees with a monthly wage of \$50,000 or below account for about 95% of employees in Hong Kong. Employers may apply to the Government for reimbursement of the additional four weeks' statutory ML pay. The Labour Department will report the outcome of the review to the Labour Advisory Board and seek its views on the proposal within this year.

221. To set an example of a good employer, the Government has decided to extend the ML for all female employees of the Government to 14 weeks with immediate effect. Officers whose actual or expected date of confinement falls on or after today will all benefit from this initiative.

Pro-child

222. Being the former Director of Social Welfare responsible for safeguarding the rights of children and a mother of two, I am deeply concerned about the healthy growth of children, both physical and psychological. The current-term Government set up the Commission on Children in June this year with cross-bureau and departmental representation, and has engaged child concern groups to address in a focused manner the issues that children face while growing up. The commission has already commenced work. The Government will allocate additional resources to the commission from 2019-20 onwards for implementing various specific measures to safeguard the rights and well-being of children.

223. At the same time, the Government will strengthen the services focusing on children's development through the following means:

- (i) enhancing child care services to integrate care and development in phases from 2019-20 onwards. Measures will include: formulating planning ratio for the provision of child care centre places; improving service quality by enhancing the existing manning ratios for qualified child care workers serving in child care centres; increasing the level of subsidy for child care centre service so as to alleviate parents' financial burden in paying service fees; enhancing the service quality of the Neighbourhood Support Child Care Project by strengthening the training for home-based child carers and raising their incentive payments; and re-engineering in phases the existing Mutual Help Child Care Centres so as to further meet child care needs in the community;
- (ii) launching a three-year pilot scheme in the 2018/19 school year to provide social work services in phases for about 150 000 pre-school

children and their families in more than 700 subsidised/aided child care centres, kindergartens and kindergarten-cum-child care centres in Hong Kong for early identification of and provision of assistance to pre-school children and their families with welfare needs;

- (iii) exploring the provision of after-school care services for children aged 3 to 6 in suitable welfare facilities settings; and
- (iv) strengthening support for divorced/separated families to the interest of children by, among others, setting up five specialised co-parenting support centres from 2019-20 onwards to co-ordinate and arrange children contact, and strengthening support for children and their divorced/separated parents with parenting needs.

On-site Pre-school Rehabilitation Services Scheme

224. Recognising the importance of early intervention for pre-school children with special needs, the Social Welfare Department (SWD) launched the Pilot Scheme on On-site Pre-school Rehabilitation Services (OPRS) from November 2015 onwards to provide on-site rehabilitation services for children with special needs in kindergartens or kindergarten-cum-child care centres through interdisciplinary service teams co-ordinated by NGOs, with a view to enabling pre-school children with special needs to receive necessary training early in their prime learning period. Given the resounding results of the pilot scheme and full recognition from parents and kindergarten teachers, the OPRS has been regularised since this month with the number of service places increased from about 3 000 to 5 000, which will be further increased to 7 000 in October 2019. In parallel, the Government will enhance the professional and support services provided under the OPRS, including strengthening the establishment of speech therapists and social workers and setting up mobile training centres.

225. Parents benefitting from the OPRS services have expressed to me the worry that their children may have problems with quick adaptation after proceeding to Primary One. In this connection, I have requested the SLW to consult the stakeholders concerned, including the rehabilitation service organisations, and explore ways to provide appropriate bridging and support services for children with special needs when they proceed to Primary One.

226. Meanwhile, in the 2018/19 school year, the Education Bureau and the SWD have enhanced the mechanism for information transfer from operators of pre-school rehabilitation services to primary schools. This allows primary schools to have knowledge of the special needs of the children concerned upon their admission, as well as their performance and progress made after receiving rehabilitation training in kindergartens to ensure delivery of continuous care.

227. To further strengthen support for pre-school children with special needs and their parents, the Government will enhance social work services of special child care centres and residential special child care centres, and strengthen care and nursing support for children with severe disabilities receiving residential care services. Besides, the Government will also provide direct psychological treatment on top of consultation service for persons with special needs (especially children) and their parents to deal with their familial and psychological problems.

228. In addition, the Government will implement through the Lotteries Fund a pilot project to provide support for children in kindergartens or kindergarten-cum-child care centres who show signs of special needs and are waiting for assessment.

Pro-family

Community Support for Families of Persons with Disabilities

229. The Government has entrusted the Rehabilitation Advisory Committee to formulate a new Hong Kong Rehabilitation Programme Plan to set out the strategic directions and measures to address the service needs of persons with disabilities at different stages of life. Considering that many persons with disabilities have expressed their wishes to continue living at home so as to postpone their admission to residential care homes, the Government will strengthen a range of community support services for their families before the completion of the new plan. This will enable persons with disabilities to choose to continue to live with their families in the community and at the same time ease the stress of their family members.

230. In this connection, the Government will set up five additional District Support Centres for Persons with Disabilities and strengthen rehabilitation training and service in order to enhance their service capacity and quality. The Government will also allocate new resources to provide home-based care services for about an additional 1 800 persons with disabilities living in the community and to enhance transport support for the services. To enable carers to continue taking care of elderly persons with disabilities at home with the assistance of professionals, the Government will provide speech therapy services for ageing service users and those with severe disabilities to assist them in dealing with swallowing problems.

231. In view of the special service needs of persons with autism, the Government will increase the number of Support Centres for Persons with Autism from three to five.

Community Support

232. The Government has always been concerned about the needs of residents of new public rental housing estates. We will, through the Community Investment and Inclusion Fund, fund community network building projects, with the aim to regularise the support service for the new estate community to facilitate the integration of new residents and families into the community as soon as possible.

Poverty Alleviation

233. It is an indisputable fact that Hong Kong is facing the issue of wealth disparity. Hence, the Government has due responsibility to implement appropriate labour and welfare policies, as well as specific measures to alleviate poverty. Comparing with 2012-13, the recurrent expenditure on social welfare in 2018-19 has increased by 86%. The current-term Government attaches great importance to poverty alleviation work, and will continue to assist low-income persons and the disadvantaged. I already announced in the Policy Address last year major improvements to Low-income Working Family Allowance (LIFA).

Working Family Allowance

234. The Government introduced the Working Family Allowance (WFA) Scheme on 1 April 2018 to implement the various improvement measures on LIFA Scheme as announced in the Policy Address last year. These measures include extending the LIFA Scheme to cover singletons, allowing household members to aggregate working hours for assessing the allowance, relaxing income limits and increasing all rates of allowance. There were about 45 000 applications during the six months since the launch of the WFA Scheme. Of them, over 16 000 were applications submitted by families which had not applied for LIFA before. We will continue to promote the WFA Scheme and assist eligible households to apply for the allowance through a multi-pronged approach.

Elderly Services

Community Care and Support Services for the Elderly

235. The Government will continue to adopt the approach of according priority to the provision of home care and community care, which are supplemented by residential care, in providing support for frail elderly persons. To meet the different needs of elderly persons living in the community and to offer them choices, the Government will, within 2019, provide an additional 2 000 service quota under the Enhanced Home and Community Care Services. The Government will also implement a new scheme to set up day care units for the elderly at qualified private and self-financing Residential Care Homes for the Elderly (RCHes) to boost the supply of day care services. Separately, since

October this year, an additional 1 000 vouchers have been provided under the second phase of the Pilot Scheme on Community Care Service Voucher for the Elderly to support ageing in place for elderly persons with moderate or severe impairment. The Government plans to further provide 1 000 vouchers under the second phase of the pilot scheme to bring the total to 7 000 in 2019-20.

236. To meet the demand for beds in public hospitals during the seasonal peak of influenza, and to increase the number of residential respite places for the elderly, the SWD introduced a special measure from February to September this year to purchase about 250 additional residential places from private RCHes participating in the Enhanced Bought Place Scheme (EBPS) to provide residential respite service for elderly persons. In view of the positive response to this special measure, the Government plans to regularise the measure in 2019-20 to provide designated residential respite places in private RCHes participating in the EBPS, so as to relieve the stress of carers.

237. We will reinstate, by the end of this year, the population-based planning ratios in the Hong Kong Planning Standards and Guidelines in respect of subsidised residential care services and community care services, district elderly community centres and neighbourhood elderly centres.

Special Scheme on Privately Owned Sites for Welfare Uses

238. The Government will implement a new phase of the Special Scheme on Privately Owned Sites for Welfare Uses to provide participating NGOs with appropriate assistance to facilitate their planning or development process. Through applications by these NGOs for expansion, redevelopment or new development on the sites they own, the scheme aims at providing diversified subvented and self-financing facilities, in particular additional places of elderly, rehabilitation and child welfare services.

239. The Government strives to increase subsidised residential care places for the elderly under a multi-pronged approach. Apart from continuing to build new contract homes and implementing measures such as the Special Scheme on Privately Owned Sites for Welfare Uses and Pilot Scheme on Residential Care Service Voucher for the Elderly, the Government will purchase an additional 5 000 EA1 places under the EBPS in the next five years to increase the supply of subsidised residential care places for the elderly and enhance the overall service quality of private RCHes.

Extending the Old Age Living Allowance to More Places

240. At present, about 19 000 and 1 400 Hong Kong elderly persons who reside in Guangdong and Fujian are receiving Old Age Allowance and CSSA respectively. To further facilitate Hong Kong elderly persons who choose to reside in Guangdong and Fujian, the Government will extend the Old Age

Living Allowance to the two provinces to provide monthly payment (including Normal and Higher allowances) for eligible elderly persons.

Providing Support for Ex-mentally Ill Persons

241. To enhance social support for ex-mentally ill persons and facilitate their re-integration into the community, the SWD has set up 24 Integrated Community Centres for Mental Wellness (ICCMWs) operated by NGOs across the territory, providing one-stop and district-based mental health support services for ex-mentally ill persons and persons with suspected mental health problems aged 15 or above, their family members/carers and residents living in the districts concerned. The Government will expand the service targets of ICCMWs to secondary school students with mental health needs to strengthen professional support for them.

Strengthening Support for Ethnic Minorities

242. Ethnic Minorities (EMs) are members of the Hong Kong family. The Government has been providing support for EMs through various measures to ensure equal opportunities for them and facilitate their integration into the community.

243. The population of EMs in Hong Kong has been growing steadily and their needs for public services and support have become more diversified. The Government established the Steering Committee on Ethnic Minorities Affairs, under the chairmanship of the Chief Secretary for Administration, in July this year to enhance internal collaboration among government bureaux/departments on support for EMs.

244. To further strengthen support for EMs, the Government will, starting from 2019-20, introduce the following measures:

- (i) refining the Administrative Guidelines on Promotion of Racial Equality to ensure their application to all government bureaux, departments and related organisations providing services for EMs. The Government will also strengthen the training on cultural sensitivity within the civil service. Moreover, the Home Affairs Department (HAD) will enhance the interpretation and translation services provided by the CHEER Centre;
- (ii) the EDB will continue implementing the Chinese Language Curriculum Second Language Learning Framework (learning framework) and monitoring its implementation. Moreover, the EDB will continue commissioning post-secondary institutions to provide school-based support services for kindergartens, primary and secondary schools admitting non-Chinese speaking (NCS)

students in the three school years from 2019/20 to 2021/22, so as to enhance the professional competency of teachers. In view of the learning needs of NCS students, the school-based curriculum, learning and teaching as well as assessment arrangements will also be adapted with reference to the learning framework, so as to allow these students to learn Chinese more effectively. Starting from the 2019/20 school year, the EDB will provide a five-tiered subsidy for kindergartens joining the Kindergarten Education Scheme based on the number of NCS students admitted so that these schools can provide more appropriate support for their NCS students, thereby assisting them in learning Chinese, fostering a diversified culture and building an inclusive environment. Furthermore, the EDB will provide additional resources to support NCS students with special educational needs in public sector ordinary primary and secondary schools and facilitate NCS students' learning of Chinese History in secondary schools;

- (iii) the Labour Department will enhance its manpower support to launch a pilot programme in conjunction with NGOs to provide employment services for EM job seekers through a case management approach. To cater for the needs of EMs, the Employees Retraining Board will also expand its Chinese language and industry-specific training courses and allow for more flexibility in the eligibility criteria for course enrolment. In addition, the disciplined services will step up recruitment and outreaching efforts to encourage more EMs to join them;
- (iv) the SWD will commission NGOs to set up dedicated outreach teams to actively approach needy EM families and assist in their access to mainstream welfare services. The SWD will also enhance its prevention and support services for EMs in combating domestic and sexual violence. Moreover, the SWD will set up specialised EM units in some of the Parents/Relatives Resources Centres for persons with disabilities, and increase the resources for Special Child Care Centres as well as Early Education and Training Centres to step up its support for EM families in need; and
- (v) the HAD will organise more district-based activities to encourage interaction and exchange between EMs and local communities. The HAD will also strengthen the services of the support service centres for EMs, particularly those services catering for EM new arrivals and youngsters. The disciplined services will also enhance interaction with EM children and youngsters through their school-based outreach programmes and the Junior Police Call's activities.

A total of \$500 million has been earmarked in this year's Budget for supporting the above-mentioned measures.

Municipal Services

Public Markets

245. I announced in the Policy Address last year that public markets would be built in Tin Shui Wai and Tung Chung to offer wider choices of fresh provisions to the public. We have completed the studies on site selection and plan to spare space at the section of Tin Fuk Road outside Tin Shui Wai MTR Station for building a new public market; the public market in Tung Chung will be built at the lower floors of a commercial building in Area 6, which is adjacent to Tung Chung MTR Station. We will conduct local consultation on the location and design shortly, and further explore the mode of operation of the new markets.

246. We are also identifying sites for public markets in Tseung Kwan O and Kwu Tung North NDA. As to the 99 existing public markets, most of them were constructed decades ago, and many of which are situated in prime locations. We are conducting a comprehensive review of the usage and development potential of these market sites, with a view to formulating appropriate development plans for fulfilment of policy objectives of optimising land uses, benefitting the public and promoting district development. Specifically, for those markets of low utilisation, we will consider changing their land use or demolishing them for redevelopment so as to release space for provision of community facilities.

247. Furthermore, \$2 billion has been earmarked in this year's Budget for the implementation of the Market Modernisation Programme, which has been launched with the overhaul of Aberdeen Market as the pioneering project. The modernisation of public markets will not be confined to retrofitting of air conditioning systems. Rather, we will undertake refurbishment, in-situ redevelopment or relocation as appropriate with a view to providing the public with better municipal facilities and services.

Environmental Hygiene

248. The Government is determined to improve our cityscape and will adopt a multi-pronged approach to enhance environmental hygiene and cleanliness. On top of additional resource allocation, we will apply innovation and technologies in street cleansing through the use of machines and automation, reinforce public education and step up enforcement.

249. Maintaining a hygienic environment is indeed the fundamental means to address rodent infestation and mosquito breeding at the source. In view of the surge of dengue fever cases this summer, we have enhanced inter-

departmental co-ordination and collaboration. We are also exploring ways to renew the surveillance system of mosquito breeding to enhance its alert function. Our ongoing effort in maintaining environmental hygiene relies on the support and co-operation of each and every of our citizens. As such, I look to the continuous joint effort of the Government and all sectors of society to keep Hong Kong clean.

Discrimination Law Review

250. We will seek to introduce the Discrimination Legislation (Miscellaneous Amendments) Bill into the LegCo by the end of this year to take forward eight recommendations of priority which are found less complex and controversial in the Equal Opportunities Commission's Discrimination Law Review. These recommendations include introducing express provisions to prohibit direct and indirect discrimination on grounds of breastfeeding, prohibiting racial discrimination and harassment by imputation and expanding the scope of protection from sexual, disability and racial harassment with a view to enhancing legal protection for persons concerned (especially women, EMs and employees).

251. The HKSAR Government has been committed to promoting equal opportunities for people of different sexual orientations and transgenders on the basis of upholding the existing institution of monogamy and heterosexual marriage. On public education and publicity, we have been proactively promoting the culture and values of inclusiveness, mutual respect and non-discrimination, including introducing the Code of Practice against Discrimination in Employment on the Ground of Sexual Orientation to employers. At present, over 300 organisations employing a total of more than 500 000 employees have adopted the code. Regarding the support for sexual minorities, a 24-hour hotline for supporting sexual minorities operated by the Tung Wah Group of Hospitals and subsidised by the Government was launched in January this year to provide easily accessible support, counselling and referral services for sexual minorities. Over 1 600 calls have been received by the hotline. We will provide training resources for medical and healthcare professionals later this year to enhance their knowledge of and sensitivity towards sexual minorities. Also, we are drawing up a charter on non-discrimination of sexual minorities covering various areas for voluntary adoption by service providers to promote the acceptance of sexual minorities. We are currently studying the experience of other places in implementing anti-discrimination measures through administrative and legislative initiatives. The study is expected to be completed by the first half of next year. The findings will provide more information to facilitate a more in-depth and rational discussion in the community on the issue of whether legislation should be introduced to protect people of different sexual orientations and transgenders against discrimination.

VII. Liveable City

My Belief

252. A liveable environment makes Hong Kong people happy, hopeful, confident about the future and have a sense of belonging to Hong Kong. Our people's aspiration for a liveable city has grown in step with social development. In addition to tackling the pressing problems of land and housing supply, we will also strive to develop a convenient transport network, a green countryside, a beautiful harbour, a sustainable environment, a heritage with historical significance, as well as quality cultural, arts, recreational and sports activities and good social order, so that people will be keen to stay in Hong Kong and make it their home.

Transport

253. Hong Kong's public transport services are comprehensive and efficient. Over 12 million passenger trips are made on different public transport services each day, which account for nearly 90% of the total passenger trips. That said, we cannot afford to be complacent. We must proactively create capacity through a "transport first" strategy, develop our public transport and enhance its safety and service quality so that the public can travel conveniently.

Developing Transport Infrastructure

254. Hong Kong people have always been proud of our transport infrastructure with high connectivity, which is also one of the keys to maintaining our competitiveness. In this bumper year for transport infrastructure, we witnessed the commissioning of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link three weeks ago. The 26-kilometre Hong Kong Section is seamlessly connected to the currently 25 000 kilometres long and ever expanding national high-speed rail network, greatly shortening the travelling time by rail between Hong Kong and major cities in the Mainland. The HZMB, which is crucial to facilitating the flow of people and goods within the Greater Bay Area, will soon be commissioned, linking up Guangdong, Hong Kong and Macao. The project on the new land boundary control point at Liantang/Heung Yuen Wai connecting Hong Kong and Shenzhen East is also expected to be completed in 2019. These three major cross-boundary infrastructure projects are the fruits of the efforts made by the governments and construction teams concerned over the years.

255. As for local road networks, the Central-Wan Chai Bypass and Island Eastern Corridor Link will be commissioned between late 2018 and early 2019. The Link will become a strategic highway running along the northern part of Hong Kong Island, and it will then take only 5 minutes to drive from Central to

Island Eastern Corridor at North Point. There is also major progress in the Route 6 project: both the main tunnel of Tseung Kwan O-Lam Tin Tunnel forming its eastern section and the Central Kowloon Route forming its western section have commenced construction; while the Trunk Road T2 and the Cha Kwo Ling Tunnel forming its middle section will commence construction in the latter half of 2019 after funding approval is obtained from the LegCo, with a view to fully commissioning the entire Route 6 in 2025. By then, the journey time along the Route 6 between Tseung Kwan O (TKO) Town Centre and Yau Ma Tei Interchange will be substantially reduced from about 65 minutes now to about 12 minutes. Besides, the TKO Cross Bay Link connecting the east of Route 6 is expected to be completed in 2022. Upon commissioning, the Route 6 will provide the public with a more convenient express access between TKO New Town and Kowloon West.

256. As to local railway network, we will continue to press ahead with the construction of the Shatin to Central Link and, at the same time, deal with the uncovered quality and supervision issues about the Hung Hom Station extension works in a serious manner. Looking ahead, we will progressively implement the new railway projects proposed under the “Railway Development Strategy 2014”.

Alleviating Road Traffic Congestion

257. Hong Kong has limited road space. It would be difficult for us to tackle traffic congestion by building roads continuously. Traffic management measures are necessary in areas where the traffic is particularly congested, such as tunnels and business districts. To make more efficient use of tunnels and roads in business districts, we propose to adopt the concept of “Congestion Charging” and study possible upward and downward adjustments of the levels of tolls for different types of vehicles using tolled tunnels and the Tsing Ma and Tsing Sha Control Areas so as to allocate more effectively the limited road space in those areas. With the impending commissioning of the Central-Wan Chai Bypass and Island Eastern Corridor Link, the Government will continue to press ahead with the Electronic Road Pricing Pilot Scheme in Central and its adjacent areas. We will put forward specific proposals for the Pilot Scheme in the first half of 2019 for stakeholder consultation.

258. At present, three types of vehicles, namely private cars, taxis and motorcycles, constitute some 75% of cross-harbour traffic volume. According to a study by the Transport Department, to achieve reasonable re-distribution of traffic among the road harbour crossings, we must make effective use of the larger design capacity of the Western Harbour Crossing (WHC) by encouraging some of the private cars, taxis and motorcycles currently using the Cross Harbour Tunnel (CHT) or the Eastern Harbour Crossing (EHC) to use the WHC instead, so as to effectively alleviate cross-harbour traffic congestion and

minimise the impact on non-cross-harbour traffic. The Government proposes that, with effect from 1 January 2020, the actual tolls payable by private cars, taxis and motorcycles for using the WHC be lowered, while the corresponding tolls of the CHT and EHC be increased at the same time in order to achieve effective traffic re-distribution. To this end, we have reached an in-principle agreement with the franchisee of the WHC on a toll compensation scheme.

259. As for franchised buses with large carrying capacity, we propose waiving the tolls charged on franchised buses for using government tunnels and roads¹¹. We have also reached an in-principle agreement with the franchisee of the WHC for the Government to pay for franchised bus operators the tolls for using the WHC, so that the toll savings can be directly used to ease fare increase pressure, thereby alleviating the burden of public transport expenses on citizens. The non-means tested Public Transport Fare Subsidy Scheme I proposed in last year's Policy Address will soon be launched. We are also exploring with the franchisee of the Tai Lam Tunnel on such an arrangement for franchised buses using the Tai Lam Tunnel.

260. We will also continue to develop Hong Kong into a walkable city so as to allow citizens to walk comfortably, instead of using mechanised transport, for first and last mile short-distance connection.

Increasing the Provision of Parking Spaces

261. The vehicle fleet size in Hong Kong has been growing rapidly over the past decade at an average rate of 3% per annum. Since car parking provision is growing at only 0.9% a year on average, the shortage of parking spaces is a concern of many car owners. We need to provide more car parking spaces to respond to public aspirations, with priority accorded to meeting the parking needs of commercial vehicles.

262. The Government will follow the principle of "single site, multiple uses" to provide public car parking spaces in suitable "Government, Institution or Community" facilities and public open space (POS) projects. For example, the Government plans to provide public car parking spaces beneath the POS at Sze Mei Street, San Po Kong and at the Joint User Government Office Building in Area 67, TKO. Subject to technical feasibility, we expect that at least 1 500 public car parking spaces will be provided in suitable government facilities and POS over the next five years.

263. Furthermore, when the Government constructs disciplined services quarters, we will increase the provision of car parking spaces as far as technically feasible, taking into full account the unique operational requirements

¹¹ They are the CHT, EHC, Aberdeen Tunnel, Lion Rock Tunnel, Tate's Cairn Tunnel, Tseung Kwan O Tunnel, Shing Mun Tunnel, the Tsing Ma and Tsing Sha Control Areas.

of the disciplined services. We will also continue to require private development projects to provide car parking spaces under lease conditions.

Improving Public Transport Services

264. To further enhance the operational safety of franchised buses, the Government will subsidise franchised bus operators in retrofitting existing buses with appropriate safety devices, including retrofitting all seats on the upper deck of some buses with seat belts.

265. We are working towards enhancing vibrancy of the Hung Hom harbourfront, through preparing for re-commissioning the “Central-Hung Hom” ferry route and launching a pilot “water taxi” service plying Kai Tak, Hung Hom, Tsim Sha Tsui East, West Kowloon and Central; and through injecting commercial elements into the Hung Hom (South) Pier. Besides, the Government is studying the long-term operation model for outlying island ferry routes and will announce the results in the first half of 2019.

266. The Government has been promoting the opening-up of the operating data by public transport operators to facilitate commuting and trip planning of the public. To provide real-time arrival information of green minibuses (GMBs), the Government will fund and develop a data collection system and a mobile application, as well as install relevant devices on GMBs to enable passengers to access the real-time arrival information of GMBs through the mobile application. The relevant data will also be released in machine-readable format for public use. GMB operators can make use of the data for fleet management with a view to improving the operational efficiency.

Pedestrian-friendly Environment

267. To facilitate access to walkways by the public, the Government is striving to retrofit barrier-free access facilities under the Universal Accessibility Programme and will commence a feasibility study in the first half of 2019 on lift retrofitting proposals for the remaining 120 or so walkways under the current ambit of the programme with a view to taking forward the feasible items expeditiously. In the meantime, we will also conduct a review in 2019 to explore the scope for further expanding the ambit of the programme to benefit more people in need.

Environment and Nature Conservation

Improving Air Quality

268. Improving roadside air quality to better protect public health has always been a key environmental priority of the Government. Over the past five years, roadside concentrations of key air pollutants, namely respirable suspended

particulates and nitrogen dioxide, have reduced by around 30%. To further bring down roadside air pollutant levels, we plan to introduce the following new measures:

- (i) tighten the emission standards for newly registered motor cycles to Euro IV in 2020;
- (ii) launch an incentive-cum-regulatory scheme to progressively phase out Euro IV diesel commercial vehicles by the end of 2023;
- (iii) fully subsidise franchised bus companies in conducting a trial on retrofitting Euro IV and Euro V franchised buses with enhanced selective catalytic reduction systems to reduce their nitrogen oxides emissions;
- (iv) review the scope of the Pilot Green Transport Fund with a view to facilitating the transport sector's wider use of green transport technologies, including commercial and public electric vehicles; and
- (v) continue to encourage the use of new energy vehicles in the hope that all newly registered private cars in Hong Kong will eventually be new energy vehicles in the long run. As the first step, we may consider ceasing the first registration of diesel private cars subject to consultation with stakeholders.

269. The review of Air Quality Objectives has reached its final stage. We will report to the Advisory Council on the Environment the findings of the review and our proposal for tightening these objectives by the end of this year.

Waste Reduction and Recycling and Marine Conservation

270. The Government will continue to work in full steam to implement the Hong Kong: Blueprint for Sustainable Use of Resources 2013-2022. Sitting at the centre of our overall waste reduction strategy is the implementation of Municipal Solid Waste (MSW) charging, which will provide the necessary financial incentives to drive behavioural and cultural changes, and to encourage members of the public to proactively practise waste reduction at source and clean recycling. It is a very challenging task to successfully implement this important policy initiative. For some time in the past, we have consulted the public and the relevant trades on this policy and the implementation arrangements with a view to fostering a consensus in the community. We will introduce the amendment bill into the LegCo for scrutiny shortly. After passage of the legislation, there will be a preparatory period of about 12 to 18 months to allow the Government, various stakeholders and the public to prepare for the implementation of MSW charging. We will also significantly step up public education and publicity to deepen the community's understanding of MSW charging arrangements.

271. To complement the implementation of MSW charging, the Government is ready to provide recurrent resources to strengthen our support on waste reduction and recycling¹². We will provide an additional provision of around \$300 million to \$400 million for the 2019-20 financial year to start with, which would be further increased from the financial year when MSW charging is to be implemented. The amount of this annual provision would be commensurate with the estimated gross revenue to be generated from MSW charging, so as to achieve the effect of “dedicated-fund-for-dedicated use”.

272. The Government will also strengthen actions in tackling the challenges posed by waste plastics. In the coming year, we will take forward various enhanced or new initiatives, including installing more water dispensers/filling stations in government venues to inculcate a “bring your own bottle” culture, taking the lead in banning plastic straws and poly-foam food containers in premises mainly serving government staff, requiring restaurant operators in suitable government venues to avoid using disposable plastic tableware when awarding new or renewing existing contracts; and working with the food and beverage industry to promote using less disposable plastic tableware. We will also review the operation of the plastic shopping bag charging scheme to enhance its effectiveness in waste reduction.

273. In view of the potential impact of disposable plastic tableware on Hong Kong and even the worldwide marine environment and ecology, we will study the feasibility, scope and mechanism of controlling or banning disposable plastic tableware.

274. We will step up government actions to strengthen clean-up of the shorelines across the territory and regional co-operation in protecting the marine environment. Quite a number of organisations and volunteers in Hong Kong are willing to contribute to keeping our shorelines clean. We will establish a Clean Shoreline Liaison Platform to leverage community efforts to protect the marine environment.

Climate Change and Energy

275. The Paris Agreement, which came into force in November 2016, applies to the HKSAR as well. Pursuant to the Paris Agreement, all Parties should strive to formulate and communicate long-term low greenhouse gas emission development strategies by 2020. As part of our country as well as a responsible member of the global community, Hong Kong needs to draw up by 2020 our own long-term decarbonisation strategy up to 2050. To this end, the

¹² Such work includes the setting up of outreaching teams across the territory to provide on-site assistance to the community, thereby putting waste reduction and recycling and MSW charging into practice; provision of free collection service in respect of waste plastics and food waste subject to the outcome of the pilot schemes to be implemented; and implementation of a pilot scheme to assess the effectiveness of applying reverse vending machines in recycling plastic beverage containers.

Government has invited the Council for Sustainable Development to conduct a public engagement exercise in 2018-19.

276. Promoting the development of renewable energy is an integral part of mitigating climate change. We will introduce renewable energy in a more systematic manner with the Government taking the lead.

277. For the private sector, we have introduced Feed-in Tariff to provide incentives for individuals and non-government bodies to invest in renewable energy. We will further provide support and facilitation to the private sector, including suitably relaxing the restrictions on installation of solar photovoltaic (PV) systems on the rooftops of New Territories Exempted Houses (also known as “village houses”), and making appropriate relaxations for other private buildings, in particular the low-rise ones. In addition, we will introduce a new programme to assist schools and NGOs in installing small-scale renewable energy systems.

278. For the public sector, the Government will continue to take the lead in developing renewable energy, including launching large-scale renewable energy projects. We will explore the installation of large-scale floating PV systems at suitable locations in reservoirs and consider installing PV panels at suitable landfills.

279. As electricity use in buildings accounts for about 90% of the total electricity consumption in Hong Kong, energy efficiency in buildings is a critical means to reduce carbon emissions. The Government is leading by example to enhance energy efficiency of existing government buildings. We are on track to meet our five-year target to achieve a 5% electricity saving for government buildings by 2019-20. To achieve further saving, we are gearing up to conduct retro-commissioning progressively in suitable major government buildings to improve their energy efficiency. We will also encourage bureaux and departments to apply for green building certification for buildings under their management to demonstrate our commitment to low-carbon growth.

280. The phased implementation of the District Cooling System (DCS) at the Kai Tak Development is progressing smoothly. Upon its full completion in 2025, the maximum annual saving in electricity consumption is estimated to be 85 million kilowatt-hour. In line with the Government’s commitment to low-carbon development, we will also explore the feasibility of providing DCSs in other New Development Areas such as Tung Chung and Kwu Tung North.

281. The Government has tasked the Working Group on External Lighting to review the effectiveness of the Charter on External Lighting and to study how to further regulate external lighting.

Nature Conservation

282. We will continue to implement the Hong Kong Biodiversity Strategy and Action Plan as Hong Kong's long-term blueprint for nature conservation and sustainable development.

Animal Welfare

283. The Government attaches great importance to promoting and safeguarding animal welfare. For amending the legislation related to animal welfare, we are mapping out the major direction and drawing up preliminary proposals for public consultation early next year, which include exploring raising the penalties for acts of cruelty to animals and introducing animal keepers' responsibility of positive duty of care of animals.

284. The Police are committed to tackling cruelty to animals. To enlist wider public support and participation in their work in this respect, the Police will implement the "Animal Watchers" Scheme in 2019-20 and co-ordinate and deepen the mutual understanding and partnership among relevant stakeholders.

City Management

Management of Public Works

285. The performance of project management and cost control of public works has always been a major public concern. We will upgrade the Project Cost Management Office and expand its establishment and functions for implementing strategic initiatives and enhancing capabilities in cost surveillance and project governance. The Government will establish a Centre of Excellence for Major Project Leaders to equip officers with innovative minds and world-class leadership skills in the delivery of public works projects.

Building Safety

286. At present, there are about 66 000 lifts in Hong Kong. Lifts are safe for use with proper periodic examinations and maintenance. With rapid technological advancement in recent years, modern lifts are equipped with more comprehensive safety devices than the aged ones. Therefore, expediting lift modernisation is conducive to enhancing lift safety and further safeguarding safety of the public. In view of this, the Government plans to launch the Lift Modernisation Subsidy Scheme (LIMSS) with a provision of around \$2.5 billion by modelling on the on-going Operation Building Bright 2.0 Scheme and Fire Safety Improvement Works Subsidy Scheme. The LIMSS will target at residential or composite buildings whose rateable values do not exceed the prescribed level, with additional subsidy for elderly owner-occupiers of eligible

buildings, for modernising aged lifts not meeting the latest technical standards. We will partner with the URA in implementing the LIMSS and hope to launch it in the first quarter of next year to assist the needy owners in expediting lift modernisation.

Drinking Water Safety

287. The Government is working at full throttle to take forward the Action Plan for Enhancing Drinking Water Safety in Hong Kong announced in September last year. We have implemented water quality monitoring at the consumers' end, formulated more stringent measures to regulate plumbing materials and commissioning of new plumbing installations, developed guidelines and templates to assist consumers in implementing the Water Safety Plan for Buildings, and will continue to enhance public education on drinking water safety. Besides, we have set up the Drinking Water Safety Advisory Committee to make recommendations to the Government on matters relating to drinking water safety. The DEVB is carrying out a study on establishing a drinking water safety regulatory regime suitable for Hong Kong, and will set up a dedicated team shortly to monitor the performance of the Water Supplies Department (WSD) on safeguarding drinking water safety. The WSD is also conducting a holistic review of the Waterworks Ordinance and the Waterworks Regulations, and will put forward legislative amendment proposals at an appropriate time.

Building Management

288. To assist owners in discharging properly their building management responsibilities, we launched a series of support measures in the past year, including the pilot Building Management Dispute Resolution Service, steered by a retired judge/judicial officer, to provide objective opinions on building management dispute cases; the Pilot Scheme on Advisory Services to Owners' Corporations (OCs) to assist OCs in handling building management matters in accordance with the Building Management Ordinance (BMO), relevant Codes of Practice and administrative guidelines through a professional property management company engaged by the HAD; and the Central Platform on Building Management, co-ordinated by the HAD, providing one-stop briefings by relevant departments to introduce various services and schemes on building management and maintenance to owners. The revised Codes of Practice, which set out best practices on building management, came into effect on 1 September this year. Meanwhile, we are actively following up on the review of the BMO and will strive to submit the amendment bill to the LegCo by the end of next year.

Water Quality of the Victoria Harbour

289. With continuous improvements to the Victoria Harbour's water quality, the cross-harbour swimming race which has been well received by the public will continue to be held right at the centre of the harbour this year. The Government will make sustained efforts to improve the water quality of the Victoria Harbour and tackle the near-shore odour problems. Currently, construction of dry weather flow interceptors has commenced in areas around West Kowloon and Tsuen Wan, and plans are being made to construct such additional facilities in other coastal areas of the Victoria Harbour. In addition, the upgrading of the Kwun Tong Preliminary Treatment Works is being taken forward, and the tender exercises for the provision of public sewers in Lei Yue Mun and the rehabilitation of ageing underground sewers in various districts are also underway. Upon completion of these projects, further improvements can be made to the Victoria Harbour's water quality.

Harbourfront Enhancement

290. We strive to link up the waterfront areas on both sides of the Victoria Harbour to provide quality public space for all to enjoy the unique and spectacular view of our harbour. Under the works for the new harbourfront in Wan Chai North to be launched next year, two promenades of different themes will be constructed and upon their completion by 2021, the three-kilometre waterfront areas from Sheung Wan to Wan Chai Ferry Pier will be linked up. We are also refining the proposed alignment of the waterfront boardwalk on Island East, and will start the detailed design work once the proposal is endorsed. As regards the open space at the promenade near Shing Sai Road in Kennedy Town, the project will be completed progressively starting from the first quarter next year. The open space will be open for public use to complement the nearby community garden and related facilities to be run by NGOs in future.

291. Next year, enhancement works at the waterfront near Hoi On Road in Tsuen Wan will commence in phases, while the funding application for Hoi Sham Park extension works in To Kwa Wan will also be tabled at the LegCo. The Energising Kowloon East Office is inviting non-profit-making organisations to operate a weekend flea market at the Kai Tak airport runway tip. As for the proposed urban park in front of Hung Hom Ferry Pier, we will invite interested parties to submit expressions of interest later this year on the design and operation model.

Heritage Conservation

Historic Buildings

292. We have made good progress in our heritage conservation work over the past year. Since its inception, the Revitalising Historic Buildings Through Partnership Scheme (Revitalisation Scheme) has rolled out five batches involving a total of 19 projects. Among the nine projects that have commenced operation, five have obtained the United Nations Educational, Scientific and Cultural Organisation Asia-Pacific Awards for Cultural Heritage Conservation, with the “Viva Blue House” revitalised from the Blue House Cluster in Wan Chai winning the top honour of the Award of Excellence. This is the first time a built heritage conservation project in Hong Kong has received this honour. Meanwhile, the three projects¹³ under Batch III of the Revitalisation Scheme will be commissioned at the end of this year. Furthermore, the revitalisation project of the Central Police Station Compound (Tai Kwun), taken forward by the Government in collaboration with the Hong Kong Jockey Club, was open to the public in May 2018. The various facilities of and activities held at Tai Kwun have received rave reviews from the public and arts organisations.

Intangible Cultural Heritage

293. The Government has allocated \$300 million this year to strengthen the preservation, promotion and transmission of intangible cultural heritage (ICH). The Leisure and Cultural Services Department (LCSD) will expand the capacity of its Intangible Cultural Heritage Office, and make full use of the additional funding of \$300 million to collaborate closely with ICH bearers and related organisations in further enhancing community engagement in the preservation and transmission of ICH.

Arts and Culture

294. Our vision is to develop Hong Kong into an international cultural metropolis grounded in Chinese traditions and enriched by different cultures. We are pleased to witness the growing vibrancy of the city’s flourishing cultural and artistic creation in recent years in response to the public’s aspirations for diversified cultural and arts programmes and to help expand the audience base.

295. The current-term Government renders active support to the development of culture and arts. Among other initiatives, \$20 billion have been set aside for upgrading existing cultural hardware and building new facilities, and \$500 million will be allocated to the LCSD to acquire museum collections and organise exhibitions. Various cultural projects will be completed one after

¹³ They are the Bridges Street Market (revitalised into Hong Kong News-Expo), the Former Fanling Magistracy (revitalised into the Hong Kong Federation of Youth Groups Institute for Leadership Development) and Haw Par Mansion (revitalised into Haw Par Music Farm).

another over the next few years, which will help satisfy the long-term development needs in local culture and arts. On performing arts, the Xiqu Centre in the West Kowloon Cultural District (WKCD) to be commissioned in end-2018 aims at preserving and promoting the art of Xiqu. Scheduled for opening in the second quarter next year, Freespace will present brand new arts experience for audience. Further, works progress of the cross-district cultural centre in East Kowloon and the Lyric Theatre Complex in the WKCD has been satisfactory. On visual arts, the WKCD will boast two world-class museums, namely M+ and the Hong Kong Palace Museum. Moreover, the Hong Kong Museum of Art has just received donations of precious paintings and calligraphy from Chih Lo Lou and the family of Wu Guanzhong, and these two batches of art treasures will be displayed as permanent exhibits upon the re-opening of the museum in end-2019. By then, these three museums with distinct identities will stand as novel landmarks for culture, arts and tourism on the waterfront of the Victoria Harbour.

296. To support the development of museums, expand the audience base and further promote STEM education, history, arts and culture, we plan to expand the Hong Kong Science Museum and Hong Kong Museum of History, and continue to revamp the permanent exhibitions of these two museums and the Hong Kong Heritage Museum.

297. The Government will leverage technology to provide innovative public library services as well as to enhance the facilities, service quality, cost-effectiveness and customer friendliness of the libraries to promote city-wide reading culture and support Hong Kong's development as a smart city. We will also continue to unite the efforts of various parties, including the education sector, community organisations, DCs etc., to forge strategic partnerships and foster a territory-wide atmosphere conducive to reading.

Sports Development

298. In the Asian Games held in Indonesia last August, Hong Kong athletes impressed the world with their outstanding achievements. Having gone through years of tough training, our athletes demonstrated perseverance and remarkable sportsmanship in the games. I believe, like me, everyone in Hong Kong takes pride in their remarkable performance. I would like to thank all our athletes, their coaches, sports professionals and relevant organisations for their efforts. By providing athletes with greater support in training, sports science, sports medicine etc., and by proactively looking into ways to enhance facilities in the Hong Kong Sports Institute, the Government will continue to support the development of elite sports and assist our athletes in scaling new heights in the Tokyo 2020 Olympics and in other major international sports competitions in the future.

299. We will continue to offer diversified and modern sports and recreational facilities and services to promote sports for all, and implement measures to develop a strong sporting culture through encouraging public participation (particularly among young people), developing elite athletes and organising mega sports events. The Government is forging ahead with the Kai Tak Sports Park Project, the contract of which is expected to be awarded at the end of this year. The project, which is scheduled for completion between 2022 and 2023, aims to provide world-class facilities for the promotion of holistic sports development and to attract more international sports events and competitions to Hong Kong. Meanwhile, we will continue to take forward the Five-Year Plan for Sports and Recreational Facilities to increase and enhance the provision of district facilities, with a view to promoting sports for all. In the past two legislative sessions, a total of ten projects were granted funding approval by the LegCo. We will continue to submit funding applications for other projects to the LegCo.

300. The Government has earmarked \$500 million to implement the Major Sports Events Matching Grant Scheme with a view to encouraging more private sponsorships from the community and the business sector to support major sports events. We hope to obtain the LegCo's funding approval as soon as possible so that the scheme can be rolled out in 2019.

Safe City

301. The law and order situation in Hong Kong has remained stable in recent years, with the overall number of crime cases last year being the lowest since 1975. The good law and order situation not only makes Hong Kong a very liveable city, but also increases our attractiveness to companies in the Mainland and overseas alike. To ensure that Hong Kong remains one of the safest cities in the world, the Government will continue to stay vigilant in closely monitoring the latest crime trends and taking preventive and resolute enforcement actions, especially in guarding against terrorist activities. An Inter-departmental Counter-terrorism Unit was set up in April this year to provide an inter-departmental counter-terrorism (CT) platform on top of the original CT framework. The unit will enhance the collation, co-ordination and analysis of CT intelligence and information; push forward CT drills and public education on emergency, and strengthen the overall CT deployment of Hong Kong.

VIII. Connecting with Young People

My Belief

302. “A nation will prosper when its young people thrive. A nation will be full of hope and have a bright future when its younger generation have ideals, abilities, and a sense of responsibility.¹⁴” I recognise that young people have different talents and aspirations, and possess diverse views on the current situation. In this connection, apart from providing young people with quality education, the society should understand more about their feelings and needs and create room for them to realise their dreams. I stated in my Policy Address last year that the Government would strive to do our best in youth development work by addressing young people’s concerns about education, career pursuit and home ownership, and encouraging their participation in politics as well as public policy discussion and debate. Over the past year, we have continued with our efforts to nurture talent, provide space for entrepreneurship and constructing youth hostels. We have also attracted young people who aspire to participate in public affairs through the Pilot Member Self-recommendation Scheme for Youth and the PICO. When preparing for this Policy Address, I met with these two groups of young people to listen to their views. They impressed me with their strong passion for and commitment to public affairs, as well as their insightful observations and suggestions regarding various policies.

Youth Development Commission

303. The Youth Development Commission (YDC) chaired by the Chief Secretary for Administration has been established since April this year. The YDC has pinned down three broad directions for its future work:

- (i) assisting in young people’s selection of suitable study pathways;
- (ii) facilitating young people’s career development and promoting their upward mobility; and
- (iii) strengthening communication channels with young people.

304. The Government will work closely with the YDC in promoting youth development in Hong Kong. The Financial Secretary has reserved \$1 billion in the Budget this year to support the YDC’s work, and of this, \$500 million will first be allocated to implement a series of programmes and measures in support of the above directions. Details are elaborated in the ensuing sections.

¹⁴ From the address delivered by President XI Jinping at the 19th National Congress of the Communist Party of China held on 18 October 2017.

Youth Innovation and Entrepreneurship

305. Young people nowadays should have more room to unleash their potential than our generation. Their future is not dictated by a single examination sitting, nor are they obliged to stick with a job for life. The Government has stepped up support for young people to pursue innovation and entrepreneurship. The Government has established the Youth Development Fund (YDF) since 2016, under which the Entrepreneurship Matching Fund supports business venture by young people in the form of a matching subsidy in collaboration with NGOs so that the young entrepreneurs may receive guidance from them and gain valuable experience and knowledge during the start-up process. Around 190 young entrepreneurs have received subsidy in the first round of applications and are now developing their businesses. Making reference to past operational experience and the latest market trends, we will review the funding criteria for the second round of applications with a view to further helping young people meet their initial funding needs.

306. Furthermore, we endeavour to create more space for young people to start their business and unleash their creativity. The Space Sharing Scheme for Youth announced in the Policy Address last year has met with enthusiastic responses from many corporates. So far, property owners participating in the scheme have contributed more than 100 000 square feet of shared space in total, the majority of which have come into operation for use by young users of different industries, in particular I&T, creative industries as well as the arts and culture, benefitting over 1 000 young people. In addition to the leasing of work and creative space at concessionary rental, property owners and NGOs joining the scheme also provide diverse and specific entrepreneurship guidance and support services. We will carry on with the tripartite partnership among the private sector, NGOs and the Government and actively liaise with property owners and NGOs interested in joining the scheme.

307. We also hope that our young people could aim high and explore opportunities beyond Hong Kong. We believe that the development of the Greater Bay Area will bring about opportunities for aspiring Hong Kong young entrepreneurs. In collaboration with an NGO, we will roll out a pilot scheme to encourage Hong Kong young people to utilise entrepreneurial bases in the Greater Bay Area. Making reference to the experience gained from the pilot scheme, we will invite the YDC to explore the setting up of a new scheme and make an injection into the YDF to subsidise Hong Kong NGOs to provide young people starting their businesses in Hong Kong and other cities of the Greater Bay Area with start-up support and incubation services which best meet their needs, including helping them settle in entrepreneurial bases.

Stepping up Exchange with Young People

308. The current-term Government attaches great importance to communication with young people. To take forward the relevant work in a more effective and systematic manner, the YDC has formulated a youth engagement plan as a guide for its upcoming youth outreach activities. The YDC will organise territory-wide youth engagement activities and interact with young people from different social strata and backgrounds through multiple platforms, including regular visits and talks, and in-depth discussion on specific youth development topics with young people and the relevant stakeholders. The Government's politically appointed team will also participate actively in these activities. An example is the "Be a Government Official for a Day" programme launched by the Commission on Poverty under the "Life Buddies" scheme this year, under which more than 30 selected senior secondary school students were invited to shadow the three Secretaries and 13 Directors of Bureau of the Government for a day during the summer holiday to gain hands-on experience of their work and a better understanding of the Government's operation. The programme provided a direct channel for senior government officials to communicate and exchange views with young people. In view of the enthusiastic response and positive feedback to the programme this year, the Government will expand the scale of the programme in the coming year to include more senior officials. I will also participate in the programme and let students shadow the Chief Executive for a day.

309. Besides, I will chair the first YDC youth summit in the second half of next year to examine the outcome of the YDC's work jointly with different sectors of the community and listen to the views of young people directly.

Young People Participating in Policy Discussion and Debate

310. To scout for talent more widely and encourage participation of young people in policy discussion and debate, I initiated the Pilot Member Self-recommendation Scheme for Youth last year, whereby five advisory committees were identified for inclusion in the first batch for recruiting self-recommended young members. The Pilot Scheme has successfully attracted a group of young people who are passionate about serving the community to take part in government work. Given the positive feedback, we have regularised the scheme and extended it to more boards and committees. From now on, the Government will roll out two rounds of recruitment every year, and Phase I of the Member Self-recommendation Scheme for Youth was launched in June this year, covering ten committees relating to a wide spectrum of policy areas, including land development, transport, education, environmental protection, social welfare, sports and home affairs. More than 1 500 eligible

applications were received during the application period. At the same time, the Government has also invited those applicants attending the interviews to authorise the HAB to include their personal particulars in the Central Personality Index (CPI) database so that relevant bureaux and departments may retrieve the information for reference during their selection of candidates for appointment as members of advisory and statutory bodies. The number of young people in the CPI database was only about 940 before the launch of the Pilot Scheme (i.e. October last year) and we expect that the number will increase to around 2 770 in October. The proportion of youth members (aged between 18 and 35) has also increased from 7.8% as at the end of last year to the current level of 9%, and the progress is satisfactory. The above database will help us achieve the target of 15%.

311. Last year, we recruited a group of Youth Ambassadors in celebration of the 20th Anniversary of Hong Kong's return to the Motherland and provided them with opportunities for training and participation in local and overseas celebration activities, the results of which were remarkable. As such, the YDC will roll out the YDC Youth Ambassadors Scheme to identify and nurture, in a systematic manner, more young talents who are committed to and passionate about serving the community. The YDC will recruit around 100 young people to join the scheme every year and provide them with a series of diversified training, including international exchanges and training in prominent higher education institutions outside Hong Kong in order to prepare and groom the Youth Ambassadors to represent Hong Kong in international or large-scale activities and develop their leadership skills.

Broadening Horizons

312. I hope that our young people will possess a sense of national identity and international perspective, and have hence stepped up our effort in providing internship and exchange activities of various types and themes on the Mainland and overseas. At present, there are on average over 70 000 Hong Kong young people participating in exchange and internship programmes on the Mainland and overseas each year that are organised, funded or co-ordinated by the Government.

313. Apart from collaboration with NGOs, the Government has forged partnership with 16 locally based major corporations early this year to launch the Scheme on Corporate Summer Internship on the Mainland and Overseas, providing quality internship opportunities in the Mainland and overseas countries to over 230 young students. In view of the success of the pilot scheme, we will expand the scheme next year to provide more internship opportunities in different places.

314. In view of the remarkable achievements of the Thematic Youth Internship Programmes to the Mainland launched last year, the HAB collaborated with the Palace Museum and the Wolong National Nature Reserve once again this summer, and partnered with the Chinese Academy of Sciences and the Dunhuang Research Academy for the first time, to organise four thematic youth internship programmes. Unique, in-depth and valuable internship opportunities were made available for young people to expand their knowledge in the relevant disciplines and professional fields and deepen their understanding of the country's development. Looking ahead, we have secured the agreement of the aforesaid institutions to continue their participation in the programme and will also actively explore other possibilities.

315. Our overseas ETOs will continue to implement the overseas internship programmes for Hong Kong higher education students¹⁵ and encourage local organisations to provide internship places, with a view to providing more opportunities for our students to understand the work culture in different places and broaden their perspective.

316. The Working Holiday Scheme has all along been very popular among our young people. At present, the Scheme covers 13 countries. So far, more than 88 000 Hong Kong youngsters have visited various countries to enrich their experience and over 11 000 overseas young people have come to Hong Kong. The Government will continue to establish Working Holiday Scheme arrangements with more countries and actively promote the Scheme so that more Hong Kong young people can have the opportunity to broaden their horizons.

317. We will continue to collaborate with the United Nations Volunteers to co-organise volunteer internship programmes and sponsor Hong Kong university students to undertake voluntary assignments in the overseas field units of various United Nations agencies every year. In 2019, we will arrange for university students to take up voluntary internships in six countries, including Kazakhstan, Laos, Uzbekistan, Sri Lanka, Thailand and Vietnam, in order to develop their personal capabilities, deepen their appreciation towards the cultures of different areas and contribute towards the development of the world.

Youth Hostel

318. The Government will continue to implement the Youth Hostel Scheme to meet the aspirations of some working youth in having their own living space and maintain close liaison with the relevant NGOs. We are taking forward these projects to provide a total of around 3 000 hostel units. The first youth hostel in Tai Po is expected to be completed and open for use next year.

¹⁵ In 2018, the countries covered by the overseas internship programmes include Belgium, Brunei Darussalam, Cambodia, Germany, Indonesia, Italy, Japan, Malaysia, Myanmar, the Netherlands, Poland, Portugal, Singapore, Spain, Thailand, the UK and Vietnam.

IX. Conclusion: Rekindling Hope

319. Building on the HKSAR's unique strengths under "One Country, Two Systems" and combining with the current-term Government's unwavering efforts since assuming office on 1 July last year, this roughly 40 000-word Policy Address carries my determination in leading Hong Kong to strive forward. While there are many words, they serve just one purpose: rekindling hope for Hong Kong.

320. At the Inaugural Ceremony of the Fifth-term Government of the HKSAR, I said that "hope propels a society forward, and confidence is the foundation of hope." In the past year or so since I assumed office as the Chief Executive, I made 30 outbound visits, called on 18 ministries and commissions of the Central Government in Beijing and met with leaders of 19 provincial, municipal and autonomous region governments. I have also received more than 40 visiting international organisations and senior officials, and attended countless gatherings with the business community, academia and professional sectors. By listening attentively and observing carefully, I have come to the conclusion that Hong Kong's intrinsic strengths are ever increasing, Hong Kong people remain outstanding, our can-do spirit is alive and well, and that Hong Kong is still highly regarded and envied by many.

321. I believe that the HKSAR Government and myself are capable of building a better Hong Kong. I believe that all sectors in the community will leverage on their own strengths and seize the opportunities presented by the B&R Initiative and the Greater Bay Area development in exploring new areas of economic growth. I believe that our country will continue to provide staunch support for Hong Kong, help us rise to challenges and continue to inject new impetus to facilitate Hong Kong's development. Holding on to these three beliefs, we will certainly see hope.

322. Let us strive ahead to rekindle hope for Hong Kong!