

The Chief Executive's 2019 Policy Address

Treasure Hong Kong: Our Home

Contents

	<i>Paragraph</i>
I. Foreword	1–9
II. Housing	10–17
III. Land Supply	18–29
IV. Improving People’s Livelihood	30–42
V. Economic Development	43–51
VI. Closing Remarks	52–53

Mr President, Honourable Members and fellow citizens,

I. Foreword

1. Today I present the third Policy Address in my term of office. Right in the middle of the term of the current Government, this Policy Address originally aimed to review the progress made by the Government in the past and outline the focus of our future work. I have therefore decided earlier that I would deliver a more focused Policy Address in full this year, and compile a new document entitled Policy Address Supplement to comprehensively account for the work progress and commitments of the current-term Government. Although Hong Kong has been undergoing unprecedented unrest in the past four months, I have chosen to present this Policy Address on the scheduled date as planned, and accordingly held over 50 consultation sessions, with a view to responding to the aspirations of the community.

2. Hong Kong has always been one of the safest cities in the world, and being civilised, law-abiding, free, pluralistic and inclusive, and paying mutual respect are the characteristics that this Asia's world city takes pride in. Yet in just a few months, the areas affected by the social conflict arising from opposition to the Government's amendment of the Fugitive Offenders Ordinance have become more extensive. Over 400 demonstrations, processions and rallies took place in various districts in the past four months, and more often than not, they ended up in violent protests, causing injuries to more than 1 100 people and the arrest of over 2 200. A handful of rioters initiated attacks and sabotages in an organised and planned manner. They doxxed and beat people holding different views, spreading chaos and fear in Hong Kong and seriously disrupting people's daily lives. Employees of all trades and sectors, as well as small, medium and large businesses alike are deeply worried

about the prospect of Hong Kong. People are asking: will Hong Kong return to normal? Is Hong Kong still a place we can live in peace?

3. Many sectors of our society have condemned the radical acts of rioters and supported the Government to strictly enforce the law to end violence. Various sectors have appealed to people with different political views to put aside differences, stop violence as soon as possible and restore calm in society. Apart from curbing illegal acts, supporting law enforcement by the Police Force and ensuring that government departments and public organisations will make full effort to reduce the impact on citizens, the Government strives to pursue other courses of action with a view to getting out of this impasse together with the community. More than a month ago, I announced the introduction of four actions, which included launching a diversified dialogue platform with a view to finding a way out for Hong Kong. The Policy Address delivered today outlines various measures to deal with issues of greatest public concern. Later, I will invite community leaders, experts and academics to conduct an in-depth and independent examination of the social conflicts in Hong Kong and the deep-seated problems that must be addressed.

4. I will adhere to the following principles, be it in handling the current major crisis or continuing to discharge our governance responsibilities. First, we will adhere to “One Country, Two Systems” and safeguard the rights and freedoms protected by the Basic Law. However, any acts that advocate Hong Kong’s independence and threaten the country’s sovereignty, security and development interests will not be tolerated. In the 22 years since Hong Kong returned to the Motherland, “One Country, Two Systems” has proven to be the best system for ensuring the long-term prosperity and stability of Hong Kong. Our national leaders have made it clear on many occasions that “One Country, Two Systems” is a long-term

national strategy in line with the fundamental interests of our country. The successful implementation of “One Country, Two Systems” is the common aspiration of our country, Hong Kong and people of the two places. Despite the stormy times and overwhelming difficulties Hong Kong is experiencing, I believe that so long as we accurately adhere to the principle of “One Country, Two Systems”, we will be able to get out of the impasse.

5. Second, the rule of law, which is the cornerstone of our success, is a core value of paramount importance to Hong Kong. We must make every effort to safeguard the rule of law. As the integral components of the rule of law, a law-abiding population, strict and impartial enforcement of the laws, independent prosecutorial power and judicial independence must be respected by all and not be undermined.

6. Third, Hong Kong’s institutional strengths are built up over time by different bodies and organisations including the executive authorities, the legislature, the judiciary, the civil service, law enforcement and regulatory agencies, public service bodies, media organisations, etc. Each and every one of us has the responsibility to protect these strengths and prevent them from being eroded. I would like to take this opportunity to thank everyone who has stood fast in their positions during the confrontations in recent months, including staff members of various organisations, in particular police officers, staff of the MTR Corporation Limited and Airport Authority, maintenance and cleaning workers, as well as numerous Hong Kong citizens who silently stand guard over Hong Kong. With their contributions and hard work, Hong Kong is able to keep functioning.

7. Being an open and free city, Hong Kong has always upheld the principles of inclusiveness, integration and mutual respect, and has been resolving disputes by peaceful and rational

means. Owing to our adherence to these values, Hong Kong has won recognition and respect in the international community. While we respect different opinions and understand people's enthusiasm in fighting for justice and rights, I believe our society will agree that continued violence and spread of hatred would erode the core values of Hong Kong, disrupt social peace and undermine the excellent systems that took years of efforts to build. I therefore appeal to every Hong Kong citizen to cherish the city in which we all have a share and to safeguard the core values we uphold so that Hong Kong can return to calmness.

8. Although we have not had enough time to prepare for this year's Policy Address, we still manage to put forward over 220 new initiatives, albeit some are in the form of policy directions or possible options. We stand ready to listen to people's views and to enrich or adjust the contents and details of our policies.

9. Moreover, in view of the social situation this year, we adopt the approach of launching initiatives once they are ready, be it providing support to alleviate the impact of economic downturn or improving people's livelihood further. The Financial Secretary has announced in August and September a series of measures to support enterprises, safeguard jobs and relieve people's financial burden. The relevant Directors of Bureaux have also announced in advance of the Policy Address various new measures, including enhancing child care services, supporting sports development, enhancing financial support to help owners maintain their old buildings, strengthening response measures against influenza and providing subsidies for the installation of electric vehicle charging facilities in private buildings. As such, I will only focus on four aspects of work, namely housing, land supply, improving people's livelihood and economic development.

II. Housing

10. Housing is the toughest livelihood issue facing Hong Kong society. It is also a source of public grievances. I have never taken this matter lightly.

- After taking office, I immediately defined the positioning of our housing policy, indicating clearly that housing is not simply a commodity and that our community has a rightful expectation of the Government to provide adequate housing. This is also fundamental to social harmony and stability. Therefore, the Government has an indispensable role to play in this area.
- I understand that some families living in public rental housing (PRH) aspire to be home owners. I have therefore regularised the Green Form Subsidised Home Ownership Scheme (GSH) to provide subsidised sale flats (SSFs) that specifically cater for PRH tenants. About 2 500 flats were sold last year.
- Given the high property prices which make it difficult for middle-income families to become home owners, I am aware of their demand for SSFs. I have therefore regularised the White Form Secondary Market Scheme (WSM) and increased the quota gradually.
- I learnt that young professionals, with monthly salaries in the tens of thousands, are frustrated by the fact that they are unable to buy flats from the private housing market when market prices are often over \$10,000 per square foot. I therefore proposed the introduction of Starter Homes (SH) for Hong Kong Residents and converted the private residential

project of the Urban Renewal Authority (URA) at Ma Tau Wai Road into an SH Pilot Project for sale.

- We have proposed legislation to levy “Special Rates” on vacant first-hand private residential units to encourage developers to expedite the supply of completed flats, in order to reduce hoarding.

11. To ensure that the various types of SSFs are affordable for target households, I revised the pricing mechanism in the middle of last year by delinking the selling prices of flats under the Home Ownership Scheme (HOS) from the market prices of private residential properties, and adopting the affordability of applicants as the basis while ensuring that at least 75% (up from 50%) of the number of HOS flats for sale are affordable. Taking the HOS flats sold in 2018 and 2019 as an example, their selling prices were pitched at about 52% and 59% of the market prices respectively. Compared to the selling prices under the previous pricing mechanism and based on estimates at that time, the two batches of altogether 9 300 newly priced HOS flats have resulted in “savings” of about \$6.8 billion to the home buyers.

12. Despite our significant efforts to adjust the housing policy, we may not have eased the minds of the general public. I hereby set a clear objective that every Hong Kong citizen and his family will no longer have to be troubled by or pre-occupied with the housing problem, and that they will be able to have their own home in Hong Kong, a city in which we all have a share.

13. PRH is a safety net for grassroots and low-income households to address their housing needs. The provision of PRH is not only a practical and effective way to alleviate poverty, it is also a basis for promoting the upward mobility of families. However, at present, the average waiting time for PRH is as long as 5.4 years. Those on the waiting list have to shoulder

a heavy rent burden or to live in a very unpleasant environment for a long period of time. We must respond to this situation in a more vigorous manner, be it expediting PRH development, optimising the use of existing housing resources or introducing more transitional housing.

14. Housing is not just a matter of demand and supply. Very often, it is perceived to be an issue of social justice and allocation of resources. Some may ask whether the Government will make more land available for public housing, allocate limited housing resources to those families most in need, or provide home buyers with more suitable financial arrangements so they do not have to rely on extra mortgages provided by first-hand property developers and hence will have more choices in purchasing a property.

15. Upon review at the end of last year, we have adjusted the public/private split of new housing supply under the Long Term Housing Strategy for the coming 10 years (i.e. 2019–20 to 2028–29) from 60:40 to 70:30. However, this is a medium- to long-term target; and when we can meet the target will depend on the pace of increasing land supply.

16. I now put forward the following short- and medium-term support measures:

- (1) increasing the number of transitional housing projects substantially to provide a total of 10 000 such units within the next three years to relieve the pressure of families living in unpleasant conditions and those waiting for PRH for a long time. These units will be built on temporarily vacant government land and public facilities, as well as land lent by private developers. URA, Hong Kong Housing Society, Hong Kong Construction Association and other organisations will offer professional advice

and project management support to community groups participating in transitional housing projects. Moreover, the provision set aside by the Government for transitional housing will increase from the \$2 billion announced earlier to \$5 billion, fully manifesting the tripartite partnership of the community, business sector and the Government. We will also continue to take forward the youth hostel projects that specifically cater for the short-term accommodation needs of young people, among which two projects providing 1 760 places will be completed in the coming two years, while another five providing about 1 600 places are in progress;

- (2) offering relief for low-income households not living in PRH and not receiving Comprehensive Social Security Assistance (CSSA) (including people on the PRH waiting list) by providing a cash allowance. As it takes time to devise a scheme to provide the cash allowance on a regular basis, I will invite the Community Care Fund to launch two rounds of “one-off living subsidy” for the above-mentioned low-income households in the next financial year, the first round of which was announced as part of the relief measures. This will allow us time to complete the relevant study towards the end of 2020. Moreover, we also propose to increase the maximum rates of rent allowance for CSSA households;
- (3) I will invite the Hong Kong Housing Authority (HKHA) to explore the feasibility of redeveloping its factory estates for public housing use, particularly to increase the supply of PRH units;
- (4) currently, about 42 000 flats in the 39 estates under the Tenants Purchase Scheme (TPS), which are on

average priced at about 20% of their assessed market values, remain unsold. To further meet the home ownership aspirations of PRH tenants, I propose that HKHA make active preparations with a view to accelerating the sale of these flats;

- (5) following the sale of about 8 600 HOS and GSH flats in 2019, we will put up more such flats under construction for pre-sale. It is expected that as many as 12 000 HOS and GSH flats will be put up for sale in 2020 to meet the home ownership aspirations of the public as soon as possible;
- (6) with the provision of 3 000 WSM quotas this year, I suggest HKHA further raise the quota concerned in 2020 with a view to meeting the home ownership needs of more White Formers;
- (7) we will put up a private residential site on Anderson Road for sale in the first quarter of 2020 for the second SH pilot project. In addition to building private housing units, the developer will be required under land sale conditions to offer approximately 1 000 SH units for sale at below-market prices to eligible applicants;
- (8) I will entrust URA with a new mission to actively provide more SH or other types of SSFs in its redevelopment projects in light of the successful implementation of its first SH project at Ma Tau Wai Road early this year. The Government will provide resources as appropriate to enable URA to continue carrying out its urban renewal mission;
- (9) I announced in my Policy Address last year that URA would be invited to assist in redeveloping sites under the Civil Servants' Co-operative Building Society Scheme (CBS). URA has already

identified two clusters of sites, involving more than 30 CBS buildings in Kowloon City suitable for redevelopment as a pilot project. URA plans to announce early next year the commencement of the redevelopment of these buildings to maximise the development potential of the concerned sites. Some of the resumed land will be earmarked for public housing development, and the total number of public and private flats after redevelopment is estimated to be five times the existing number; and

- (10) to provide assistance to first-time home buyers, we will raise the cap on the value of the properties under the Mortgage Insurance Programme of the HKMC Insurance Limited. For a first-time home buyer (i.e. a person without any residential property in Hong Kong at the time of application), the cap on the value of a property eligible for a mortgage loan of maximum cover of 90% loan-to-value (LTV) ratio will be raised from the existing \$4 million to \$8 million. For a property eligible for a mortgage loan of maximum cover of 80% LTV ratio (which may include a mortgage loan for self-occupied “flat for flat”), the cap on its value will be raised from \$6 million to \$10 million.

17. During the Policy Address consultation sessions and public discussions in recent months, I have taken note of the views for a relaunch of TPS and redevelopment of aged PRH estates. I have no in-principle objection to these two proposals which can meet the home ownership aspirations of PRH tenants, improve their living conditions and increase housing supply through redevelopment. Yet, their implementation will reduce the number of PRH units available for allocation in the short term, which will inevitably lengthen the waiting time for PRH applicant families. Given the current acute short supply of PRH units and the need to deploy housing resources in an effective

manner, it is difficult to implement these proposals for the time being. However, when we have more certainty on the overall public housing supply, I will ask HKHA to look into the matter seriously.

III. Land Supply

18. To meet the keen housing demands of the public, we have to increase the supply of land for housing development in a persistent manner. After the Task Force on Land Supply (Task Force) launched a public engagement exercise on land supply and submitted a comprehensive report at the end of last year, the Government announced the full acceptance of the Task Force recommendations, which included a multi-pronged strategy to increase land supply. While social disputes in recent months have hindered implementation work, these have prompted me to reflect on the issue more deeply and come to the view that the governing team must make bolder decisions and overcome all difficulties with determination and resolve to restore public confidence in the Government's tackling of this thorny problem.

19. In respect of the policy direction on land supply, I propose a Government-led approach for the planning of land use and infrastructure and to resume the required private land for established public purposes, so that members of the public can see that the Government is using its full strength to develop land in the short, medium and long term for our people. Specifically, we will expedite our planning work and resume three types of private land wholly for public housing (including PRH, GSH, HOS), SH and related infrastructure development by invoking the Lands Resumption Ordinance and other applicable ordinances:

- (1) about 450 hectares of brownfield sites in the New Territories may have development potential but have not been covered by new development areas (NDAs) or other development projects. These sites are mostly private land larger in size and located nearer to existing new towns and major highways, including brownfield sites in Ping Shan

and Lam Tei. The Planning Department will accord priority to the study of 160 hectares brownfield sites that are closer to existing infrastructure and assess their suitability for public housing development, with a view to commencing follow-up technical assessment by the end of this year. Rezoning government land for housing has been one of the major sources of housing land supply in recent years. However, my proposal to adopt a more focused approach for rezoning private land for public housing development, and then exercising public power to resume private land for public purpose, is indeed a breakthrough in thinking;

- (2) to resume private land which is zoned for high-density housing development in statutory outline zoning plans but without any development plans due to various reasons (e.g. fragmented ownership, infrastructural constraints) and assessed to be suitable for public housing development; and
- (3) to resume urban private land in Cha Kwo Ling Village, Ngau Chi Wan Village and Chuk Yuen United Village suitable for high-density housing development, with a view to expediting the development of these seven hectares of urban sites and rebuilding a new community mainly comprising public housing. The living environment of residents in the squatter areas will also be improved with compensation and rehousing to be provided in accordance with the prevailing policy.

20. I wish to point out that apart from the additional land resumption projects mentioned above, a steady stream of land resumption projects under the Lands Resumption Ordinance is in the pipeline. With works of Kwu Tung North/Fanling North NDAs just commencing, upcoming large-scale development

projects in Hung Shui Kiu/Ha Tsuen and Yuen Long South, as well as a couple of public housing and other public works projects in the pipeline, we are given to understand that about 700 hectares of private land will be resumed, of which some 400 hectares is expected to be resumed in the next five years, significantly more than the 20 hectares resumed in the past five years.

21. Apart from adhering to the current “planning before land resumption” mechanism, we will also strive to provide supporting facilities at the district level and make proper rehousing and compensation arrangements. Given the importance of public transport infrastructure to housing development, we will expedite the implementation of projects proposed in the Railway Development Strategy 2014, and invite the MTR Corporation Limited to commence detailed planning and design for the Tung Chung Line Extension, Tuen Mun South Extension and Northern Link in the coming year, so that work on these three railway projects can commence as early as possible. We hope our approach of resuming land for public housing development could gain support from various sectors of the community. Apart from expediting the planning process, we will compress the time needed for technical studies and streamline relevant procedures such as rezoning, land resumption and engineering design to enable early completion of new housing units.

22. On the other hand, the Development Bureau will soon announce details of the Land Sharing Pilot Scheme (LSPS) along the policy direction outlined in last year’s Policy Address. Views of stakeholders will be gauged with the target of accepting applications early next year. Unlike other development modes of Government-led planning and Government-initiated land resumption, LSPS will tap market force in planning and construction. We hope that this will release as soon as possible private lots with consolidated ownership but not yet covered by

government planning and study, so as to speed up short- and medium-term housing supply. The Government will facilitate infrastructural enhancement to allow higher development intensity and prescribe that at least 70% of the additional gross floor area gained should be allocated for public housing or SH as intended by the Government. As such, land owners have to carve out part of their land and hand them over to the Government for the said housing development, while the remainder of the site can be retained for private housing development. The land owners concerned will be responsible for providing infrastructure and other community facilities necessary to support the housing development projects, and the associated construction cost will be deducted from the land premium.

23. Taking into account public views, we propose to adopt a fair, robust and transparent vetting and approval mechanism under which applications are subject to thorough examination by a multi-disciplinary team of civil servants. Also, a newly established Panel of Advisors comprising members with credibility in society will provide advice. After that, the applications will be submitted to the Chief Executive in Council for approval. All town planning and other statutory and administrative procedures will continue to apply, including the requirement for land owners to pay land premium at full market value for the private housing development and ancillary commercial facilities. LSPS will cover a period of three years and the area of private land to be approved will be capped at 150 hectares.

24. I note that individual property developers have recently announced that they would provide or lend land for housing development and other public welfare uses at no cost. This is a proactive act of shouldering a share of social responsibility. The Government welcomes such act, but this will not affect the Government's full strength in taking forward various land

supply measures. I appeal to all property developers to support the Government in developing their land for public housing or SH through the application of the Lands Resumption Ordinance and LSPS to make active contributions towards easing the housing problem of Hong Kong people.

25. Land converted for housing development through a change of existing uses is not an inexhaustible resource. We have, therefore, accepted the multi-pronged strategy recommended by the Task Force, including reclamation in the Central Waters for developing the Kau Yi Chau Artificial Islands and other options of near-shore reclamation outside the Victoria Harbour. The reclamation in the Central Waters under the Lantau Tomorrow Vision will create a vast area of new land for comprehensive planning, which will serve as an important measure of land production in the medium to long term. The strategic transport infrastructural network connecting the artificial islands will relieve congestion of the West Rail and Tuen Mun Highway. The Kau Yi Chau Artificial Islands will not only provide 1 000 hectares of land for Hong Kong, but also space to build a brand-new community for the next generation.

26. I fully understand that some people in the community have concerns about the development of the artificial islands, for instance, why extensive reclamation is required, for whom new land supply and housing are provided, and how environmental protection and cost-effectiveness are ensured. We will thus continue our efforts to explain the project objectives and directions of the technical studies to the public and establish a platform for various professionals and young people to take part in the formulation of measures in areas such as urban design, land use, and smart, environment-friendly and sustainable development, and to explore how to link up the housing needs of Hong Kong people with the housing development plans on the artificial islands. By doing so, we aim to ensure that the housing development made possible by the Lantau Tomorrow

Vision is for our citizens and for Hong Kong. There is no conflict between the exploratory work and the commencement of detailed studies on reclamation. I sincerely appeal to the Legislative Council to approve the relevant funding applications in due course.

27. In addition, we will re-plan the coastal development of Tuen Mun West, including securing funding to conduct a combined study on the development potential of 220 hectares of reclaimed land at Lung Kwu Tan and about 220 hectares of coastal area at Tuen Mun West, under which the feasibility of developing the coastal areas including the River Trade Terminal into residential areas will be explored.

28. As custodian of “Government, Institution or Community” (GIC) sites, the Government should strive to optimise the use of these sites under the policy objective of identifying land to increase housing supply. We will review over 300 GIC sites with a total area of some 300 hectares currently earmarked for standalone public facility, and put forward concrete proposals for sites with no development plan, including developing multi-purpose public facility buildings under the “single site, multiple use” model, developing residential projects and public facilities under a mixed development mode, or retaining them for specific government facilities. Meanwhile, to assist non-governmental organisations to optimise their under-utilised sites, we will facilitate the redevelopment of the low-rise buildings on these sites by providing support and introducing mixed residential, education and welfare uses. This will not only provide modernised facilities, but also increase the supply of various types of housing, including elderly housing, youth hostels or transitional housing, etc.

29. The above-mentioned projects regarding the development of existing land, the over 1 200 hectares of new reclaimed land plus a total of around 950 hectares of planned NDAs, as well as

over 80 sites that are in the progress of or pending rezoning to housing uses are all important sources of land supply. In reality, however, every land development task is a challenge. Through the regular updating of the “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030” and the annual review of supply target under the Long Term Housing Strategy, we will report to the public our implementation progress. We are determined to create home ownership opportunities for people of different income groups such that they will happily make Hong Kong their home. In particular, we will strive to reduce the average waiting time for PRH for families and elderly singletons to meet the three-year target of flat allocation. I sincerely appeal to you to support our work in land supply and housing.

IV. Improving People's Livelihood

30. The 152 new initiatives to improve people's livelihood announced in my last two Policy Addresses have largely been completed or are progressing on schedule. Recurrent spending on welfare and healthcare has increased by 29% in the past two years, amounting to \$164.9 billion in the 2019–20 estimates. With limited public resources, our work to improve people's livelihood is not just a demand and supply question, it is also an issue of resource allocation that our society must face. To enable more effective and efficient use of public resources, I have advocated cross-sector and cross-profession collaboration as well as public-private partnership, adhering to the principles of pro-child, pro-family, pro-work, respecting the choices of beneficiaries and embracing public health. The initiatives to improve people's livelihood introduced this year are in line with these principles. I would like to highlight a few of these here.

Pro-child

31. To ensure the healthy development of every child, we have to put in place macro policies on education, healthcare and welfare while addressing the needs of children of different backgrounds.

32. In my last two Policy Addresses, I proposed measures to support children with special needs because early intervention with rehabilitation services is of particular importance to their subsequent integration into mainstream education. Following the regularisation of the On-site Pre-school Rehabilitation Services in October last year, we have increased the number of service places to 7 000 this month. We plan to further increase the number of service places by 1 000 each year over the next three school years to bring the total number to 10 000 to better meet the service needs of these children and give parents

greater assurance, with a view to achieving “zero-waiting time” pledged in my first Policy Address. Moreover, we will implement a 20-month pilot scheme in kindergartens or kindergarten-cum-child care centres early next year, under which children with signs of special needs will be given early intervention services. We will strengthen the after-school care programme with a host of new measures, including adding 2 500 full fee-waiving places, relaxing application eligibility, increasing subsidy level, providing extra subsidy for children with special education needs, streamlining means-test procedures, etc. More than 5 700 students and their families are expected to benefit from these measures.

33. Expenses for children starting a new school year pose a burden to many parents. As part of the \$19.1 billion relief measures announced in August this year, the Financial Secretary proposed a one-off student grant of \$2,500 for secondary day school, primary school and kindergarten students. I propose to regularise the provision of the student grant from the 2020/21 school year with an annual grant of \$2,500 for each student. The grant will benefit about 900 000 students in Hong Kong.

34. To further support working families with lower incomes to achieve self-reliance and alleviate inter-generational poverty, we propose to raise all payment rates of the Working Family Allowance (WFA). There will be a 16.7% to 25% increase in the working-hour linked household allowance under the Scheme, while the Child Allowance will be raised substantially by 40%. Taking a four-person household with two eligible children as an example, the maximum level of allowance under the WFA Scheme will increase by over 30% from the existing \$3,200 per month to \$4,200 per month.

35. In view of the cramped living environment in Hong Kong, public open spaces in districts should provide interesting play areas for children. Upon completion

of modification last year, the children's playground in Tuen Mun Park is very popular with parents and children. We plan to modify more than 170 public play spaces managed by the Leisure and Cultural Services Department (LCSD) over the next five years. To make the facilities more innovative and fun, while meeting the needs of residents, LCSD will encourage and promote community participation and public engagement in the process of modifying these facilities.

Embracing Public Health

36. Hong Kong's public healthcare system is under enormous pressure due to an ageing population and the increasing prevalence of chronic and complex diseases. Meanwhile, members of the public are mostly relying on treatment-oriented healthcare services.

37. In a bid to shift the emphasis of the present healthcare system and people's mindset from treatment-oriented to prevention-focused, I proposed in my last Policy Address to set up District Health Centres (DHCs) in all 18 districts to provide primary healthcare services through medical-social collaboration and public-private partnership. The aim is to enhance the public's capability in self-management of health and provide support for the chronically ill. The first DHC in Kwai Tsing District has commenced operation at the end of last month. We will expedite the setting up of DHCs in all 18 districts. It is expected that within the term of the current government, DHCs in six more districts and interim "DHC Express" in the remaining 11 districts will be established to provide health promotion, consultation and chronic disease care services.

38. To strengthen support for patients with uncommon disorders, the Government and the Hospital Authority (HA) plan to implement progressively a series of targeted measures, including examining the setting up of databases for individual

uncommon disorders to facilitate clinical diagnosis and treatment, deploying resources to promote relevant scientific research and development, and enhancing public awareness of uncommon disorders. We will also strengthen our support for drug treatment of patients with uncommon disorders and cancers through the Samaritan Fund and the Community Care Fund.

39. At present, for workers injured at work who have to wait for HA's occupational rehabilitation services, their recovery progress is often affected as a result of the excessively long waiting time. I propose to introduce a three-year pilot programme for construction workers, under which a case management approach will be adopted to provide private treatment and rehabilitation services for eligible employees injured at work in a timely and well co-ordinated manner to facilitate their early recovery and return to work. Moreover, we propose to commission the Occupational Safety and Health Council to administer the pilot programme through legislative amendments.

Relieving the Burden of Commuting

40. When fares for public transport services are adjusted due to increasing operational costs, the public also have to shoulder higher transport cost. We therefore propose to introduce three measures to alleviate the burden of transport expenses. First, we will enhance the Public Transport Fare Subsidy Scheme by increasing the subsidy rate from one-fourth to one-third of the monthly public transport expenses in excess of \$400, as well as raising the subsidy cap from the existing level of \$300 to \$400 per month. As a result, the annual subsidy provided by the Government will increase from \$2.3 billion to about \$3.1 billion.

41. Second, where traffic conditions permit, we will seek to reduce the cost of using government tolled tunnels and

Control Areas incurred by the public, public transport operators and transport trades. The successive commissioning of the Tuen Mun – Chek Lap Kok Link (TM–CLKL) Subsea Tunnel and the Tseung Kwan O – Lam Tin Tunnel (TKO–LTT) in the coming two years will enable the diversion of traffic to and from Lantau Island and Tseung Kwan O respectively, thus creating an opportunity for waiving the relevant tunnel tolls. We suggest waiving the tolls of the new TM–CLKL Subsea Tunnel and the Lantau Link upon the commissioning of the TM–CLKL Subsea Tunnel scheduled for the end of 2020 and, similarly, waiving the tolls of the new TKO–LTT and the Tseung Kwan O Tunnel upon commissioning of the TKO–LTT scheduled for the end of 2021.

42. Third, in view of the operating difficulties faced by the outlying island ferry services in Hong Kong, the Government has been providing Special Helping Measures to six outlying island ferry routes since 2011 in order to maintain services and reduce the impact of fare increases on passengers. We will extend these measures to eight other outlying island ferry routes. Annual expenditure for subsidising these 14 ferry routes is about \$260 million. We will also replace the entire fleets of 11 ferry routes and introduce greener vessels within around a decade from 2021 in two phases, which involves the purchase of 47 new vessels to enhance service quality and promote environmental protection.

V. Economic Development

43. As a result of the intensifying trade tension between the Mainland and the United States, global economic growth has slowed noticeably since late 2018. The economic outlook of the Mainland and the region has also been adversely affected. In the first half of 2019, the Hong Kong economy grew modestly by 0.5% year-on-year, the worst performance since the 2009 recession. Violent acts in recent months have aggravated the situation, posing an unprecedented challenge to our economy. Since July this year, there have been sharp reductions in visitor arrivals and retail sales, a continued decline in exports as well as deeply dampened business, investment and consumption sentiments. Certain industries have recorded the worst business performance ever. We consider that the Hong Kong economy has already slipped into a technical recession since the third quarter. In mid-August, the Government lowered the economic growth forecast for 2019 to 0–1%.

44. The impact of the economic downturn on the labour market has surfaced gradually. The unemployment rates of the more affected sectors such as retail, accommodation and catering services have been rising progressively, while labour demand in the import/export trade sector has weakened considerably. The local labour market will face increasing pressure of layoffs in the near term.

45. We are very concerned about the pressure borne by small and medium-sized enterprises (SMEs) and members of the public amid an economic downturn. Apart from implementing the package of support measures announced in the past two months as soon as possible, we will keep in view of the situation and, when necessary, introduce other measures to help enterprises and the public tide over difficult times.

46. Sustained economic growth is essential for our society to make steady progress and will enable the Government to continue investing in the future and meeting public needs. Over the past two years, we have been actively expanding overseas markets: we doubled the number of free trade agreements (FTAs) signed with other economies, and established in Bangkok, Thailand, Hong Kong's 13th overseas Economic and Trade Office. We have also made substantial efforts to attract foreign investment. According to the latest annual survey conducted by Invest Hong Kong and the Census and Statistics Department, the number of business operations in Hong Kong with parent companies overseas or in Mainland China has exceeded 9 000. Among them, 1 541 have set up regional headquarters in Hong Kong, representing a 9.1% increase over 2017. The number of startups in Hong Kong has seen an even more encouraging growth of 42.8% to 3 184 during the two-year period between 2017 and 2019.

47. Apart from giving continuous support to our four traditional pillar industries, namely, financial services, tourism, trading and logistics, as well as professional and other producer services, we strive to promote the development of innovation and technology, cultural and creative industries and environmental industries. While maintaining a free market economy, the Government proactively plays the role of "facilitator" and "promoter", making every effort to increase land supply, invest in nurturing talent, promote external affairs, improve the business environment and implement tax concession measures with a view to enhancing the competitiveness of Hong Kong. In parallel, the Government capitalises on the opportunities brought by the Belt & Road (B&R) Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area, with the aim of creating new growth areas for our economy and opening up more markets for Hong Kong's enterprises and professional services. While the Hong Kong economy is facing both external

and internal challenges, I believe our efforts in the past two years will help us brave the difficulties ahead.

48. In the face of an increasingly austere economic situation, apart from rendering assistance to Hong Kong enterprises in the promotion of products and services to the Mainland market, the Government is also seeking the policy support of the relevant Central authorities for, among other things, tax concessions for Hong Kong enterprises wishing to shift from exports to domestic sales and streamlining of the approval process, with a view to enhancing their competitiveness in the Mainland domestic market.

49. Meanwhile, we will continue to explore overseas markets. To assist local enterprises and professional services to explore the B&R markets, we will organise delegations and invite Mainland and Hong Kong enterprises to conduct joint promotional activities in the B&R economies; and seek the policy support of the relevant Central authorities to extend the incentives and facilitations currently enjoyed by Mainland enterprises to Hong Kong enterprises intending to set up businesses in the Mainland's overseas Economic and Trade Co-operation Zones (ETCZs).

50. To facilitate and support Hong Kong enterprises to expand their markets in the Mainland and overseas, the Financial Secretary announced this year the injection of \$2 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) and \$1 billion into the SME Export Marketing Fund, as well as the doubling of the funding ceiling to \$2 million per enterprise under the BUD Fund's Mainland Programme and FTA Programme. We believe these measures will help our enterprises expand in the Mainland's domestic market and support market development in economies with which Hong Kong has signed FTAs, including establishing a presence in the ETCZs in these markets.

51. The violent incidents in the past few months have seriously damaged Hong Kong's international image and undermined its attractiveness to overseas investors. Once peace is restored, we will, in collaboration with the relevant organisations, chambers of commerce and professional bodies, devote more efforts and resources to carrying out promotional work and other effective measures to rebuild confidence in Hong Kong as soon as practicable. With our solid foundation, institutional strengths and the opportunities afforded by our Motherland, as well as the perseverance and strong adaptability of Hong Kong people, I firmly believe that Hong Kong will be able to ride out this storm and move on.

VI. Closing Remarks

52. Fellow citizens, so long as Hong Kong remains impeded by unresolved disputes, ongoing violence, confrontation and discord, our city cannot embark on the road to reconciliation and people will lose faith in the future. We must reverse the prevalent pessimistic sentiments and stop the disorderly behaviour. We have to put aside differences and stop attacking each other, so that we could set sail again based on the values upheld by all. With the following strengths, we will still be able to sail through adversities:

- our long-established core values such as the rule of law, respect for human rights, diversity and inclusiveness, freedom of expression and effective administration;
- our unique strengths under “One Country, Two Systems” and the comprehensive safeguards under the Basic Law;
- Hong Kong’s status as international financial, transportation and trade centres as well as our internationalised business environment valued and recognised by overseas and Mainland enterprises;
- the economic principles which respect open markets and free trade;
- public institutions with distinctive functions and a pool of excellent talent; and
- Hong Kong people’s pragmatism and rationality, as well as our mutual help and can-do spirit.

53. In the past two years, the Government also forged ahead with the development of the innovation and technology industry,

wisely used public funds to invest for the future, developed external affairs and liaised with various trades to jointly chart our future. Although Hong Kong is now facing the most formidable challenge since our return to the Motherland, I believe that the efforts made to lay the solid foundation of Hong Kong would not be wasted. So long as we have unwavering confidence, adhere to the “One Country, Two Systems” principle, stop violence in accordance with the law and restore social order as early as possible, Hong Kong will soon be able to emerge from the storm and embrace the rainbow.