



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

## The Chief Executive's 2017 Policy Address



We Connect for  
Hope and Happiness

**With new perspectives and assuming new roles, the current-term Government outlines its vision on various policy areas in this Policy Address, and puts forward new approaches and innovative measures to resolve economic and livelihood issues of concern to the community, with a view to charting Hong Kong's future development with the people.**



## Economic Development

- Capitalise on the opportunities arising from the national Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development proactively and holistically. Enter into a full agreement on Hong Kong's participation in the Belt and Road Initiative with the National Development and Reform Commission as soon as possible.
- Provide tax relief to small and medium-sized enterprises: profits tax rate for the first \$2 million of profits proposed to be lowered to 8.25%, and standard tax rate at 16.5% for profits exceeding that amount. Only one enterprise nominated by each business group is eligible for the lower tax rate.
- Encourage research and development (R&D) investment by enterprises, propose to introduce a 300% tax deduction for the first \$2 million eligible R&D expenditure, with the remainder at 200%.
- Increase the total number of comprehensive avoidance of double taxation agreements to be signed with other tax jurisdictions to 50 in the next few years.
- Further expand the network of our Economic and Trade Offices (ETOs) to strengthen external promotion. Set up a new ETO in Thailand as the third one within the Association of Southeast Asian Nations (ASEAN) countries.
- Further enhance bilateral ties through signing a free trade agreement and an investment promotion and protection agreement with the ASEAN in November this year, and the Hong Kong and Macao Closer Economic Partnership Arrangement this year.
- Demolish and redevelop the three government buildings next to the Hong Kong Convention and Exhibition Centre (HKCEC) in Wan Chai North into a new wing linking and integrating with the existing HKCEC to provide an additional 23 000m<sup>2</sup> of convention and exhibition facilities.
- Boost development of the tourism industry, including the development of cultural, heritage, green and creative tourism, and opening up a diversified portfolio of visitor source markets with high yield visitors.
- Allocate more resources to the Financial Services Development Council. The Government will take the lead to issue green bonds in the coming financial year to encourage investors to finance their green projects through Hong Kong capital markets.
- Consider adding a wider range of investment products into the two-way mutual access mechanism, such as exchange-traded funds, and extending the Mainland-Hong Kong Bond Connect to cover Southbound Trading.

- The Hong Kong Monetary Authority to launch the Faster Payment System next year to further promote development of more diversified and flexible payment products by the market for the benefit of customers and merchants.



## Innovation and Technology

- Promote the development of innovation and technology (IT) on all fronts to bring new economic drive and to improve people's daily lives.
- Besides the proposed tax concession, set aside no less than \$10 billion as university research funding to encourage private companies to increase investment in R&D.
- Kick-start the \$500 million "Technology Talent Scheme" to train and pool technology talent; through the injection of \$3 billion into the Research Endowment Fund, provide studentships for local students admitted to research postgraduate programmes funded by the University Grants Committee (UGC); and subsidise local enterprises on a matching basis for training their staff on advanced manufacturing technologies.
- Jointly develop with Shenzhen the "Hong Kong-Shenzhen Innovation and Technology Park" at the Lok Ma Chau Loop, and through the Guangdong-Hong Kong-Macao Bay Area development and collaboration between Hong Kong and Shenzhen, develop an international IT hub in the Bay Area.
- Deploy \$2 billion under the Innovation and Technology Venture Fund Scheme to co-invest, on a matching basis, with venture capital funds in local technology start-ups.
- Deploy \$500 million to encourage government departments to make good use of technology to enhance service quality.



## Smart City

- Invest \$700 million to take forward key infrastructure projects for Smart City development to provide an "eID" for all Hong Kong residents, launch a pilot "Multi-functional Smart Lampposts" scheme at selected urban locations, reform the development technology of e-Government and build a big data analytics platform.
- Take the lead to provide telecommunications companies with financial incentives to encourage the extension of fibre-based network to rural and remote areas.
- Continue to develop an intelligent transport system, including the installation of a new generation of on-street parking meters for payment of parking fees via remote payment using mobile applications and providing real-time information on vacant parking spaces.



## Creative Industries

- Propose to inject \$1 billion into the CreateSmart Initiative to strengthen support for the development of the design and creative industries.
- Provide additional resources to the Hong Kong Design Centre to implement a series of measures to reinforce Hong Kong's status as a city of design excellence in Asia.

- Review the operation of the Film Development Fund to promote further development of the local film industry, and nurture more professionals for film production or post-production.
- Explore possible measures with the relevant Mainland authorities to facilitate Hong Kong publishers to tap into the Mainland market.



## Land and Housing

- The newly established Task Force on Land Supply to examine the different land supply options, so as to draw up a comprehensive package of proposals and a visionary land supply strategy.
- Build a housing ladder focusing on home-ownership. Suggest increasing substantially the supply of units under the Green Form Subsidised Home Ownership Scheme (GSH) to vacate public rental housing (PRH) units for allocation to the needy, and request the Hong Kong Housing Authority (HKHA) to regularise GSH. Some 4 000 new PRH units in Fo Tan, Sha Tin would be converted into GSH units for sale in late 2018.
- Suggest HKHA to regularise the Interim Scheme of Extending the Home Ownership Scheme (HOS) Secondary Market to White Form Buyers to allow eligible White Form applicants to purchase HOS flats with premium unpaid.
- Introduce a “Starter Homes” Scheme, with details to be announced in mid-2018, for middle-class families who are not eligible for HOS. Launch a pilot scheme at a residential site at Anderson Road, Kwun Tong to provide some 1 000 residential units.
- Facilitate the implementation of short-term community initiatives to increase the supply of transitional housing, including: (i) optimising the use of idle government premises to provide rental housing units like those under the “Light Housing” project; (ii) supporting the Community Housing Movement initiated by the Hong Kong Council of Social Service on a pilot basis and encourage other bodies to participate; (iii) facilitating the Hong Kong Housing Society to allow owners of its subsidised housing to rent out their flats with premium unpaid to needy families at below market rentals on a pilot basis; (iv) exploring the wholesale conversion of industrial buildings into transitional housing with waiver of land premium; and (v) supporting non-profit-making organisations to explore the feasibility of constructing pre-fabricated modular housing on idle sites.



## Building Safety

- Launch “Operation Building Bright 2.0” with a funding of around \$3 billion, and deploy another \$2 billion to subsidise owners of old composite buildings to implement fire safety enhancement measures under the Fire Safety (Buildings) Ordinance.



## Healthcare, Environmental Hygiene

- Set up a steering committee on primary healthcare development to comprehensively review the existing planning of primary healthcare services, and provide healthcare services via district-based medical-social collaboration in the community. Plan to set up a district health centre under a brand new operation mode in Kwai Tsing District in two years.

- Increase recurrent funding for the Hospital Authority to improve public healthcare services and facilities. Increase healthcare manpower and set up more nurse clinics to provide more effective services through multi-disciplinary teams.
- Enhance community health through cross-sector and multi-disciplinary collaboration. Regularise and extend the Dementia Community Support Scheme based on the evaluation results of the Student Mental Health Support Pilot Scheme and consider ways to provide appropriate support services for students with mental health needs.
- Provide assistance for patients with uncommon diseases, including extending the scope of the assistance programme and providing patients with subsidies for specific drug treatments.
- Implement the Voluntary Health Insurance Scheme in 2018. Through amending tax legislation to offer tax incentives to members of the public who procure such health insurance products.
- Set up a dedicated unit to oversee Chinese medicine development, co-ordinate and implement relevant strategies and measures. Plan for a Chinese medicine hospital at Tseung Kwan O, speed up the establishment of the permanent Government Chinese Medicines Testing Institute, and develop Hong Kong into an international hub for scientific research on Chinese medicines testing and quality control.
- Build new public markets in Tung Chung, Tin Shui Wai and Hung Shui Kiu, and allocate resources to revitalise existing public markets, including the installation of air-conditioners.
- Deploy additional resources to improve environmental cleanliness in the next five years.



## Care for the Elderly and Underprivileged, Improving People's Livelihood

- Implement Higher Old Age Living Allowance in mid-2018 to provide a monthly allowance of \$3,435 to eligible elderly persons. The measure takes retrospective effect from 1 May 2017.
- Implement the improved Low-income Working Family Allowance (to be renamed as the "Working Family Allowance") to benefit more working households on 1 April 2018.
- Provide additional resources to enhance community and home care services to achieve zero waiting time. Further increase the number of vouchers under the Second Phase of the Pilot Scheme on Community Care Service Voucher for the Elderly to a total of 6 000 in 2018-19.
- Set up a \$1 billion Fund to promote gerontechnology and subsidise elderly service units to trial use and procure technology products.
- Set up a Special Needs Trust with the Director of Social Welfare as the trustee to manage the assets of deceased parents of children with special needs, in order to provide for the needs of their children.
- Inject \$300 million into the Child Development Fund in 2018-19 to support more projects for the benefit of children from low-income families.

- Allocate an additional \$447 million to extend the Short-term Food Assistance Service for three years to 2020-21, and at the same time conduct a comprehensive review of the initiative.
- Propose to introduce a non-means tested Public Transport Fare Subsidy Scheme to provide fare subsidy to commuters with monthly public transport expenses exceeding a specified level, subject to a cap of \$300 per month.
- Review comprehensively the entry requirement on Chinese proficiency for all grades of the civil service to increase government job opportunities for ethnic minorities (EM). Further support and assist EM to integrate into society and cultivate positive values through a regular cross-disciplined forces training programme targeting EM youth.



## Labour Rights

- Mitigate the impact of the abolition of the arrangement for “offsetting” severance payment/long service payment with Mandatory Provident Fund contribution on enterprises, particularly micro, small and medium enterprises by increasing Government’s financial commitment. Put forward a proposal that addresses the interests of the labour and business sectors in the coming months.
- Initiate a proposal to increase paternity leave from the current three days to five days, and commence a study and work on enhancing the maternity leave of working women.



## Education

- Discuss with the education sector on effective utilisation of the remaining \$1.4 billion recurrent funding while measures under the \$3.6 billion new education resources started to be implemented in September this year.
- Set up task forces to further review eight key areas of education including professional development of teachers, curriculum arrangement, assessment system, vocational and professional education and training, self-financing post-secondary education, school-based management, parent education and UGC’s funding on research and student hostels.
- Review the salary arrangements for kindergarten teachers and assess the feasibility of introducing salary scale for them.
- Propose to set up a \$12 billion Hostel Development Fund to provide unit cost subsidy for the construction of university hostels.
- Regularise the Pilot Scheme on On-site Pre-school Rehabilitation Services from the 2018/19 school year and earmark \$460 million in annual recurrent expenditure for the programme. Service places would double from about 3 000 to 7 000 in two years to achieve the policy objective of “zero-waiting time” for pre-school rehabilitation services.
- Provide a recurrent Air-conditioning Grant for schools starting from the 2018/19 school year. Install air-conditioning systems for individual schools having regard to the actual situation.

- Include Chinese History as an independent compulsory subject for the junior secondary level in the 2018/19 school year. Adopt diversified strategies to enable teachers and students to gain an all-round understanding of our country, to appreciate and inherit the splendid Chinese culture, and to learn Chinese history.
- Inject \$400 million into the Partnership Fund for the Disadvantaged, including \$200 million for implementing after-school learning and support programmes, which will benefit some 130 000 grassroot children.



## Youth Development

- The Youth Development Commission chaired by the Chief Secretary for Administration would commence work in the first half of 2018.
- Appoint more young people to various Government boards and committees to increase the overall ratio of youth members to 15%.
- Invite more young people to join Government boards and committees through the pilot member self-recommendation scheme.
- Recruit 20 to 30 young people to join the proposed Policy Innovation and Co-ordination Unit on a non-civil service contract basis.
- Implement a Space Sharing Scheme for Youth through a "Community-Business-Government" tripartite partnership to provide a wide range of leasing options and supporting services for start-ups, young entrepreneurs and artists at concessionary rent.
- Allocate additional resources to provide more internship opportunities in the Mainland, the Belt and Road countries and other parts of the world.



## Arts, Sport and Culture

- Earmark \$130 million to launch a five-year development programme to provide additional resources for the relevant national sports associations to formulate and implement training programmes for Hong Kong representative teams for team ball games in the Asian Games.
- Increase resource support for local artists and art groups to perform outside Hong Kong.
- Provide a funding of \$36 million in the next six years to continue the training scheme for arts administrators and to encourage young artistic talents to study outside Hong Kong for exchange of experience with their counterparts elsewhere.



## Countryside Revitalisation

- Establish a Countryside Conservation Office and earmark \$1 billion to implement relevant conservation effort and revitalisation works.