

The 2015 Policy Address

Uphold the Rule of Law
Seize the Opportunities
Make the Right Choices

Pursue Democracy
Boost the Economy
Improve People's Livelihood

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Mr President, Honourable Members and fellow citizens,

I. Introduction

1. Democratic development and economic progress in Hong Kong present a host of opportunities, but there are choices we have to make. On constitutional development, we have to choose between implementing universal suffrage and a standstill; on the economy, between progress and stagnation; and on people's livelihood, between reforms and clinging to the status quo.

2. Hong Kong is a society that upholds the rule of law. Provided we act in accordance with the law, capitalise on our opportunities and make choices with courage, we will be able to pursue democracy, boost the economy and improve people's livelihood.

3. On economic development, Hong Kong is blessed with the unique advantages of both "One Country" and "Two Systems". As part of China, we benefit from the rapid development of and enjoy preferential treatments from our country; at the same time, we benefit from having a system that is different from other Mainland cities. By capitalising on these advantages, not only can we expedite our growth, but we also continue to expand our existing lead industries and foster new industries to meet the development needs of the Mainland and abroad. Through the diversification of our industries, we can create a more prosperous economy that provides our young people with the opportunity to put what they have learnt to good use and allow all to realise their potential.

4. On constitutional development, by adhering strictly to the Basic Law and the Decision of the Standing Committee of the National People's Congress on Issues Relating to the Selection of the Chief Executive of the Hong Kong Special Administrative Region by Universal Suffrage and on the Method for Forming the Legislative Council of the Hong Kong Special Administrative Region in the Year 2016, for the first time in Hong Kong's history,

five million eligible voters will be able to select the Chief Executive by universal suffrage in 2017. This is a big step forward for Hong Kong's democratic development.

5. With all these opportunities before us, we should, however, stay alert.

6. Taking the continuous economic development and full employment in recent years for granted, some people have underestimated the importance of economic growth. This calls for vigilance. People's livelihood depends on the economy, and fostering economic development is vital to improving people's livelihood. Sustained economic development will provide our young people with more and better employment opportunities and chances of upward mobility, increase people's income, and enhance the Government's financial capacity in addressing problems relating to housing, poverty, ageing population and environmental protection. We must maintain Hong Kong's competitiveness in both the international and Mainland markets, and forestall any act that harms the investment and business environment.

7. On constitutional development, we have to be wary of suggestions that deviate from the Basic Law. Discussions on constitutional development over the past year or so have revealed that many fail to properly understand the relationship between the Central Authorities and the Hong Kong Special Administrative Region (HKSAR), and the constitutional requirements relating to constitutional development. I should stress that under "One Country, Two Systems", Hong Kong is a special administrative region of our country. The Basic Law specifically provides for the relationship between the Central Authorities and the HKSAR. Hong Kong's power originates from the Central Authorities, and the delegation of power from the Central Authorities to Hong Kong is provided in the Basic Law. Hong Kong's autonomy under "One Country, Two Systems" is a high degree of autonomy, not an absolute autonomy. It is a high degree of autonomy specifically provided for in the Basic Law, not one based on any arbitrary interpretation. The formulation

and development of our political structure must be based on the Basic Law and the relevant Interpretation and Decisions of the Standing Committee of the National People's Congress (NPCSC). Under the Basic Law, the Chief Executive is accountable to not only the HKSAR, but also the Central Government. The Chief Executive, whether returned by an Election Committee or by universal suffrage, and the Principal Officials nominated by the Chief Executive, are all subject to appointment by the Central Government. The selection of the Chief Executive comprises both the elements of election and appointment.

8. The system just described embodies the principles of "One Country, Two Systems", "Hong Kong people administering Hong Kong" and a high degree of autonomy. This is a unique and unprecedented system. There is neither overseas precedent nor "international standard" of the kind. For Hong Kong to select its Chief Executive by universal suffrage, the Basic Law and the relevant Interpretation and Decisions of the NPCSC must be complied with.

9. We fully recognise the aspirations of our young students for democracy and their concerns about political reforms. University students are the future pillars of society and deserve our care. Hence, there is all the more reason for us to commend them for their merits and correct their mistakes. They should be guided towards a full understanding of the constitutional relationship between our country and Hong Kong so that the discussion on constitutional development would not be fruitless.

10. The 2014 February issue of "Undergrad", the official magazine of the Hong Kong University Students' Union, featured a cover story entitled "Hong Kong people deciding their own fate". In 2013, a book named "Hong Kong Nationalism" was published by "Undergrad". It advocates that Hong Kong should find a way to self-reliance and self-determination. "Undergrad" and other students, including student leaders of the occupy movement, have misstated some facts. We must stay alert. We also ask political figures with close ties to the leaders of the

student movement to advise them against putting forward such fallacies.

11. The rule of law is the foundation of Hong Kong. The democratic development of Hong Kong must therefore be underpinned by the same. As we pursue democracy, we should act in accordance with the law, or Hong Kong will degenerate into anarchy.

12. Since taking office, the current-term Government has progressively fulfilled the pledges in my Manifesto on housing, poverty, elderly care and environmental protection. The related initiatives have begun to deliver results. By promoting economic development and taking forward the constitutional development in accordance with the law, we will have a greater capacity for implementing policies to improve people's livelihood.

II. Constitutional Development

13. The relationship between the Sino-British Joint Declaration and universal suffrage has been mentioned in recent discussions on constitutional development. The relevant provisions of the Sino-British Joint Declaration state that:

“The chief executive will be appointed by the Central People’s Government on the basis of the results of elections or consultations to be held locally. Principal officials will be nominated by the chief executive of the Hong Kong Special Administrative Region for appointment by the Central People’s Government.”

“The above-stated basic policies of the People’s Republic of China regarding Hong Kong and the elaboration of them in Annex I to this Joint Declaration will be stipulated, in a Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China, by the National People’s Congress of the People’s Republic of China, and they will remain unchanged for 50 years.”

14. Universal suffrage for the Chief Executive election was stipulated for the first time in the Basic Law, and not the Sino-British Joint Declaration. Article 45 of the Basic Law provides that “the method for selecting the Chief Executive shall be specified in the light of the actual situation in the Hong Kong Special Administrative Region and in accordance with the principle of gradual and orderly progress. The ultimate aim is the selection of the Chief Executive by universal suffrage upon nomination by a broadly representative nominating committee in accordance with democratic procedures. The specific method for selecting the Chief Executive is prescribed in Annex I: ‘Method for the Selection of the Chief Executive of the Hong Kong Special Administrative Region.’” Annex I of the Basic Law further states that “if there is a need to amend the method for selecting the Chief Executives for the terms subsequent to the year 2007, such amendments must be made with the endorsement of a two-thirds majority of all the members of the Legislative Council and the

consent of the Chief Executive, and they shall be reported to the Standing Committee of the National People's Congress for approval".

15. Therefore, the substantive power to decide on constitutional development rests with the Central Authorities. The Decision of the NPCSC has irrefutable legal status and is legally valid. The slogan of "Hong Kong shall resolve Hong Kong's problems" does not conform with our constitutional arrangements. The Basic Law clearly stipulates that the power to nominate candidates of the Chief Executive election rests only with the nominating committee. Over the past year, the Central Authorities and the HKSAR Government have repeatedly pointed out that "civic nomination" does not comply with the Basic Law.

16. Last Wednesday, the Government announced the launch of the second round public consultation on the method for selecting the Chief Executive by universal suffrage. I sincerely hope the community will make good use of the two-month consultation period to discuss the issues rationally and pragmatically within the framework of the Basic Law and the relevant Interpretation and Decisions of the NPCSC, respect the rule of law and forge consensus. By so doing, five million eligible electors in Hong Kong can select the Chief Executive through "one person, one vote" in 2017. The incidents in the past few months show that Hong Kong people will not agree to means of expression that deny others of their rights, and will not condone any unlawful acts.

III. Economy

17. Trading, financial services, shipping, tourism and professional services are Hong Kong's pillar industries. Apart from them, many emerging industries of a small scale but with great potential deserve the community's attention and government support.

18. Industries in Hong Kong, regardless of scale, share a common advantage; that is, Hong Kong is an important link and a "super-connector" between the Mainland and the rest of the world. To promote economic development, Hong Kong should put emphasis on building economic ties with both the Mainland and overseas countries. At present, more than 7 500 overseas and Mainland enterprises have offices in Hong Kong of which about half are regional headquarters or regional offices.

19. Hong Kong was the world's eighth largest trading entity in goods in 2013. The overall trade volume between Hong Kong and the Mainland accounted for more than half of Hong Kong's total trade value. The import and export trading sector and the wholesale industry, had the largest number of employees in Hong Kong, with about 500 000 persons.

20. The HKSAR Government will continue to assist Hong Kong enterprises to develop the Mainland market by brand building, upgrading and restructuring operations, and exploring domestic sales, through the \$1 billion dedicated fund. As to fostering and facilitating international trade, apart from active participation in the World Trade Organization's multilateral and plurilateral negotiations, the HKSAR Government seeks to negotiate and conclude free trade agreements with individual countries or regions. Last July, the HKSAR Government commenced formal negotiations with the 10 countries of the Association of Southeast Asian Nations for a free trade agreement.

21. The service sector accounts for more than 90% of our Gross Domestic Product (GDP) and is a very important component of the economy. In December 2014, the HKSAR

Government and the Ministry of Commerce signed the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalization of Trade in Services in Guangdong, ushering in the basic liberalisation of trade in services between Guangdong and Hong Kong. We will continue our earnest efforts to seek further market liberalisation in the Mainland with a view to achieving basic liberalisation of trade in services between the entire Mainland and Hong Kong by the end of this year.

22. The HKSAR Government has submitted its proposals for the National 13th Five-Year Plan to the Central Government.

23. The Central Government announced last December that, in addition to the Shanghai Pilot Free Trade Zone (FTZ), three more pilot FTZs will be established on 1 March 2015. The Guangdong Pilot FTZ, covering new areas of Nansha, Qianhai and Hengqin, can leverage Hong Kong's edge to promote in-depth co-operation between Guangdong and Hong Kong. Qianhai is adjacent to Hong Kong and Nansha is the largest of the three areas. The room for business and development for people and enterprises of Hong Kong will be vastly expanded. The HKSAR Government will maintain close collaboration with the Guangdong Provincial Government throughout the planning and development of the three new areas to actively pursue new modes of co-operation, the most favourable treatment and the biggest development opportunity for Hong Kong people and enterprises.

24. At present, Hong Kong has a number of offices in the Mainland and abroad, serving as channels for promotion and networking. We have 11 overseas Economic and Trade Offices (ETOs). In the light of the shift of the global economic balance towards the east, Hong Kong needs to increase the number of offices in the Asian region.

25. With the establishment of the Wuhan ETO last April, the HKSAR Government has a more comprehensive network in the Mainland. To further improve this network, we set up a liaison unit in Liaoning Province in December 2014. Another liaison

unit in Shandong Province will be set up in the first half of this year. Upon full operation of the Wuhan ETO, one more liaison unit will be set up in the central region.

Finance

26. Hong Kong is a major international financial centre as well as China's leading global financial centre. We have to capitalise on this dual identity. There is room to further diversify financial services in Hong Kong. The Financial Services Development Council has recommended specific proposals raised by the financial sector to leverage our advantages and promote diversification.

27. The significance of the Shanghai-Hong Kong Stock Connect can be best appreciated when seen in the broader context of the well-defined plan of our country for financial liberalisation. The Stock Connect links the Mainland market with international markets and enhances Hong Kong's role as a connector on the financial front. By increasing liquidity in the offshore Renminbi (RMB) market and by providing a wider choice of RMB investment products in Hong Kong, the Stock Connect contributes to the continuous growth of our financial sector.

28. The Government introduced the Insurance Companies (Amendment) Bill to this Council last April and proposed the establishment of an independent Insurance Authority. The Government will allocate \$500 million to the Insurance Authority to meet part of its initial operating expenses and for use as contingency reserve.

Professional Services

29. With high per capita incomes, professional services play an integral part in Hong Kong's economy. In recent years, the industry has actively expanded its presence in the Mainland market.

30. The development of professional services has been gaining momentum. Take legal, accountancy, auditing, architecture and engineering services as an example. The average annual growth of their value added was 9.9% from 2007 to 2012, far exceeding the overall economic growth of 4.6% over the same period. In 2012, professional services contributed as much as 4.7% of our GDP, equivalent to the contribution of the whole tourism industry, and provided nearly 200 000 job opportunities. At present, through the Mainland and Hong Kong Closer Economic Partnership Arrangement, many professional services sectors can enjoy preferential access to the Mainland market. We will continue to foster the development of professional services.

High Value-added Maritime Services

31. The total gross tonnage of vessels on the Hong Kong Shipping Register is the fourth-largest in the world. There are about 700 shipping-related companies in the city, offering comprehensive maritime services, including ship management, broking and chartering, finance, marine insurance, maritime law and arbitration and support services. With the continuous expansion of our country's maritime and shipbuilding industries, our maritime services sector has enormous potential for growth. Hong Kong is well positioned to serve as a springboard for Mainland maritime companies looking to "go global", as well as a platform for international maritime companies to tap the Mainland market. Hong Kong has what it takes to become an important international maritime services hub for China and the Asia-Pacific region.

32. Hong Kong offers a wide range of marine insurance products and services. We also have the highest concentration of insurers in Asia. There are currently more than 150 sanctioned insurers, of which 91 are authorised to provide marine and cargo insurance. These include seven of the 13 members of the International Group of Protection and Indemnity, the largest cluster of representatives outside London. The gross premiums

of marine and cargo insurance business amounted to \$2.1 billion in 2013 and saw considerable growth in 2014.

33. The Government will continue to take forward the establishment of a new maritime body to promote Hong Kong's maritime services industry. Meanwhile, the Government will enhance the functions of the Hong Kong Maritime Industry Council to step up its efforts to foster the development of the industry and nurture talent, especially in high-end professional maritime services. In the coming year, the Government will join the industry and the Trade Development Council (TDC) to launch promotional events overseas and in the Mainland to attract more high value-added maritime services companies to cluster in Hong Kong.

34. It is also important to expand our pool of talent. The Government set up the Maritime and Aviation Training Fund in April 2014, which aims to attract young new blood to join the industries and provide financial support for enhancing professionalism and skill level.

35. Driven by economic growth, the aviation industry in the Mainland has seen rapid development in recent years. To grasp this market opportunity and taking into account the recommendation of the Economic Development Commission, the Government is studying the development of Hong Kong's aerospace financing business so as to strengthen Hong Kong's status as an international aviation and financial centre.

Logistics

36. The Government will continue to give full support to the Airport Authority (AA) to implement the three-runway system project at the Hong Kong International Airport. The project aims to strengthen our position as an international and regional transportation hub.

37. The AA has completed the study on the master layout plan for the airport's North Commercial District and will soon commence the first stage of retail development. It will also take

forward the planning and development of the land reserved for cargo use at the South Cargo Precinct of the airport island.

Tourism and Convention and Exhibition

38. The Government is carrying out infrastructure work at the runway and south apron of the former airport to tie in with the hotel development in the “hotel belt” adjacent to the Kai Tak Cruise Terminal. We will encourage developers to include conference facilities in these hotels.

39. Both theme parks are pressing ahead with expansion plans. The operating results of Hong Kong Disneyland are improving, and we will commence discussion on the Phase 2 development of the Hong Kong Disneyland Resort with the Walt Disney Company.

40. The Government has commissioned a consultancy study to assess the future demand for convention and exhibition facilities in Hong Kong, and will consider constructing a new convention centre above the Exhibition Station of the Sha Tin to Central Link around 2020.

Innovation and Technology

41. Innovation and technology can diversify the economy, provide wider employment opportunities in research and development (R&D), and enhance the competitiveness and growth of related industries. According to the latest Global Innovation Index by Cornell University and other organisations, Hong Kong ranked amongst the 10 most innovative places out of some 140 economies surveyed.

42. The Government provides a strategic environment for innovation and technology development through five core strategies. They include providing world-class technology infrastructure for enterprises, research institutions and universities; offering financial support to stakeholders in the industry, academia and research sector to commercialise their R&D deliverables; nurturing talent; strengthening collaboration

with the Mainland and other places in science and technology; and fostering a vibrant culture of innovation.

43. Hong Kong's gross domestic expenditure on R&D increased from \$7.1 billion in 2001 to \$15.6 billion in 2013, an average annual growth of 7%. The number of R&D personnel has more than doubled during the same period.

44. The Science Park is currently home to nearly 500 partner companies, providing more than 10 000 technology-related jobs. By the time Phase 3 comes into full operation in 2016, the Science Park will accommodate more than 600 partner companies. The Hong Kong Science and Technology Parks Corporation has proposed optimising the use of the remaining vacant site for the development of new R&D facilities.

45. On financial support, the Government's Innovation and Technology Fund (ITF) has provided about \$8.9 billion for more than 4 200 projects. The funding scope of the ITF was expanded in mid-2014, providing stronger support for downstream R&D projects and our universities. Last September, we launched the Technology Start-up Support Scheme for Universities to encourage university students and teaching staff to start their own technology business and commercialise their R&D deliverables.

46. I propose injecting \$5 billion into the ITF and subsuming the Research and Development Cash Rebate Scheme under the Fund. The Government is also setting up an Enterprise Support Scheme to enhance our funding support for R&D projects of the private sector.

47. There are currently 16 Partner State Key Laboratories in Hong Kong, covering a spectrum of scientific and technological disciplines. We have also started the first round of applications for Hong Kong branches of Chinese National Engineering Research Centres to invite participation of universities and research centres in Hong Kong.

48. We need dedicated leadership and stronger policy co-ordination for more effective organisation of work among the Government, industry, academia and the research sector. To this end, we are working to set up an Innovation and Technology Bureau and have submitted our proposal to this Council.

49. The latest Digital 21 Strategy envisions that the Government will make wider use of sensors, the Internet of Things and big data analytics for better public services and sustainable social and economic growth.

50. We intend to use Kowloon East as a pilot area to explore the feasibility of developing a Smart City.

Dispute Resolution Services

51. Hong Kong's tradition of the rule of law and our legal system are conducive to the development of legal and dispute resolution services. Last year, the China Maritime Arbitration Commission established an office in Hong Kong, its first branch office outside the Mainland. The Central Government and the HKSAR Government have recently signed the Host Country Agreement and the related Memorandum of Administrative Arrangements respectively with the Permanent Court of Arbitration on the conduct of dispute settlement proceedings in Hong Kong by the court.

52. Renowned arbitration institutions such as the International Court of Arbitration of the International Chamber of Commerce, the China International Economic and Trade Arbitration Commission and the China Maritime Arbitration Commission have set up offices in Hong Kong in recent years. With increasing maritime activities in Asia, maritime arbitration services have immense potential for growth. Arbitration awards made in Hong Kong are enforceable in the jurisdictions of over 150 contracting states of the New York Convention, and also in the Mainland and Macao. We will actively further advance development in this area.

Creative Industries

53. Hong Kong's cultural and creative industries have grown at a rate faster than the overall economy in recent years. From 2005 to 2012, the value added of the cultural and creative industries increased rapidly at an average annual rate of 9.4%.

54. During the same period, the value added of the design sector has tripled and the number of jobs increased by nearly 50%. We will maintain our support for the Hong Kong Design Centre, and provide subsidies to enable more local young designers and design graduates to undertake internship or further their studies overseas. We will also consider expanding the Design Incubation Programme.

55. Going to the cinema is a major form of entertainment for the public. The Government will consider reserving space for cinemas in major cultural and entertainment development areas, and will explore ways to facilitate cinema development through land sale and planning.

56. We will continue to promote the development of Hong Kong's film industry through a four-pronged strategy. We will:

- (i) encourage more local film production;
- (ii) nurture production talent;
- (iii) promote film appreciation among students and young people to build up audiences; and
- (iv) showcase and promote the brand of "Hong Kong Films" in the Mainland, Taiwan and overseas markets, facilitate the participation of local films in international film festivals, and help drive Hong Kong's development as a film financing platform in Asia.

57. We will inject funding into the Film Development Fund to support the above strategy.

Intellectual Property

58. China will have a rising status as a major intellectual property (IP) user, buyer, provider as well as seller. Hong Kong can play a key role in providing Mainland and overseas players with a range of intermediary services, in such areas as IP agency and management, consultancy, legal services, dispute resolution and due diligence.

59. The Working Group on Intellectual Property Trading established by the Government in 2013 has formulated its support strategies and corresponding initiatives are being implemented. For example, the TDC's Asia IP Exchange has showcased more than 25 000 IP listings and formed strategic alliances with 28 partners from overseas, the Mainland and Hong Kong.

Modernisation of Agriculture

60. Conscious action and suitable support from the Government is crucial to the survival and development of local agriculture, which might otherwise diminish gradually. The Government has recently proposed a new agricultural policy, which will be underpinned by appropriate supportive measures, including the establishment of an Agricultural Park (Agri-Park) and a Sustainable Agriculture Development Fund (SADF) to encourage the application of new and advanced technologies to local agriculture and enhance the industry's overall competitiveness; help farmers move up the value chain and expand the marketing of local agricultural products and brand building; and promote other auxiliary activities which will raise the income of farmers. The Agri-Park will facilitate knowledge transfer in agricultural science and agro-business management while the SADF will provide financial support.

IV. Housing, Land and Transport

Housing

61. Housing is the most critical of all livelihood issues in Hong Kong. The current-term Government is not only determined to avert the supply-demand imbalance progressively, but is also confident and capable of achieving this. The Long Term Housing Strategy released last month sets out the direction of Hong Kong's housing policy with a view to addressing housing problems with a multi-pronged approach.

Public Rental Housing

62. After taking office, the current-term Government has been vigorously speeding up the development of public housing, and public rental housing (PRH) production has seen continuous increase. It is estimated that during the five years from 2014-15 to 2018-19, a total of 77 100 PRH units will be completed, among which 23 300 units are scheduled for completion in 2015-16. In the Long Term Housing Strategy, we have maintained our PRH production target of about 20 000 units each year for the next decade. To achieve this target, I have requested the relevant departments to keep co-ordinating the priorities, make proper planning and provide suitable community facilities so as to increase supply. However, of crucial importance is the support of local communities and other people.

63. Meanwhile, the safety risks concerning subdivided flats, especially those in industrial buildings, should not be overlooked. The Buildings Department (BD) will continue its efforts to totally ban the subdivided flats used for domestic purposes in industrial buildings. It will step up prosecution against owners who fail to comply with relevant orders. As to the subdivided flats in domestic and composite buildings, the BD will continue to take more vigorous enforcement actions against irregularities involving building and fire safety. Should any occupants be rendered homeless as a result of these actions, the

Government will provide them with transitional accommodation in accordance with the current mechanism.

Subsidised Home Ownership

64. High property prices decrease the public's relative ability to purchase a home and result in a marked increase in demand from low and middle-income families for Home Ownership Scheme (HOS) flats or other subsidised flats. Greenview Villa, put up for pre-sale by the Hong Kong Housing Society (HKHS) at the end of 2012 and the first batch of 2 160 new HOS flats put up for pre-sale by the Housing Authority last month received an overwhelming public response. We must therefore actively explore ways to increase the supply of sale flats through a multi-pronged approach by engaging public or non-profit-making organisations including the Housing Authority, HKHS, Urban Renewal Authority (URA) and the Hong Kong Settlers Housing Corporation Limited. By so doing, more property choices and home ownership opportunities will be provided for low and middle-income families.

65. The Housing Authority will put up approximately 2 700 and 2 000 HOS flats for pre-sale in 2015-16 and 2016-17 respectively.

66. The HKHS will also offer 1 600 subsidised sale flats for pre-sale in 2016-17. Of these flats, 1 000 will be units provided in Sha Tin at the Government's request made in 2013. Moreover, two sites in Tseung Kwan O and Tuen Mun respectively have been set aside for development by the HKHS, providing an estimated total of about 600 units.

67. In addition to the Housing Authority's HOS flats and the subsidised sale flats of HKHS, I consider that there should be different forms of subsidised sale flats to meet the needs of different people. To further improve the housing ladder, I have proposed to the Housing Authority that suitable flats should be identified among its PRH developments under construction for sale to Green Form applicants in the form of a pilot scheme, with prices set at a level lower than those of HOS flats. Target buyers

are mainly sitting PRH tenants and PRH applicants who have passed the detailed vetting and are due for flat allocation. This scheme will help Green Form applicants achieve home ownership while releasing more PRH flats for allocation to families on the PRH waiting list.

68. In addition, in light of experience gained from Private Sector Participation Scheme and mixed development pilot schemes, I consider that we can vigorously explore ways to further leverage the private sector's capacity to assist in increasing and accelerating the supply of subsidised sale flats.

Private Housing

69. On private housing, according to the latest projection in December 2014, the housing supply from the first-hand private residential property market for the coming three to four years is approximately 74 000 units, which is the highest on record. The private sector only produced an average of about 11 400 flats each year over the past five years. Based on the preliminary assessment of private residential developments known to have started or to be started on disposed sites, the private sector will, on average, produce about 14 600 flats each year in the next five years, representing an increase of about 30%. The Government will continue to maintain the stable and healthy development of the private property market through steady and sustained land supply and implementation of demand-side management measures when necessary.

Land

70. There is a serious mismatch between the supply of land and the needs of our society. The short supply of land and housing has led to rising property prices and rents.

71. High property prices and rents have prevented many young people from forming a family or starting their own business. This has also resulted in cramped living space for society as a whole and insufficient space for social welfare facilities such as kindergartens, elderly homes and residential

care homes for persons with disabilities. We have an ever longer PRH waiting list, and an increasing number of people have seen their living environment deteriorate. Some have no alternative but to live in subdivided units in industrial buildings. Small and medium-sized enterprises face greater operating difficulties while overseas investors are disheartened by the difficulty in establishing a business base in Hong Kong. The root of many social and economic problems in Hong Kong lies in the shortage of land for development.

72. What Hong Kong lacks is not land, but land that is developable. The difference lies in the need for land planning and development. The process of land planning and development takes time. Hong Kong experienced a long period of economic downturn and saw a declining property market after the Asian financial crisis. The Government scaled back the speed and scope of our planning and development of land, and did not foresee the huge demand for developable land as a result of the eventual economic recovery. A substantial amount of land was zoned for non-development uses such as country parks to improve the environment. We also lowered the development intensity of land newly planned for development. These are causes of the serious shortage of housing supply that we have been facing in recent years.

73. The consultation process for land planning and development has become drawn out with increasing controversies and uncertainties, including the uncertainties and time loss brought about by judicial reviews.

74. We have to take into consideration more and more factors such as the impact on traffic, environment, conservation and even air ventilation in the planning process. As a result, the supply of developable land has decreased or decelerated. Society as a whole must make hard choices.

75. Planning must reflect the overall interests of Hong Kong and heed the priorities of society's needs. We should not only consider the well-being of individual areas in planning and development, but also the overall housing supply and demand of

Hong Kong as a whole. We cannot have our cake and eat it. If we opt for a lower development intensity, traffic flow will be smoother and the living environment will be nicer. However, the overall housing supply will be lower, which will lengthen the waiting time for PRH and push up property prices and rents. Town planning and land supply should not cater only for the people who can afford expensive properties, but also for those facing difficulties finding a home due to inadequate supply. At present, the most pressing concern is to ensure adequate and speedy land supply for development. Increasing and expediting land supply is the fundamental solution to resolve the land and housing problems of Hong Kong.

Short and Medium Term Land Supply

76. In the past two years, the Development Bureau and relevant departments have stepped up their efforts to increase land supply and build up a land reserve by adopting a multi-pronged strategy and various short, medium and long-term measures. This will help meet the public's housing and other needs. We are pressing ahead with all the initiatives and the progress is as follows.

77. We have been carrying out land use reviews on an on-going basis. Such reviews include examination of government sites which are vacant, held under short-term tenancy and for other short-term or government uses; Government, Institution or Community (GIC) sites; and the two stages of the Green Belt review. I announced in my last Policy Address that some 150 sites had been identified. We estimate that a considerable number of these sites will be available for residential use between 2014-15 and 2018-19 and are capable of providing over 210 000 residential units, of which over 70% will be public housing units. This will only be possible if we can successfully complete the town planning procedures for rezoning and/or increasing development intensity, and press ahead with all the necessary works. Relevant District Councils (DCs) have been consulted on the overall planning of these sites. As at end-December 2014, amendments to the statutory plans of 45 sites had started.

Moreover, a few sizable sites which were not required for the intended uses have been converted for housing development or other uses that meet more pressing needs, with a view to achieving our housing target of 480 000 public and private residential units in the next decade.

78. To optimise land use, we will increase as appropriate development intensity. Since the inauguration of the current-term Government, the Town Planning Board has approved applications to relax the development intensity of 26 housing sites, leading to an additional supply of about 3 500 units. To tie in with the transformation of Kowloon East, we are reviewing the planning for the Kai Tak Development Area and the technical studies on the development intensity. It is anticipated that the Kai Tak Development Area will provide no fewer than 6 800 additional units (including about 1 000 units already approved) and not fewer than 430 000 square metres of additional commercial floor area.

79. The development of the former Diamond Hill Squatter Areas (Tai Hom Village), the former Cha Kwo Ling Kaolin Mine and former Lamma Quarry are making good progress. These three development projects are expected to provide over 8 000 public and private residential units. The housing site in the Anderson Road Quarry will be made available for development as early as 2019-20 to provide over 9 000 public and private residential units. In addition, the Government will commence the initial study on the land use of the Lam Tei Quarry and its adjoining area in 2015.

80. The Government is also actively considering making use of private developers' capacity to expedite the relevant developments. We believe that private sector participation will help facilitate the development of tourism and commercial facilities.

81. The Government will relax outdated restrictions and streamline procedures to facilitate land development. For example, in last year's Policy Address, I announced lifting the development moratorium on the area close to Wah Fu Estate for

public housing development and the redevelopment of Wah Fu Estate to provide about 11 900 additional PRH units in total.

82. A Pilot Scheme for Arbitration on Land Premium has been launched to facilitate agreement on land premium for lease modification or land exchange applications, with a view to expediting land supply for housing and other uses.

83. Since its inauguration, the current-term Government has continued to increase private housing land supply. It is estimated that the private housing land supply in 2014-15 is capable of providing more than 20 000 residential units, a record high since the Government introduced the private housing land supply target in 2010.

84. On land sales, from April 2012 to December 2014, the Government sold 73 private residential sites capable of providing about 25 400 units. Most of the sites put up for sale were of small to medium size and the entry barrier to tendering was relatively low. As a result, over 40 developers of different scales were awarded sites. We see increasing competition among the developers in bidding land and selling flats.

85. Recently, the MTR Corporation Limited (MTRCL) completed the planning procedures for the property development project at the West Rail Yuen Long Station, which is capable of providing about 1 880 units. The Government also encourages the MTRCL to launch its property development projects as soon as possible, and the MTRCL has responded positively. Last year, the MTRCL successfully tendered three projects capable of providing about 6 100 units. The MTRCL is embarking on tendering work for other projects. The Government is taking forward the planning for residential development at the West Rail Kam Sheung Road Station and Pat Heung Maintenance Centre in Kam Tin South, which are expected to provide about 8 700 units. The preliminary land use review of the adjoining areas has been completed and these areas are estimated to have the potential for providing approximately 25 000 additional units. At the same time, we will continue to actively explore with the MTRCL and the Kowloon-Canton Railway Corporation the

development potential of stations and related sites along the existing and future rail lines, such as Siu Ho Wan in Lantau.

Commercial and Economic Land Uses

86. The demand of economic activities for office, retailing, hotel, trading and logistics spaces is huge. The Government will continue to do so through measures such as converting suitable GIC sites in core business districts into commercial use. The two multi-storey carparks at Murray Road in Central and Rumsey Street in Sheung Wan are estimated to be able to provide some 76 000 square metres of floor area. Likewise, the former Mong Kok Market site will be converted for commercial use, providing about 6 400 square metres of commercial floor area. The Government will also convert the use of the government site at Caroline Hill Road as soon as possible to release more commercial floor area.

87. Kowloon East, as an alternative core business district for Hong Kong, has the potential to supply an additional commercial/office floor area of about 5 million square metres. The Government is considering relocating or rationalising the existing government facilities in the two action areas of Kowloon East. Starting from 2014-15, some suitable sites within the action areas will be made available to the market. The Government will also comprehensively develop the concept of a “walkable” Kowloon East in the Kowloon Bay and Kwun Tong Business Areas to improve the pedestrian environment and address traffic issues. We will study arrangements to facilitate the construction of elevated walkways by private property owners and examine the feasibility of facelifting back alleys and linking them to the pedestrian network. In addition, the Government will continue to take forward the Kai Tak Fantasy project and commence studies on its planning, engineering and mode of implementation to take forward the project in phases, with a view to developing a world-class tourism, entertainment and leisure attraction.

88. With its proximity to Hong Kong Island, the proposed East Lantau Metropolis in the eastern waters off Lantau can be

linked with Hong Kong Island, Lantau and the New Territories West by transport infrastructure. The metropolis will accommodate new population and serve as a new core business district in addition to Central and Kowloon East. We will seek to start the preliminary study of the metropolis as soon as possible.

89. As at end-December 2014, the Lands Department approved 105 applications for lease modification and special waiver through the revitalisation measures for industrial buildings. It is anticipated that about 1.24 million square metres of converted or new floor area will be available for commercial or other uses.

Long Term Land Supply

90. I met a five-year-old who asked me, “Chief Executive, where shall I live when I grow up? Will there be enough land in Hong Kong?” The Government’s term of office is five years, whereas that of the Legislative Council is four. But increasing land supply takes a much longer time. We must address the question raised by this child in a pragmatic manner. Apart from making the right choices of land use, we must also undertake long-term land planning and development.

91. In the medium and long terms, Kwu Tung North and Fanling North New Development Areas (NDAs) will be an important source of housing and land supply for Hong Kong, especially in terms of PRH and HOS flats. The NDAs will deliver about 60 000 residential units, of which 60% will be PRH and HOS flats. It is anticipated that the first batch of residential units will be completed in phases from 2023 onwards. We have commenced the detailed design and ground investigation of the advance works for the Fanling North NDA. We will carry out the advance works subsequently.

92. The Stage Two Community Engagement under the Hung Shui Kiu NDA Planning and Engineering Study was completed in October 2013. It involves about 60 000 residential units, of which more than half will be for public housing. According to the study, the vicinity of the proposed West Rail Hung Shui Kiu

Station and the existing Tin Shui Wai Station will be used for commercial development and about 60 hectares of land will be set aside for logistics and related developments. The Stage Three Community Engagement will commence this year.

93. With the completion of the Hong Kong-Zhuhai-Macao Bridge and the Tuen Mun-Chek Lap Kok Link, Tung Chung will become an important transportation hub for the Pearl River Delta and Western Guangdong. The Stage Three Public Engagement of the Tung Chung New Town Extension Study was also completed. The new town extension will provide about 48 000 residential units, and a commercial hub will be established in Tung Chung East.

94. The URA will continue to redevelop old and dilapidated private buildings through self-initiated redevelopment projects and the Demand-led Redevelopment Project Pilot Scheme. Last year, the URA successfully tendered the San Shan Road/Pau Chung Street project and the Kwun Tong Town Centre project (Development Areas 2 and 3), and awarded tenders for two joint venture projects at Hai Tan Street at the end of the year. These redevelopment projects tendered in 2014-15 will provide about 2 700 units.

95. To better use agricultural land now mainly used for industrial purposes or temporary storage, or which is deserted, the Government will continue to review a total of about 257 hectares of such sites in North District and Yuen Long with a view to ascertaining the feasibility of and scale for residential development on these sites. In this connection, Kwu Tung South, Yuen Long South and Fanling/Sheung Shui Area 30 have been identified for planning and engineering studies. The studies of Kwu Tung South and Yuen Long South have commenced while the study of Fanling/Sheung Shui Area 30 is being conducted in two phases, with Phase One scheduled for completion next year.

96. The “brownfield sites” in Hung Shui Kiu, Yuen Long South and New Territories North have been used for years for purposes incompatible with the surrounding environment. The Government is studying feasible measures, including

accommodating some of the users in multi-storey buildings and taking the “brownfield sites” inside the Hung Shui Kiu NDA as a pilot case, with a view to taking forward the development of NDAs.

97. Reclamation outside Victoria Harbour is an important source of long-term land supply. The cumulative environmental impact assessment of the western Hong Kong waters is largely completed. Taking the assessment findings into account, the Government plans to commence a planning and engineering study on the Lung Kwu Tan reclamation at Tuen Mun in 2015.

98. The Government commenced in the second half of 2014 the investigation on and design of the relocation of Sha Tin Sewage Treatment Works to rock caverns and the feasibility studies on relocating three other facilities to caverns. A total of 34 hectares of land will be released for development. We will also commence a pilot study on underground space development in four strategic districts in early 2015.

99. The Government is conducting the Preliminary Feasibility Study on Developing the New Territories North to meet our long-term needs.

100. Since its establishment in January last year, the Lantau Development Advisory Committee has examined in detail the positioning and recommendations for short, medium and long-term economic and community development in Lantau. This seeks to capitalise on the benefits brought by the three-runway system of the Hong Kong International Airport, the Hong Kong-Zhuhai-Macao Bridge and other strategic infrastructure in the area, and to attain synergy with the Greater Pearl River Delta development. In 2015, short-term projects such as the revitalisation of Tai O and Mui Wo, construction of mountain bike trails, improvements to narrow road bends along Keung Shan Road and South Lantau Road, and review of arrangements for closed roads and issuance of closed road permits for Lantau will be rolled out in full swing. In the medium term, we will continue with the development of the Tung Chung New Town Extension, and proceed to commence studies in connection with

the reclamation in Sunny Bay and topside commercial development on the Hong Kong boundary crossing facilities of the Hong Kong-Zhuhai-Macao Bridge. In the long term, we will seek support of this Council for early commencement of the preliminary study on the East Lantau Metropolis to look into the development of artificial islands in the eastern waters off Lantau, including the provision of ancillary transport infrastructure to link up to the western part of the New Territories and Hong Kong Island.

Public Participation in Long-term Planning

101. The Development Bureau and the Planning Department are updating the “Hong Kong 2030: Planning Vision and Strategy” published in 2007 to examine the strategies and feasible options for overall spatial planning and land and infrastructure developments for Hong Kong beyond 2030, in the light of our latest needs.

102. The current-term Government is committed to putting an end to the long-standing shortage of land supply. The Government plans to hold multi-party discussion with all sectors of the community, such as professional bodies, environmental groups, local communities and young students, in order to jointly examine the issues concerned, balance competing considerations, break through the bottlenecks and solve the problems.

Construction Industry

103. The Government has been working with the Construction Industry Council (CIC) and members of the sector to promote the healthy development of the construction industry. Following amendment of the Construction Workers Registration Ordinance in 2014, the requirements of “designated workers for designated trades” will be implemented under the construction workers registration scheme in 2017. Skilled construction workers will then be required to register according to their respective skills. This will help further raise the quality of construction works as well as the professional image of construction workers, and attract more people to join the industry. All along, the CIC has

mainly provided training for workers to bring them to semi-skilled level. In this regard, the Government will provide \$100 million for the CIC to strengthen their work to train skilled workers for the industry. We will make continuous efforts to enhance the professional development of construction workers and provide them with more progression pathways.

104. The construction industry is facing the problem of a severe shortage and ageing of skilled workers. Although the Government and CIC have made strenuous efforts in recent years to train local skilled workers and enhance the industry's professional image, and have attracted many new entrants to the industry, the keen demand has yet to be met. If the shortage of skilled workers cannot be properly dealt with, it will seriously affect the implementation of public housing, hospital, school and public transportation projects, and will also indirectly lead to the escalation of construction costs. To this end, the Government, the construction industry and the community must work together in a pragmatic manner and stay united to embrace the challenges ahead. We must take the most appropriate measures to tackle the problem of acute manpower shortage comprehensively and effectively. On the overriding premise of giving priority to the employment of local skilled workers, safeguarding their income levels as well as promoting training to the construction workforce in a continuous manner, the construction industry needs to import skilled workers in a timely and effective manner to meet the demand.

105. The Government rolled out measures to enhance the Supplementary Labour Scheme last April specifically for the construction industry in relation to public sector works projects. Nonetheless, the relevant measures have yet to fully address the keen demand of the industry for skilled workers. We need to launch further enhancement measures having regard to the unique characteristics of the construction industry. For example, since construction works are carried out in sequential order and may be affected by factors such as supply of materials, progress of upstream work processes and so on, allowing imported skilled workers to work across various public sector works projects can

enhance the flexibility of deployment, maximise the productivity of skilled workers and control costs more effectively. The Government will liaise closely with the construction industry and the labour sector on the detailed arrangements of the relevant measures and review their effectiveness in a timely manner. If these measures still cannot effectively resolve the acute shortage problem of skilled workers, we will explore with the construction industry and labour sector the introduction of other more effective and appropriate measures to reduce the adverse effects on Hong Kong's economic and social development. To give priority to local workers in employment, the Government will set up a dedicated Construction Industry Recruitment Centre. The centre will provide career counselling services, conduct on-the-spot job interviews and organise job fairs for local construction workers, and assist contractors in according priority to employing qualified local skilled workers.

Transport

106. A safe, reliable and highly efficient railway service is of paramount importance to the public transport system of Hong Kong. The Government will continue to proactively carry out its duty as the majority shareholder of the MTRCL. We will monitor the MTRCL and require the corporation to strengthen its management to ensure proper delivery of the planning and construction of new railways, as well as the daily operation of existing services. For long-term development, we will, pursuant to the Railway Development Strategy 2014 announced last year, implement seven new railway projects in phases by 2031.

107. The Government will conduct an in-depth study on public transport arrangements in Hong Kong. In tandem with the railway network expansion, we will review the roles of other public transport services. We will also continue to pursue bus route rationalisation.

108. I announced the initiative on Universal Accessibility Programme in August 2012, which aims at expanding the scope of the Government's programme to retrofit existing public

walkways with barrier-free access facilities to benefit the public. The Government is taking forward more than 200 projects to retrofit barrier-free facilities, including the three priority projects identified by each DC. It is expected that most of the projects will be completed in phases in the coming four years.

V. Poverty Alleviation, Elderly Care and Support for the Disadvantaged

Poverty Alleviation

109. In 2013, the Government set the first-ever poverty line. Thanks to poverty alleviation measures, the overall poor population dropped to 970 000, below 1 million for the first time, and the poverty rate fell to a five-year low of 14.5% in 2013. Our work in poverty alleviation has started to deliver results.

110. The Government is working to fully implement the poverty alleviation blueprint announced in my last Policy Address by encouraging able-bodied young people and adults to become self-reliant through employment and making better use of the social security and welfare system to help those who cannot provide for themselves. The Commission on Poverty will conduct focused studies on ways to further improve retirement protection and facilitate the upward mobility of young people from grassroots families through education, training and employment. It will help the Community Care Fund (CCF) fully fulfil its function of plugging gaps in the existing system and make good use of the Social Innovation and Entrepreneurship Development Fund.

Low-income Families

111. To tackle working poverty, I proposed a Low-income Working Family Allowance (LIFA) last year. Annual expenditure will be around \$3 billion. It is estimated that over 200 000 low-income families with 710 000 people, including more than 170 000 children and young people, will benefit from the allowance. The scheme will be implemented within 18 months from the date of funding approval by the Finance Committee of this Council.

112. Moreover, the Government will again earmark \$200 million to continue the short-term food assistance service for two more years up to end-2017.

Community Care Fund

113. The CCF has launched 27 assistance programmes to help the disadvantaged, with a total commitment of over \$4.7 billion and about 850 000 beneficiaries. Ten of these programmes have been incorporated into the Government's regular assistance programme. While the CCF is exploring a number of new assistance programmes, we will invite it to consider providing a one-off special subsidy for primary and secondary students on full grant under the School Textbook Assistance Scheme in the 2015/16 school year before the implementation of the LIFA.

Retirement Protection

114. The Old Age Living Allowance (OALA) was implemented shortly after I assumed office. The allowance has benefited more than 420 000 elderly people, or 40% of the elderly population.

115. After the release of the report on the "Future Development of Retirement Protection in Hong Kong" submitted by a research team led by Professor Nelson Chow last August, there have been divergent views on the issue in the community. Some supported the "demo-grant" proposed by the consultancy team, considering that "non-means-tested, universal and uniform payment level" retirement protection is the basic right of the elderly. Yet, a considerable number of people opposed any options that are non-means-tested, maintaining that public resources should be devoted to the most needy elderly people. They also raised crucial questions such as financial sustainability and "Who pays?" It is estimated that the retirement fund of the four universal retirement protection options (including that of the non-means-tested demo-grant) mentioned in the report will be exhausted between 2030 and 2050. Overseas experience shows that universal retirement protection schemes operating on the "pay-as-you-go" principle are bound to result in financial problems, entailing a long and painful financial adjustment process that usually involves extension of retirement age, reduction of retirement payment or upward adjustment to contribution rate.

116. As pointed out in the report, we cannot rely solely on the Government for universal retirement protection. It is also a shared responsibility of both employers and employees. However, public discussions reveal that both employers and employees resist additional contributions or additional taxation. We are therefore not optimistic a consensus on retirement protection financing arrangements can be reached.

117. Retirement protection is a very important social issue. In the coming few months, the Commission on Poverty will devise a framework and set out the details for a public consultation in the latter half of this year. I look forward to rational and pragmatic discussions with a view to arriving at a community consensus.

118. In exploring the issue of retirement protection, we must fully consider the adequacy, sustainability, affordability and robustness of various policy options. Hong Kong's long-term economic growth will decelerate over time due to an ageing population. The Government will face increasing fiscal pressure in the medium to long terms. If we were to deploy our financial resources to benefit all, the benefits received by elderly people in financial need would inevitably be reduced. In addition, we should take into full account the functions of the various pillars under the existing retirement protection system and explore possible necessary enhancement measures. We should also have regard to the traditional values cherished by our community, including self-reliance, focusing social resources on helping those most in need and mutual support among family members. We will continue to improve the Mandatory Provident Fund arrangements, including the introduction of a "core fund" with fee control to address the concerns over "high fee" and "difficulty in making fund choices".

119. The Government agrees that protection for needy citizens after retirement should be improved. To demonstrate our determination and commitment, I have asked the Financial Secretary to earmark \$50 billion to provide for future needs.

Care for the Elderly

Elderly Services

120. The Government will adhere to our policy of promoting “ageing in place as the core”. Last June, the CCF rolled out a two-year scheme on a trial basis to provide 2 000 carers from low-income families with a living allowance. In parallel, the Government will provide more subsidised residential care services through a multi-pronged approach. More residential care places for the elderly will be provided by redeveloping or expanding existing service facilities through the Special Scheme on Privately Owned Sites for Welfare Uses proposed in my Policy Addresses.

121. We will promote the concept of shared responsibility among individuals, families and the community to provide the elderly with more options. The Pilot Scheme on the Community Care Service Voucher for the Elderly has adopted an innovative “money-following-the-user” approach and followed the “affordable users pay” principle where those who can afford should pay more. The 1 200 vouchers of the first phase have all been issued. We will work out details of the next phase after the mid-term review. The Elderly Commission is actively studying the feasibility of introducing a residential care service voucher scheme and a report is expected to be submitted in mid-2015. We have earmarked about \$800 million to issue a total of 3 000 service vouchers in the three years from 2015-16 to 2017-18 subject to the recommendations of the report. This will provide about 5 000 additional subsidised residential care places within the current term of the Government.

122. The Elderly Commission is pressing ahead with the formulation of the Elderly Services Programme Plan and intends to submit a report in mid-2016. Besides, the Government has injected \$50 million into the Elder Academy Development Foundation.

Human Resources in Care Services

123. Last year, I announced that the Government had earmarked funding to introduce a “first-hire-then-train” Navigation Scheme for Young Persons in Care Services to provide 1 000 places in the coming few years. The Scheme aims to encourage young people to join the workforce of elderly and rehabilitation care services. Enrolment is expected to open in the second half of this year.

Healthcare Services

124. The annual voucher amount under the Elderly Health Care Voucher Scheme was doubled to \$2,000 last year. The number of elderly people using the vouchers increased to 640 000, with an annual expenditure of some \$550 million. The CCF will expand its Elderly Dental Assistance Programme progressively in the second half of 2015 to cover elderly persons who are OALA recipients, starting with those aged 80 and above in the first phase involving about 130 000 elderly people.

Support for the Disadvantaged

Families and Children Most in Need of Support

125. The Government will increase the number of professional social workers in Integrated Family Service Centres and Integrated Services Centres to provide early identification and intervention and strengthen the support for families and children who are vulnerable to domestic violence and have other welfare needs, at-risk pregnant women, mothers with postnatal depression, and children with developmental problems and their family members. We will also increase the number of residential places in small group homes to provide temporary accommodation and emotional support for children and young people who have been abused or affected by domestic violence or other family problems.

Mental Patients and Ex-mentally Ill Persons

126. We will enhance support in four aspects for mental patients based on the preliminary recommendation of the Review Committee on Mental Health:

- (i) Increase the number of psychiatric beds in Siu Lam Hospital, with a view to clearing up cases of severe intellectual disability on the waiting list in the coming three years;
- (ii) Strengthen the manpower of the psychiatric healthcare team and introduce peer support to the Case Management Programme for patients with severe mental illness. In addition, the Social Welfare Department will explore the implementation of a pilot project under the Lotteries Fund for trained ex-mentally ill persons to serve as peer supporters to provide support and encouragement for others in rehabilitation;
- (iii) Launch territory-wide public education and publicity campaigns; and
- (iv) Increase the manpower of social workers in all Integrated Community Centres for Mental Wellness and provide them with appropriate training.

Students with Special Educational Needs

127. We will strengthen the support for children with special needs and their families in four aspects:

- (i) Early identification. The Department of Health (DH) will strengthen the manpower of the multi-disciplinary healthcare teams of the Child Assessment Centres to provide early assessment and professional diagnosis;
- (ii) Early intervention. Some 1 400 additional places for subvented pre-school rehabilitation services will be

provided within the current Government's term. Low-income families may apply for subsidy to obtain outside services for their children who are on the waiting list for subvented services so they can receive pre-school rehabilitation services as soon as possible. Moreover, we will launch a pilot scheme through the Lotteries Fund to invite operators of subvented pre-school rehabilitation services to provide on-site rehabilitation services, so as to benefit children with special needs who are studying in kindergartens, or kindergarten-cum-child care centres as early as possible;

- (iii) Enhanced support for students. We will invite the CCF to consider launching two programmes, including a cash grant for ordinary schools with relatively more students with special educational needs (SEN) and financial needs so that a designated teacher can be deployed to co-ordinate matters relating to SEN support, and enhance the academic expenses grant for post-secondary students with SEN and financial needs; and
- (iv) Enhanced support for parents. We propose increasing the number of social workers in the existing subvented Parents/Relatives Resource Centres to improve parents' ability to take care of their children with special needs, particularly young children.

Persons with Disabilities

128. The Government will continue to enhance residential care services and day training and vocational rehabilitation services for persons with disabilities. We will allocate more resources to hostels for moderately mentally handicapped persons and long stay care homes to reinforce the care and support for ageing service users. We will also launch a pilot scheme through the

Lotteries Fund to give better support to persons with autism and their parents or carers.

Ethnic Minorities and New Arrivals

129. To enhance support for non-Chinese speaking (NCS) students to learn Chinese, the Education Bureau (EDB) has provided the Chinese Language Curriculum Second Language Learning Framework (Learning Framework) with supporting learning and teaching materials for secondary and primary schools. An Applied Learning Chinese Language Course (for NCS students) pegged to the Qualifications Framework has also been provided at the senior secondary level starting from this school year in phases. We will enhance school-based professional support and provide professional training programmes for teachers, and have implemented the Professional Enhancement Grant Scheme and significantly increased the additional funding for schools to facilitate implementation of the Learning Framework and creation of an inclusive learning environment in schools.

130. The service centre proposed to be established in Kwai Tsing last year has come into operation and ethnic minorities have been recruited to provide further support.

131. In 2015-16, the Employees Retraining Board will offer 1 300 and 800 places in dedicated training courses for new arrivals and ethnic minorities respectively to enhance their employment opportunities.

132. We will extend the Expectation Management Programmes implemented in Shenzhen and Guangdong Province to Fujian Province in July this year to help prospective settlers acquire a better understanding of the circumstances in Hong Kong before they decide to live here.

Building Community Networks

133. The Community Investment and Inclusion Fund plans to deploy resources in the next few years to build mutual help

networks among residents of new PRH estates. Four projects are expected to be rolled out in 2015 in estates completed or redeveloped in recent years.

Social Welfare Planning

134. We are actively following up some 60 projects under the Special Scheme on Privately Owned Sites for Welfare Uses to help social welfare organisations provide additional social welfare facilities, particularly for the elderly and rehabilitation services, through in-situ expansion or redevelopment. The Government is now examining the revised proposals submitted by the organisations. Five projects are expected to be completed by 2017-18, providing about 100 places for subsidised elderly service and 450 places for subsidised rehabilitation service in total.

VI. Optimising Our Population for the Future

135. Adequate and quality manpower resources are the key to our sustainable socio-economic development. Our labour force is expected to decline from around 2018.

136. The Steering Committee on Population Policy (SCPP) put forward the policy objective of “developing and nurturing a population that will continuously support and drive Hong Kong’s socio-economic development as Asia’s world city, and engendering a socially inclusive and cohesive society that allows individuals to realise their potential, with a view to attaining quality life for all residents and families”. The SCPP decided to deploy a five-pronged strategy to address the new challenges brought by demographic changes. The relevant bureaux have formulated comprehensive policy responses, and the details are as follows.

Unleashing the Potential of Local Labour Force

137. First, unleash the potential of local labour force. We will:

- (i) encourage the extension of retirement age. The Government has decided to extend the service of civil servants, and will encourage other employers to implement appropriate measures according to the circumstances to extend the working life of their employees. We will also review the existing welfare arrangements to see if they have the effect of serving as a disincentive for older persons to continue working, and strengthen the employment support and training services for the elderly;
- (ii) enhance child care services to provide better support for women who wish to join the job market. Apart from increasing full-day child care places for children aged below three, the Government will, from 2015-16 onwards, gradually increase the

subsidised places of extended hours service provided by child care centres and kindergarten-cum-child care centres to some 6 200, which represents a fourfold increase. The Committee on Free Kindergarten Education is actively considering encouraging kindergartens to offer more full-day services and providing additional subsidies for families in need; and

- (iii) promote employment for the underprivileged.

Nurturing Local Manpower

138. Second, nurture local manpower. We need to create diversified job opportunities with promising prospects for the younger generation on the one hand, and provide them with varied learning, training and development opportunities on the other hand. The Task Force on Promotion of Vocational Education under the EDB is vigorously identifying ways to further promote the attractiveness of vocational education as one of the multiple pathways. Proposals will be put forward in mid-2015.

Attracting Talent from Outside Hong Kong

139. Third, take a more proactive approach to recruiting talent and professionals from outside Hong Kong by introducing the following enhancement measures:

- (i) Implement a pilot scheme to attract the second generation of Chinese Hong Kong permanent residents who have emigrated overseas to return to Hong Kong;
- (ii) Encourage talent and entrepreneurs to come and stay in Hong Kong by relaxing the stay arrangements under the General Employment Policy, the Admission Scheme for Mainland Talents and Professionals and the Quality Migrant Admission Scheme;

- (iii) Adjust the General Points Test under the Quality Migrant Admission Scheme to attract a larger pool of young talent with excellent educational background or international work experience to come to Hong Kong;
- (iv) List clearly the factors to be considered when processing applications to enter Hong Kong for investment under the General Employment Policy to attract more entrepreneurs from overseas to develop their business in Hong Kong, and suspend the Capital Investment Entrant Scheme from tomorrow; and
- (v) Study, with regard to overseas experience, the feasibility of drawing up a talent list to attract, in a more effective and focused manner, high-quality talent to support Hong Kong's development as a diversified and high value-added economy.

140. To address population ageing, we are actively examining the option of increasing the number of publicly-funded degree places in medicine, dentistry and other healthcare specialties in the next funding cycle for universities. We will continue to discuss with the Medical Council of Hong Kong ways to refine arrangements for the licensing examination for medical practitioners. The Hospital Authority (HA) will also continue to recruit overseas doctors by way of limited registration to practise in Hong Kong.

Fostering a Supportive Environment for Forming and Raising Families

141. Fourth, foster a supportive environment. We will implement measures, which include the child care services and family-friendly practices just mentioned, to help our people realise their aspirations to form and raise families.

142. The Government will consider providing appropriate financial support. We will review the child allowance under

salaries tax in the coming Budget. Implementing 15-year free education can also help lessen the financial burden on young parents. The Committee on Free Kindergarten Education will submit its report to the Government in the middle of this year.

Active Ageing

143. Our last strategy is to vigorously promote active ageing. The Government will help the elderly enjoy their retirement life through the Elder Academy Scheme and some 200 elderly centres in the territory. We will encourage them to actively take part in community activities by promoting senior volunteerism and other programmes.

144. To create an elderly-friendly environment, the Government is pressing ahead with the extension of the \$2 public transport fare concession scheme to green minibuses in phases starting from the end of March this year. The Universal Accessibility Programme that I mentioned earlier on will also help elderly people move around the community.

145. We will provide choices of service for the elderly through the Senior Citizen Residences Scheme and the Reverse Mortgage Programme operated by the HKHS and the Hong Kong Mortgage Corporation Limited respectively.

146. The SCPP will monitor the implementation of the initiatives, and report their effectiveness and seek stakeholders' comments as appropriate.

Labour

147. We will continue to keep abreast of labour issues. Subject to this Council's approval, the Statutory Minimum Wage rate will be increased to \$32.5 per hour, which will benefit tens of thousands of low-income employees and encourage more people to join the labour market.

148. The Standard Working Hours Committee is promoting informed and in-depth discussion on the issue of working hours

in the community with a view to helping the Government map out the way forward for the working hours policy.

Women

149. The Gender Mainstreaming Checklist developed by the Women's Commission has been applied to over 50 different policy and programme areas. I have accepted the recommendations of the Commission that, starting from 2015-16, all bureaux and departments should be required to refer to the checklist and apply gender mainstreaming to formulating major government policies and initiatives, and the appointment rate of women to government advisory and statutory bodies should be raised from 30% to 35%. At the same time, the Government will continue to consolidate the efforts of all parties, and encourage employers to offer part-time jobs which are more popular with women to promote their employment.

VII. Youth Education and Development

150. Youngsters are the future of our society. I put forward in my last Policy Address a series of initiatives covering education, employment and whole-person development to nurture the next generation. These initiatives, including enhancing support for life planning as well as education and career guidance services for secondary students, developing and promoting vocational education and training, and improving access to higher education, are being implemented one by one. This year, I will press ahead with the following initiatives.

Education

151. Based on the principle of preserving the characteristics of great flexibility and diversity in kindergarten education, the Committee on Free Kindergarten Education has looked further into such issues as whether to offer basic subsidies to all eligible children who are taking half-day places and whether to adopt a mandatory salary scale for teachers. Moreover, the Committee will study ways to encourage kindergartens to provide more full-day services and consider providing needy families with subsidised whole-day and long whole-day services. Recommendations will be put forward in mid-2015. For proper use of public resources, the Committee considers that the provision should only cover the basic expenses directly attributable to children's learning and school operation.

152. The EDB will renew and enrich the curricula and learning activities of Science, Technology and Mathematics, and enhance the training of teachers, thereby allowing primary and secondary students to fully unleash their potential in innovation.

153. The EDB will renew the curriculum content of Chinese History and World History and enrich the learning experience of students. The training of teachers will also be enhanced. The objectives are to reinforce students' interest in and understanding of Chinese history and culture and broaden their global outlook.

154. The EDB will progressively increase the graduate teacher ratio in public sector primary schools from the current 50% to 65% in the 2017/18 school year. This will be implemented in phases in the three years from the 2015/16 school year to attract more talent to join the teaching force of primary education. The EDB will also, through pilot projects, consolidate more experience and evidence on effective means to strengthen the internal management of public sector schools and reduce administrative work of teachers.

155. The community colleges of University Grants Committee-funded institutions have experienced rapid growth and some have accumulated large surpluses. We will ask the institutions to critically review their financial position and consider ways to use their surpluses to benefit their students, such as lowering tuition fees and offering scholarships or bursaries for underprivileged students.

Life Planning

156. Over 170 organisations have participated in the Business-School Partnership Programme, which enhances students' understanding of different trades and prepares them for future employment through activities such as workplace orientation and visits, mentorship and career experience programmes. In the three years from the 2015/16 school year, the EDB will enhance, reinforce and review the programme.

Exchange and Co-operation

157. Our country is developing rapidly. We plan to provide a subsidy for students to join at least one Mainland exchange programme each in the primary and secondary stages. We will also launch a pilot scheme to provide financial and professional support for local public sector schools and Direct Subsidy Scheme schools in a bid to progressively double the number of primary and secondary sister schools in Hong Kong and the Mainland to about 600 pairs within the three years from the 2015/16 school year. This will help further promote experience sharing between

sister schools, enhance teaching and learning effectiveness, and relieve teachers from some of the administrative work. At the same time, we will explore with Mainland provinces and cities to expand and enhance such exchange and co-operation. Young people can broaden their horizons through two-way visits, life experience activities, cultural and service collaboration as well as job-seeking experience sharing.

158. The Government will continue to fine-tune the existing exchange and internship programmes for young people and increase funding for these programmes. We will work in collaboration with the United Nations Volunteers and local voluntary agencies to allow undergraduates to participate in the volunteer services of the United Nations agencies in Southeast Asia. We will also regularise the services of the Service Corps and strengthen co-operation with Guangdong Province on volunteerism, so that our young people will have more opportunities to help the disadvantaged outside Hong Kong.

Youth Hostels

159. The four youth hostel projects are being progressively implemented. The Government will seek funding approval as soon as possible to take forward the two projects at Sheung Wan and Tai Po, while advance preparation works are being carried out for two projects at Mong Kok and Jordan. At the same time, we will actively assist other interested non-governmental organisations (NGOs) with the early launch of more new projects.

Youth Development Fund

160. The Government will set up a \$300 million Youth Development Fund to support innovative youth development activities which are not covered by existing schemes, including subsidy in the form of matching funds for NGOs to assist young people in starting their own business. Details such as eligibility criteria, approval procedures and allocation priority of the fund will be devised after consulting the Commission on Youth.

VIII. Environmental Protection and Conservation

161. In the past two years, the Government formulated several blueprints for environmental protection and launched a number of important measures. This year, we will keep on monitoring the situation closely to ensure the effectiveness of our efforts.

Air Quality

162. Air quality monitoring results from 2010 to 2014 reflect a continuous improvement in Hong Kong's overall air quality. The annual average concentrations of sulphur dioxide, nitrogen dioxide and respirable suspended particulates decreased by 8%, 6% and 4% respectively. The concentration of ozone increased by 18% during the same period, mainly due to regional changes. Our air quality is expected to further improve.

163. The Government will introduce new legislation to require ocean-going vessels at berth in Hong Kong to switch to low-sulphur diesel. We will set up low emission zones in Causeway Bay, Central and Mong Kok at the end of this year where franchised bus companies can only deploy low-emission buses. In addition, franchised bus companies will try out single-deck electric buses in mid-2015.

164. We are working with the Guangdong authorities to explore the feasibility of requiring ocean-going vessels berthing at the ports in Pearl River Delta to switch to cleaner fuel. We also plan to allocate \$150 million to extend the Cleaner Production Partnership Programme to encourage Hong Kong-owned factories in Guangdong to adopt cleaner production technologies.

165. The Government will soon introduce legislation to require non-road mobile machinery newly supplied for local use, including generators and excavators, to comply with statutory emission standards.

Waste Management

166. The Government is taking forward a number of initiatives to achieve the target of reducing our per capita municipal solid waste disposal rate by 40% in a decade as set out in “Hong Kong: Blueprint for Sustainable Use of Resources”.

167. As to waste reduction at source, the Environment Bureau is examining how specific arrangements for the quantity-based charging for municipal solid waste should be finalised in light of the recommendations by the Council for Sustainable Development and experience from the pilot scheme. It will report on the proposed framework this year.

168. To realise the polluter-pays principle, the Government is reviewing the charge level for construction waste disposal and will report on the review findings this year.

169. The Government will introduce a Recycling Fund to upgrade the operational capabilities of the recycling industry, increase the quantity of the recyclables recovered, raise the quality of treated materials and establish a stable outlet for recycled materials, thus promoting the sustainable development of the industry. The Steering Committee to Promote the Sustainable Development of the Recycling Industry will continue to explore and formulate complementary measures such as manpower training, research and development of technology and products, and operational parameters.

170. We will introduce legislative proposals later this year to implement the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment. Furthermore, we are expanding the glass bottle recycling network to prepare for the implementation of the Producer Responsibility Scheme on Glass Beverage Bottles.

171. In addition to using such media as mobile phone applications and webpages to provide the locations of some 7 000 recycling collection points and information about waste reduction, the Government will form a working group on a

“clean recycling” campaign this year with representatives from the industry to promote source separation and cleaning of waste at the community level. By doing so, the recycling value and recovery rate of recyclables will be increased.

172. To set an example, the Government engaged in green procurement worth more than \$1 billion in 2013. We will expand the current procurement list, update the specifications and verification methods, and explore wider use of recycled and other environment-friendly materials in public works projects. We will also promote green procurement to both the public and business sectors.

173. Last year, the Government introduced “A Food Waste and Yard Waste Plan for Hong Kong 2014-2022”, which promotes reduction at source, food donation, recyclable collection and turning food waste into energy. The plan sets the target of reducing food waste disposal in landfills by 40% in 2022.

174. Since the launch of the Food Wise Hong Kong Campaign, nearly 400 trade organisations, NGOs and government departments have signed the Food Wise Charter. Some restaurants reduced their food waste by an average of 15% or more last year. The Government will launch the “Food Wise Eateries” campaign for the purpose of reducing food waste at source. In 2014, the Environment and Conservation Fund set aside over \$10 million to support NGOs in collecting surplus food. It is estimated that 800 tonnes of surplus food will be redistributed to people in need every year. At the same time, the Government has earmarked \$100 million to implement waste-reduction projects with the funding already open for applications. About one-third of the fund will be allocated to projects relating to food waste management and reduction.

175. Despite enhanced efforts to promote waste reduction, the three existing landfills will be full, one by one, within the next five years. Hong Kong is in dire need of expediting the extension of landfills and the development of waste-to-energy facilities, both of which are essential. We will speed up the implementation of these important waste management

infrastructure projects and enhance communication with various stakeholders. The organic waste treatment facility in Siu Ho Wan is expected to commence operation in early 2017 and will convert food waste into electricity as renewable energy.

Green Building and Energy Conservation

176. Today I also announce that the Government is setting a new target of achieving a 5% saving in electricity consumption for government buildings under comparable operating conditions in the coming five years. Energy audits will be conducted for major government buildings to identify opportunities to enhance energy-saving performance and green building measures. The Government will work with stakeholders and public and private organisations to further foster a low-carbon and livable built environment to reduce Hong Kong's overall electricity demand.

177. The future fuel mix for electricity generation is closely intertwined with the development of the post-2018 electricity market. Over 86 000 submissions were received in last year's public consultation on the future fuel mix for electricity generation. The Government will consider the views received, consult the public on the future development of the electricity market and the regulatory framework, and announce the outcome of the fuel mix public consultation exercise and the way forward.

Water-friendly Culture and Activities

178. There has been a marked improvement in the water quality of Victoria Harbour. On completion of the Harbour Area Treatment Scheme Stage 2A this year, water quality in our harbour is expected to improve further. I have instructed relevant bureaux to explore the feasibility of organising water sports activities in Victoria Harbour.

179. The Government will commission a study this year on how to improve the problem of pollution and odour nuisance caused by the discharge of urban residual pollutants into urban

coastal waters, so as to provide venues for water activities along waterfront areas in Kowloon West, Wan Chai and Central.

180. Beyond Victoria Harbour, Hong Kong waters cover a large area, which can be used for promoting water recreational and sports activities and a water-friendly culture. Relevant bureaux and departments will continue to identify desirable locations to build new water sports centres.

181. We will adopt the concept of revitalising water bodies in large-scale drainage improvement works and planning drainage networks for NDAs so as to build a better environment for the public. In the completed widening works of Ho Chung River in Sai Kung, ecological features were also included to beautify the river and enhance river biodiversity.

Nature Conservation and Historic Buildings

182. Our rural areas have great conservation, ecological, visual and traditional value. We will proactively work with NGOs to adopt a flexible approach to supporting and promoting the protection of our rural areas through harnessing the effort of the community. I have asked the Environment Bureau, in conjunction with other relevant departments, to map out a plan. At the same time, we will continue to assess the suitability of incorporating enclaves into country parks in accordance with the established principles and criteria to better protect areas with high landscape or recreation value. We will also manage these areas with an innovative mindset.

183. We are formulating the first Biodiversity Strategy and Action Plan for Hong Kong with a view to stepping up conservation efforts and supporting the sustainable development of Hong Kong in the next five years.

184. The Government plans to designate the waters around the Brothers Islands as a marine park and is carrying out preparatory work.

185. We will study the implementation of the recommendations submitted by the Antiquities Advisory Board on the built heritage conservation policy, including making preparations for the establishment of a built heritage conservation fund.

IX. Healthcare

186. The ageing population brings challenges to our healthcare services. We will continue to enhance healthcare service provision, plan for healthcare manpower and improve regulation.

Public Healthcare Services

187. The Steering Committee on Review of Hospital Authority has reviewed the organisation structure, cluster arrangement, resources, performance and personnel management system of the HA to explore directions for enhancement and improvement. The Steering Committee will put forward recommendations within this year.

188. In 2015-16, the HA plans to spend about \$1 billion out of the \$13 billion provision granted for minor works projects to improve the facilities of public hospitals and clinics, such as adding hospital beds and other treatment and diagnostic facilities.

189. The Government will pursue the construction of an acute general hospital in the Kai Tak Development Area. Upon completion of Phase 1, there will be an oncology centre, as well as in-patient and ambulatory services. In addition, the HA plans to provide approximately 250 additional hospital beds, and increase operating theatre sessions and quota for endoscopy examination to cope with escalating demand.

190. The HA also plans to increase the general out-patient clinic episodic quota in the Kowloon Central, Kowloon East, Kowloon West, New Territories East and New Territories West Clusters in 2015-16. It will also enhance the effectiveness of medical treatment by expanding the coverage of the Drug Formulary.

191. The DH and the HA have set up a working group to study the feasibility of trying out in the public healthcare system a screening programme for newborn babies for inborn errors of metabolism. The working group will study the types of disease

to be screened, scientific evidence on the effectiveness of screening, actual arrangements and related recommendations.

Elderly Healthcare Services

192. The HA will enhance healthcare services for elderly patients, including:

- (i) finishing improvement works to barrier-free facilities in the remaining hospitals by the end of 2016, following completion of similar works in general out-patient clinics and acute hospitals at the end of 2014;
- (ii) establishing Hong Kong's fourth joint replacement centre in the New Territories East Cluster; and
- (iii) strengthening geriatric rehabilitation and palliative care services and enhancing the service of the Community Geriatric Assessment Teams.

General Out-patient Clinic Public-Private Partnership Programme

193. Last year, the HA launched the pilot General Out-patient Clinic Public-Private Partnership Programme in three districts, allowing chronic disease patients (for example, those suffering from hypertension) who are in stable conditions to choose to receive out-patient services from private doctors in the respective districts. The HA plans to extend the programme to the remaining 15 districts in phases.

Chinese Medicine Testing Centre

194. The Government will plan and develop a testing centre for Chinese medicine to be managed by the DH. The testing centre will specialise in the testing of, and scientific research on, Chinese medicine with a view to setting reference standards for the safety, quality and testing methods of Chinese medicine. With the guidance of an advisory board formed by renowned international experts, the DH will continue to study and

formulate more Hong Kong Chinese Materia Medica Standards (HKCMMS) through the testing centre. The testing centre will also embark on relevant hi-tech research with a view to strengthening the capability for the quality control and identification of Chinese medicine. A herbarium on Chinese medicine of international standard will be set up. Through various platforms and close collaboration with the relevant international and Mainland organisations, the testing centre will help promote the HKCMMS and the reference standards for testing Chinese medicine as authoritative international benchmarks to pave the way for the internationalisation of Hong Kong's Chinese medicine industry.

Healthcare Manpower Planning

195. The Steering Committee on Strategic Review on Healthcare Manpower Planning and Professional Development is conducting a comprehensive review of the manpower demand in various healthcare professions. It will put forward recommendations this year on ways to cope with the manpower demand, strengthen professional training and facilitate professional development.

Enhancing Regulation

196. The Government will strengthen regulation of private healthcare facilities by implementing the recommendations of the Steering Committee on Review of Regulation of Private Healthcare Facilities. By assuring the quality and value of private healthcare services, we will be able to achieve the objectives of better protecting public health and supporting the development of private hospitals. We are consulting the public on our proposed regulatory regime. Subject to the outcome of the public consultation, we will implement it by legislation.

Voluntary Health Insurance

197. The Government is now consulting the public on the proposed Voluntary Health Insurance Scheme. Subject to the outcome of the consultation, we will implement the scheme by legislation.

X. Culture, Leisure and Municipal Services

198. Before taking office, the current-term Government proposed to this Council that a Culture Bureau should be set up with dedicated responsibility for promoting the development of cultural services and cultural industries in Hong Kong. However, we were forced to withdraw the proposal due to the filibuster tactic employed by some legislators. Hong Kong boasts rich cultural resources as well as excellent cultural talent. We hope that the community will continue to support our work on the cultural front.

Culture and Sport

199. The Government will continue to support the West Kowloon Cultural District (WKCD) Authority in implementing the WKCD project, including the early delivery of some facilities for public enjoyment.

200. We will continue to open up more space for arts groups and artists. In addition to the subsidies given to the Hong Kong Arts Development Council (HKADC) to provide arts studios in Wong Chuk Hang for artists, the Government is also studying the feasibility of developing other arts space. These include converting the vacant premises of the Tai Po Government Secondary School into an arts development centre as well as reserving certain floor area in a site at Aberdeen for the promotion of arts and culture by the HKADC.

201. To enhance the protection of intangible cultural heritage (ICH), the Government announced last year the first Intangible Cultural Heritage Inventory of Hong Kong and will strengthen such work as identification, documentation, research, preservation, promotion and transmission of the heritage. We will also draw up the Representative List of Intangible Cultural Heritage for Hong Kong to accord priority to the protection of those ICH items which have high cultural value and require urgent preservation.

202. The Kai Tak Multi-purpose Sports Complex will be the largest-ever sports facility in Hong Kong. The Government will commence advance works this year, with construction works expected to start in 2017.

203. The Leisure and Cultural Services Department currently provides training venues for more than 40 national sports associations (NSAs) and their respective Hong Kong teams. However, the development needs of various sports have yet to be fully met. The Sports Commission has therefore decided to set up a working group to gauge the demand for sports facilities. Meanwhile, we will step up efforts in promoting the Restored Landfill Revitalisation Funding Scheme launched last year. Non-profit-making organisations or NSAs can apply for funding under the scheme for development of recreational facilities or other appropriate innovative uses on the restored sites.

204. To encourage more young athletes with potential to turn full-time, the Government will make use of the Elite Athletes Development Fund to provide greater support for the Hong Kong Sports Institute (HKSI) and the partner schools in the Elite Athlete-friendly School Network.

205. To help athletes adapt to a life no longer occupied with training and sports events and embark on new ventures, the Government will encourage retired athletes to serve as School Sports Programme Co-ordinators and enhance the sporting culture in schools. The HKSI will introduce an elite athletes performance recognition scheme this year that will give a one-off bonus to full-time athletes who formally retire in or after 2015.

206. The Government attaches great importance to supporting athletes with disabilities. In this financial year alone, we have provided subsidies of over \$28 million to support disabled athletes' training, preparation and participation in competitions, and to facilitate the hosting of international sports events in Hong Kong. The Government will commission a consultancy study on how to support disabled athletes and promote sports

participation by people with disabilities in a more comprehensive manner.

Municipal Services

207. Public markets are closely related to the daily life of the general public. The Government is reviewing the functions and positioning of public markets and exploring ways to improve their operating environment, so as to increase their competitiveness while preserving the traditional characteristics. This year, we plan to put forward improvement proposals for some representative markets with a view to providing reference for the improvement to other public markets.

208. In the face of a growing demand for columbaria, the current-term Government adopts a three-pronged approach, namely promoting green burials, actively increasing the supply of public niches and regulating private columbaria. On the construction of public columbaria, we consulted the North DC and the Eastern DC on the sites at Sandy Ridge and Chai Wan respectively last year. The two sites are expected to provide a total of about 225 000 new niches.

XI. District Administration and Governance

District Administration

209. Starting from the new term of DCs in January 2016, the Government proposes to increase the honorarium of DC members by 15% in real terms and offer every DC member a new provision of \$10,000 per term to cover expenses for duty visits.

210. Last year, the Government introduced a pilot scheme in Sham Shui Po and Yuen Long, providing the District Management Committees chaired by District Officers with power to decide on and co-ordinate work to address certain management and environmental hygiene problems of some public areas and with the DC's advice on the work priorities. The scheme has proved highly successful. It responds actively to public aspirations and has been well received by the local communities. The Government will conduct a review upon completing the pilot scheme in August this year. The Government will actively consider providing additional manpower and resources depending on circumstances to implement the scheme in all 18 districts starting from the next DC term to take forward the concept of "addressing district issues at the local level and capitalising on local opportunities".

211. In the coming five financial years, the Government will provide an additional annual funding of \$20.8 million for community involvement programmes to further strengthen the support for DCs in promoting arts and cultural activities in the districts.

Upholding the Core Values

212. Hong Kong's development into a world metropolis is the combined effort of many generations. We should treasure what we have achieved. The rule of law is the cornerstone of our prosperity and stability. Everyone is equal before the law, and

everyone must obey it. There is no excuse for anyone to break the law.

213. Over the years, the Government remains committed to upholding core values such as freedom, human rights, democracy, the rule of law and clean governance. The Government will continue to implement the Basic Law, and promote a more comprehensive, thorough and accurate understanding of “One Country, Two Systems” and the Basic Law in the community. Safeguarding the rights of Hong Kong residents under the Basic Law and ensuring a proper understanding of the obligation to obey the law are the key to maintaining Hong Kong’s prosperity and stability as well as its international status.

The Civil Service

214. The successful implementation of the Government’s policies and initiatives relies on the support and teamwork of our professional civil service. I am fully aware that our civil servants are facing growing challenges, heavier workload and greater difficulties. I wish to extend my heartfelt gratitude to each of them for serving the community with dedication, professionalism and perseverance, and providing quality services for the public in the past year. I firmly believe that our civil service will continue to adhere to the principle of putting people first and fully support the effective governance of the Government in serving the community.

XII. Conclusion

215. Mr President, Honourable Members and fellow citizens, in the past two and a half years, the current-term Government has made gradual progress in pursuing democracy, boosting the economy and improving people's livelihood as pledged in my Manifesto. In the coming year, we still anticipate economic growth and full employment. The HKSAR Government and I will spare no effort to create favourable conditions for various trades, different local communities and people from all walks of life to start new ventures, sustain business and seek employment. We should, however, remain vigilant at all times. We should guard against any acts which will jeopardise our competitiveness, tarnish our reputation, or undermine Hong Kong's stability and prosperity.

216. The coming year is crucial for Hong Kong's constitutional development. If we forge a consensus based on a clear understanding of the situation, for the first time in history, we can select the leader of Hong Kong by universal suffrage by "one person, one vote" in 2017. But to achieve this, we have to lobby members of the Legislative Council and obtain two-thirds majority support from them for the passage of the proposal made in accordance with the Basic Law and the relevant stipulations. To secure the implementation of democratic universal suffrage, we must respect one another and seek common ground while accommodating differences. Neither the community nor the Government will accept or tolerate any unlawful acts.

217. People's livelihood is another priority of the Government for the coming year. Building on the groundwork we have laid to provide adequate housing, alleviate poverty, care for the elderly and support the disadvantaged, we will stay committed to improving the livelihood of the general public, particularly the underprivileged, by changing mindset, implementing appropriate policies and making effective use of financial resources. We are confident that our efforts over the past two years will bear more fruits.

218. Hong Kong people are hardworking, law-abiding and tenacious. Hong Kong is backed by our country and gathering momentum of development. Given the strong fiscal position of the HKSAR Government, we will be able to take full advantage of the opportunities ahead and make right choices as long as we adhere to our values, maintain our confidence and stand united.

219. Lastly, I wish to extend my gratitude to all politically appointed officials and our civil servants for their dedication and efforts. I would also like to thank this Council, the DCs, statutory and advisory bodies as well as members of the public for your support and collaboration. Thank you.