

The Chief Executive's 2017 Policy Address

**We Connect for
Hope and Happiness**

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Mr President, Honourable Members and fellow citizens,

I. Introduction: A New Beginning

1. Today, I am most honoured to present my first Policy Address in my capacity as Chief Executive, sharing my governance philosophy and elaborating on the vision and initiatives of the current-term Government for different policy areas. I hope that this Policy Address will set new starting points for Hong Kong in areas such as governance, economic development, housing, education, healthcare, and chart the gradual delivery of the pledge that I made in my inaugural speech about connecting with you to build an even better Hong Kong.

2. This year marks the 20th anniversary of Hong Kong's return to the Motherland, a milestone for us to build on our achievements and begin a new chapter of development. In his keynote address delivered at the Meeting Celebrating the 20th Anniversary of Hong Kong's Return to the Motherland and the Inaugural Ceremony of the Fifth-term Government of the Hong Kong Special Administrative Region (HKSAR), President Xi Jinping said with deep sincerity that the destiny of Hong Kong has always been intricately bound with that of the Motherland. In the last two decades, thanks to the support of the Motherland and with an international vision, Hong Kong has kept its distinct features and strengths. This fully demonstrates that "One Country, Two Systems" is the best institutional arrangement to ensure Hong Kong's long-term prosperity and stability after our return to the Motherland. It is a workable solution and an achievable goal welcomed by the people. Thus, everybody with a passion for Hong Kong has the responsibility to ensure that, here in Hong Kong, "One Country, Two Systems" advances in the right direction, the obligation to say 'no' to any attempt to threaten our country's sovereignty, security and development interests, as well as the duty to nurture our next generation into citizens with a sense of national identity, an affection for Hong Kong and a sense of social responsibility.

3. Hong Kong is facing challenges on many fronts. On economic development, we need to consolidate and enhance our traditional advantages while developing new areas of economic growth as a matter of urgency. I propose that the Government should be more proactive and play the role of a "facilitator" and a "promoter". We should seize the opportunities brought by the national Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area (Bay Area) development, make good use of the autonomy enjoyed by

the HKSAR in developing our external affairs as provided under the Basic Law, and make timely investments in order to create new impetus for our economy. The economy chapter in this Policy Address elucidates our views on the prospects of various trades and industries. It reflects, in particular, the importance that we attach to innovation and technology and the creative industries, and sets out an array of measures to spur their further development.

4. On people's livelihood, meeting the public's housing needs is our top priority. The Government has no magic wands, but in the past few months the Directors of Bureaux concerned have demonstrated their readiness to think out of the box in a bid to address the community's pressing needs. We strive to meet public expectations by pursuing new directions and new initiatives. On care for the elderly, we do not see ageing population as a threat to public finance. We have, instead, taken the opportunity to devise a variety of effective elderly care services. We will continue to devote resources to poverty alleviation as well as support for the disadvantaged in order to build a caring and inclusive society. On education, we will uphold the "professional-led" principle and deploy the necessary resources to nurture our next generation.

5. Strengthening governance is a key focus of the current-term Government. For some time in the past there was a tendency for suspicion to breed without cause and a propensity for matters to get personal. We must turn this round and make our best effort to improve the executive-legislature relationship. I pledge to continue to take concrete actions to resolve problems for our people, following the principles of being "Innovative, Interactive and Collaborative".

6. I would like to extend my gratitude to Members of this Council and all sectors of the community for offering me a wealth of suggestions during my preparation of this Policy Address in the past three months. My thanks also go to my devoted political team and our dedicated civil servants at all levels. In full display of a progressive spirit, they recognise the need to change and share a readiness to seek changes. We must cherish this new beginning and stay engaged in charting our future. Let us join hands and work with one heart to take Hong Kong to a new level of success.

II. Good Governance

My Belief

7. As a Chief Executive with 37 years of experience in public administration, I have set good governance as the primary requirement for my political team. Good governance is vital, whether in discharging the responsibilities of the Government as a “service provider” or a “regulator”, or in taking up the new roles of the Government as a “facilitator” and a “promoter” that I advocate. Through immense contributions made by generations of Hong Kong people and countless challenges overcome, we have established our core values including an independent judicial system, adherence to the rule of law, a highly efficient and clean Government, freedom of the press, respect for human rights, pluralism and inclusiveness as well as the freedom of expression. Since our return to the Motherland, these institutional strengths, rights and freedoms have been protected by the Basic Law under the principle of “One Country, Two Systems”. These constitutional bulwarks and cornerstones of a civilised society and our moral values are unbreachable. The Government and myself will, with our utmost endeavours, implement the “One Country, Two Systems” principle, uphold the Basic Law and safeguard the rule of law. This is my solemn pledge to the Central Government and the HKSAR.

Executive Authorities

New Roles for the Government

8. As Hong Kong becomes an increasingly complex society and the expectations and demands of the community towards the Government have continuously grown, there have been new challenges to governance. The Government must come up with policies and measures that address the community’s needs, respond to the pressing issues faced by the population while displaying a strong sense of commitment and high efficiency. Thus, the Government’s roles must also keep abreast of the times to seize the opportunities for steady social and economic development.

9. During my election campaign, I proposed that the Government should take up new roles other than as a “service provider” and a “regulator”. The proposal has gained wide support from the community. In taking up the role of a “facilitator”, the Government should be visionary, scrutinise existing policies and measures pursuant to policy objectives, remove obstacles for our industries, and strengthen co-ordination and co-operation across government bureaux and departments, and provide “one-stop” consultation and services as

far as practicable, with a view to maximising the benefits for the community. Furthermore, government officials should place more emphasis on the role of the Government as a “promoter”. By strengthening the links between the HKSAR and the Mainland as well as other countries, elevating Hong Kong’s status as Asia’s world city, attracting Mainland and overseas enterprises and talent to Hong Kong and, in collaboration with relevant organisations and trade representatives, proactively conducting “government-to-government” (G2G) interactions and lobbying, we seek to further expand Hong Kong’s external relations. To set a good example by practising what I preach, I have made nine outbound visits since my assumption of office.

Upholding the Principle of Meritocracy

10. The new term of Government attaches importance to public participation and engagement. In the course of policy formulation, we will listen to different sectors of the society, especially industry stakeholders, frontline personnel as well as young people, and take account of their views with a view to building consensus. I have called upon all policy bureaux to uphold the principle of meritocracy and cast their net wide in scouting for talents. Anyone with ability and the commitment to serve the community will stand a chance to join various statutory and advisory bodies and tender advice to the Government.

11. To further encourage public participation, the Government will introduce a pilot self-recommendation scheme to recruit young members as a priority target. We have already identified five advisory committees for inclusion in the first batch for recruiting self-recommended young members. These committees, covering different policy areas, include the Youth Development Commission to be established, the Committee on the Promotion of Civic Education, the Committee on Innovation, Technology and Re-industrialisation, the Environmental Campaign Committee and the Action Committee Against Narcotics. The Home Affairs Bureau (HAB) is drawing up a mechanism for recruitment and selection to ensure an open, fair and just process.

Open and Transparent Government

12. In reflection of the openness and inclusiveness of the current-term Government and to address the aspirations of some media bodies, the Information Services Department has introduced a mechanism for the admission of online-only mass news media to government media events. I now announce that we will re-open the East Wing Forecourt of the Central Government Offices (CGO) as soon as possible before the end of this year, so

that the East Wing Forecourt will resume its functions as a vehicular access to the CGO, a passenger pick-up/drop-off point for the CGO and a passageway for visitors and staff of the CGO and the Legislative Council Complex. Besides, we will resume the arrangement for members of the public to make applications for holding public meetings or processions at the East Wing Forecourt on Sundays and public holidays. Relevant departments are making preparation for the re-opening of the East Wing Forecourt and details will be announced later. I appreciate that we need to keep up our efforts in order to fully realise the design concept of “Door always open; Land always green; Sky will be blue; People will be connected” of the CGO.

Boosting Implementation Capabilities

Augmenting the civil service establishment

13. In view of the increasing workload across all ranks of the civil service in recent years, I will ask the Heads of Departments to reduce the demand for manpower by streamlining administration, fostering innovation and collaboration, and leveraging technologies. In order to ease the work pressure on civil servants as soon as possible and to support the Government in taking forward various new policies and initiatives, we will, as a first step, augment the civil service establishment. We expect an establishment growth of not less than 3% in the 2018-19 financial year, which will represent the highest year-on-year increase since our return to the Motherland. Relevant details will be announced in the 2018-19 Budget.

Extending the service of civil servants

14. On the other hand, to tie in with the goal of expanding the labour force and to respond to the aspirations of our serving colleagues in the civil service, we have re-examined the issue and agreed that serving civil servants joining the Government between 1 June 2000 and 31 May 2015 (i.e. the effective date of the policy of extending the retirement age of new recruits) will be allowed to choose to retire at 65 (for civilian grades) or 60 (for disciplined services grades) on a voluntary basis. The Civil Service Bureau is working out the details and plans to consult the staff side in early 2018.

Establishing a new civil service college

15. Our civil service is well-known for its professionalism and high efficiency. We must, nevertheless, continue to strive for excellence through enhanced training. The civil service must be forward-looking, visionary as well as innovative in order to tackle different challenges and deliver outstanding performance in the Government’s roles as a “service provider”,

“regulator”, “facilitator” and “promoter”. I propose to establish a new civil service college with upgraded training facilities so as to further enhance training for civil servants in the areas of leadership development, interaction and communication with the public, innovation, use of technology, etc. The new civil service college should also place emphasis on deepening civil servants’ understanding of our country’s development and the relationship between the Central Authorities and the HKSAR, enhancing their awareness of international affairs, as well as promoting exchanges with civil servants in other places, through which knowledge, experience and insights gained from local public service management could be shared.

Stepping up Collaboration Across Bureaux and Departments

Revamping the Central Policy Unit

16. To tie in with the Government’s new role as a “facilitator”, I will revamp the Central Policy Unit as the Policy Innovation and Co-ordination Unit. The new office will be responsible for policy research and innovation, co-ordination across bureaux and departments, enhancing public participation as well as rendering assistance in co-ordination work for cross-bureaux policies selected by the senior leadership of the Government. We will soon start the recruitment of young people who aspire to be engaged in policy research as well as policy and project co-ordination to join the Policy Innovation and Co-ordination Unit proposed to be established as non-civil service contract staff so that they could make a contribution in shaping the future Hong Kong.

Transferring the Efficiency Unit to the Innovation and Technology Bureau

17. With its team of professionals and network of external partners, the Efficiency Unit (EU) has been supporting bureaux and departments in enhancing operational efficiency and providing improved public services. In future, it will become increasingly important to achieving this goal through the application of innovative technology. In view of this, I propose transferring the EU from the Chief Secretary for Administration’s Office (CSO) to the Innovation and Technology Bureau (ITB) so that we could build a stronger team and make better use of the \$500 million earmarked for technology application in departments to further promote innovation and technology development within the Government.

Legal Aid Department to come under the Chief Secretary for Administration's Office

18. In view of the above restructuring of the Government, we will implement the Legal Aid Services Council's earlier proposal to transfer the Legal Aid Department from the HAB to the CSO to underline the independence of the legal aid system. As for the restructuring proposals put forward by stakeholders of other sectors, such as the establishment of a Culture Bureau, the splitting of the Transport and Housing Bureau, etc., we will further listen to the views of different sectors.

Judiciary

19. The rule of law is the most important core value of Hong Kong, and judicial independence is the linchpin in upholding the rule of law. During the past few months, the Hong Kong courts' decision on certain cases have sparked some negative comments on judicial independence, with some casting doubts about our courts' freedom from external interference. I must solemnly point out that the Basic Law clearly stipulates that the HKSAR enjoys independent judicial power, including that of final adjudication, and that our courts shall exercise judicial power independently, free from any interference. The Court of Final Appeal is the highest appellate court in the HKSAR, consisting of the Chief Justice and permanent judges. Non-permanent judges from other common law jurisdictions may also be invited to sit on the court. Since 1 July 1997, the Court of Final Appeal has been, pursuant to Article 82 of the Basic Law, inviting judges with profound judicial experience and high professional status and reputation from other common law jurisdictions to take part in its hearings. This unique arrangement is the very manifestation that under the protection of the Basic Law, the judicial system of Hong Kong has won international recognition. The high quality and independence of the judicial system in Hong Kong is most precious. We are fully confident that the courts will impartially exercise their judicial power. The HKSAR Government will continue to steadfastly safeguard judicial independence, and discharge its roles in upholding the Basic Law and defending the rule of law.

20. The Government has all along been providing sufficient resources to the Judiciary to ensure its effective operation. During the past seven financial years, the Government has acceded to the Judiciary's requests for funding and post creation in full. To attract top talent to join the Judiciary, the Government has also adopted all the specific measures proposed by the Judiciary to enhance the conditions of service for judges and judicial officers. Moreover, the Government spares no effort in improving court facilities. We have reached

consensus with the Judiciary on the relocation of the High Court Building, which is now in very congested conditions, to Site 5 of the new Central Harbourfront (i.e. adjacent to the Legislative Council Complex) and the construction of a District Court Complex at Caroline Hill Road to house the District Court, the Family Court and the Lands Tribunal. Costing over \$20 billion, these projects will fully address the long-term accommodation needs of courts at various levels.

Law Reform Commission

21. In the context of upholding the rule of law, the Law Reform Commission of Hong Kong (LRC) plays a key role in promoting effective law reform. To enhance the efficiency and operation of the LRC, the Department of Justice (DoJ) is studying the experience of law reform agencies in other jurisdictions with a view to exploring different options for enhancing the operation model for the LRC.

Archives Law

22. Accountability and transparency are of vital importance to good governance. As pointed out in my Election Manifesto, I attach importance to the integrity of government records and hold a positive view towards the enactment of archives legislations. The LRC is studying our existing records management system and the relevant experience of other jurisdictions, and will conduct extensive consultation on its proposals. The Government will follow up on this subject after receiving the report from the LRC. In the meantime, the Government will continue to enhance its records management work.

Legislating for Article 23 of the Basic Law

23. It is the constitutional responsibility of the HKSAR Government to legislate for Article 23 of the Basic Law in order to safeguard national security. From experience, this issue will very readily generate controversies in the community. The current-term Government must act prudently after weighing the pros and cons, and seek to create a favourable social environment for the community to handle this constitutional obligation of the HKSAR in a positive manner.

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

24. Regrettably, after spending 20 months on the political reform package, the “political reform trio” led by me in the last term of Government was unable to secure the selection of the Chief Executive by universal suffrage through “One Person, One Vote”. The unlawful “Occupy Central” movement launched by some people has led to social conflicts and seriously affected the economic and social development of Hong Kong. As a responsible Chief Executive returned by election, I fully understand the aspirations of the community, in particular our young generation, for universal suffrage. Yet, we cannot ignore the reality and rashly embark on political reform once again. During my term of office, I will do my best to work towards creating a favourable social atmosphere for taking forward political reform within the framework of the “831 Decision” of the Standing Committee of the National People’s Congress.

Executive-Legislature Relationship

25. The Basic Law stipulates the respective responsibilities of the executive authorities and the legislature of the HKSAR. While the Government fully respects the functions of the Legislative Council (LegCo) to exercise checks and balances on the executive authorities, we hope that through co-operation, we can reach consensus on issues that are controversial and yet strategically important for the long-term development of Hong Kong. Before assuming office, I had started communicating actively with LegCo Members from different political parties and groups, and consulting them on how to make the best use of the new resources for education. The additional recurrent funding of \$3.6 billion for quality education was approved smoothly by the LegCo Finance Committee two weeks after it was proposed by the Government. This demonstrates that good communication is the basis for co-operation between the executive authorities and the legislature. I am confident that with the overall interests of Hong Kong as our common goal, we can discuss, decide and proceed together.

26. In the past three months, I have demonstrated through action that I attach great importance to improving the relationship between the executive authorities and the legislature. Accepting the suggestion of LegCo Members, I have reverted to the practice of delivering the Policy Address at the first meeting of the legislative session. I also responded positively to the request of the LegCo Committee on Rules of Procedure to increase the frequency of the Chief Executive’s Question and Answer Sessions. I will continue to set an example and lead my political team to build an interactive platform for communication and co-operation with the LegCo.

District Administration

27. On district administration, we will adopt a “bottom-up” approach and propose improvement measures after listening to the views of the District Councils and local communities regarding their long-standing concerns. In this connection, the Government has already implemented a series of improvement measures through co-ordination across relevant departments under the Steering Committee on District Administration. These include:

- (i) increasing the cleaning frequency: cleaning hygiene blackspots in all districts more frequently, and conducting large-scale clean-up operations regularly at coastal areas and typhoon shelters;
- (ii) stepping up law enforcement: stepping up inter-departmental collaboration and law enforcement effort with regard to blackspots of littering, illegal dumping, illegal parking of bicycles and shop-front extensions in the districts;
- (iii) using automation to enhance efficiency: exploring the introduction of automated cleaning machines or technology for trial use at suitable venues or after large-scale events;
- (iv) making good use of idle sites in various districts: opening up and landscaping undeveloped government sites for leisure and recreational purposes as far as possible in accordance with the recommendations of the District Councils, or allocating such sites for use by non-governmental organisations or arts groups; and
- (v) stepping up publicity and public education efforts: stepping up collaboration with the District Councils and encouraging local personalities to participate in public education and publicity activities, to educate the public to keep our city clean and protect the environment at source.

28. Good building management is also conducive to improving the living environment, promoting community building and fostering social harmony. To assist owners in proper building management and to address public concerns, we will implement multi-pronged initiatives, including the submission of proposed amendments to the Building Management Ordinance to the LegCo for deliberation; publishing new Codes of Practice to set out the best practices of building management; and launching the Building Management Dispute Resolution Service, to be steered by a retired judge, on a pilot basis to provide objective opinions on dispute cases.

Integrity

29. Since its establishment in 1974, the Independent Commission Against Corruption (ICAC) has profoundly transformed Hong Kong from a city plagued with corruption to one of the least corrupt cities in the world. Internationally acclaimed, our citizens and businesses maintain high ethical standards and show zero tolerance towards graft. The achievements of the ICAC owe much to its adoption of a three-pronged approach, comprising law enforcement, corruption prevention and community education, as well as the unwavering dedication of its highly professional staff in fighting corruption on all fronts. Today, the ICAC remains independent in its operation. It is fearless, robust and effective in pursuing the corrupt, and continues to be held in high regard by both the local and international communities. The Commissioner of the ICAC will continue to call on major international ranking institutions to enhance their understanding of Hong Kong's probity situation. On the enhancement of legislation, we will resolve as soon as possible those constitutional and legal issues pertinent to the amendment of the Prevention of Bribery Ordinance to extend the scope of sections 3 and 8 to cover the Chief Executive.

Public Finance

30. Sound public finance and optimal use of public resources are key to good governance. With years of practical experience in public finance, I fully appreciate the Basic Law's requirement of keeping the expenditure within the limits of revenues and avoiding fiscal deficits as far as possible. But the fact is that the HKSAR Government last went into deficit in 2003-04. Taking into account the investment return previously injected into the Housing Reserve, we currently have a fiscal reserve in excess of \$1,000 billion. We are well positioned to use our accumulated fiscal surpluses, which are wealth derived from the community, wisely to benefit the community. On the premise of ensuring the health of our public finance, I will adopt forward-looking and strategic financial management principles in making investment for Hong Kong and relieving our people's burdens.

The Chief Executive's Mission and Leadership

31. In the past three months, in my new capacity as Chief Executive, the honour as well as the immense responsibility of the office are most deeply felt. Some of the decisions cannot be delegated. Certain views must be stated in unequivocal terms. And some of the tasks have to be taken up by myself. What I find most encouraging and touching is the warm support I have

received from numerous leaders in our community. Some of them have joined the Executive Council and various statutory bodies or advisory bodies, some have participated in outbound business delegations or summit meetings, and some have spoken in support of Hong Kong through their liaison with Mainland and overseas organisations. I will capitalise on this rich talent pool during my tenure in working on Hong Kong's future.

The Chief Executive's Council of Advisers on Innovation and Strategic Development

32. I will set up the Chief Executive's Council of Advisers on Innovation and Strategic Development to replace the existing Economic Development Commission and the now defunct Commission on Strategic Development, both chaired by the Chief Executive. The Council, comprising leaders from various sectors, will contribute ideas on future innovation in Hong Kong and the strategic positioning of Hong Kong in the future global economy, guide future changes to maintain Hong Kong's competitiveness in the global arena and enhance Hong Kong's alignment with the development of our country. The new Policy Innovation and Co-ordination Unit will provide secretarial support for the Council and conduct evidence-based policy research in the light of the Council's suggestions. This would strengthen the Government's capability in policy formulation to meet Hong Kong's development needs.

Steering Committee on Innovation and Technology

33. I will personally chair an internal Steering Committee on Innovation and Technology to take forward the development of innovation and technology in Hong Kong, and to steer collaboration and participation across bureaux and departments with effect from the most senior level. I will also ensure that the resources requirement will be met in a timely manner.

Chief Executive Summits

34. While inviting the Chief Secretary for Administration and the Financial Secretary respectively to lead other important policy areas, I will chair the annual Chief Executive Summits to be apprised of the outcome of efforts made in various policy areas and to listen to further views from stakeholders. The subjects initially proposed for the summits include youth development, quality education, poverty alleviation, and innovation and technology. I will also attend the "Summit on the New Directions for Taxation" to be held late this month to gauge the views from all sectors in formulating forward-looking tax policies and measures.

III. Diversified Economy

My Belief

35. For 23 consecutive years, Hong Kong has been ranked as the world's freest economy by the Heritage Foundation of the United States. Hong Kong has also been crowned as the world's most competitive economy for two years in a row by the International Institute for Management Development based in Lausanne, Switzerland. The Canadian think-tank Fraser Institute recently published its annual report on Economic Freedom of the World. Since the publication of the report in 1996, Hong Kong has always been ranked the world's freest economy. In the World Economic Forum's latest Global Competitiveness Report, Hong Kong has leapt three places to reach the sixth place worldwide. Such recognition does not come easily. We will continue to respect the rules governing the economy and market operations, and promote free trade. At the same time, we will leverage our unique advantages under "One Country, Two Systems". With a new style of governance of being proactive, a strong sense of commitment embodied in the new roles of the Government, as well as a new fiscal philosophy to manage our finances wisely, we will inject new and continuous impetus to Hong Kong's economy.

Hong Kong's Current Economic Situation and Outlook

36. Our economy has been performing very well this year, expanding by 4.0% in real terms year-on-year in the first two quarters. Entering into the third quarter, our positive economic development has continued with export growing notably and domestic demand remaining firm, displaying an encouraging performance. The local labour market has continued to see full employment, with the employed population increasing steadily and the unemployment rate dropping to 3.1% in recent months. This is the lowest level in almost two decades. Household income has generally recorded solid increases, with the earnings of full-time employees in the lowest decile group increasing by 4.5% in real terms after discounting inflation. Inflation has dropped for six consecutive years.

37. Looking ahead to the second half of the year, we believe that our economy will continue with its consistently upward trend. This is partly attributable to the modest growth of the global economy and the steady performance and positive outlook of the Mainland economy, which is particularly important for our export trade. In addition, sanguine local

economic sentiment will bring momentum to our economy. Barring abrupt negative shocks externally, our overall economic growth this year is expected to go higher than 3.5%, the mid-point in the earlier forecast range of 3-4%, and would fare better than the annual average of 2.9% over the past decade.

38. While upholding the free market principle, the Government has to actively enhance its role in boosting our economic vibrancy through efforts in various areas, including land supply, talent, government-to-government business, policy directions, investment, business-friendly environment and taxation. In the face of keen global competition, the Government must step up its policy effort in the areas of talent and innovation to ensure sustainable economic development.

Land Supply for Economic Development

Industrial/Commercial Sites

39. To maintain Hong Kong's competitiveness and seize new opportunities, the Government will continue to increase the supply of various types of land, including general industrial/commercial sites, sites for logistics use, and sites for convention and exhibition facilities, etc., in order to meet the needs arising from economic development. Under the 2017-18 Land Sales Programme, the Government has put up three sites, one each for commercial, hotel and industrial uses for sale in the first three quarters. The Government expects to put up a number of commercial sites, located at the Kai Tak Development Area, above the terminus of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, at the New Central Harbourfront, Caroline Hill Road, Queensway Plaza and Sai Yee Street, etc., for sale starting from next year onwards. These sites will provide a total of about 1.1 million square metres of floor area.

Logistics Sites

40. In addition to a site of about 3.2 hectares for logistics use in Tuen Mun Area 49, the Government will continue to identify suitable sites for such use at different locations (including Hung Shui Kiu New Development Area, Yuen Long South development, Tuen Mun Areas 40 and 46 and New Territories North). We will also continue to support the Airport Authority Hong Kong (AAHK) in its development of SKYCITY, a facility combining retail, dining and entertainment purposes, to turn the Airport North Commercial District into a unique tourist attraction.

Convention and Exhibition Sites

41. The convention and exhibition industry is crucial to Hong Kong as an international centre for commerce and trade. By attracting world-class and the most prestigious international conventions and exhibitions to Hong Kong, we have reinforced our position as an international hub. Regarding conventions, apart from the annual Asian Financial Forum and the Business of Design Week, we hosted the Belt and Road Summits on the Belt and Road Initiative of our country in the past two years to promote this major national policy as well as the opportunities for international business collaboration and to facilitate the related business matching in Hong Kong. Regarding exhibitions, a number of large-scale international exhibitions are organised in Hong Kong every year. Among them, over 10 are the largest Asian, or even global, procurement platforms for the trades concerned, such as electronics, jewellery, gifts, clocks and watches, lighting, and culture and arts.

42. To maintain and consolidate the international status of our convention and exhibition industry, there is a pressing need for new venues. Otherwise, Hong Kong will miss the opportunities to host some of the large-scale conventions and exhibitions that are either internationally important or newly launched. The current-term Government is determined to tackle this long-standing problem. After a detailed study, we consider that the priority is to build a new convention and exhibition venue of international standard in the proximity of the existing Hong Kong Convention and Exhibition Centre (HKCEC) in Wan Chai. The new venue must be connected to and integrated with the existing HKCEC to maximise the benefits. Therefore, we have decided that for the time being, we will give up the identified site at the Wan Chai Sports Ground announced by the Government earlier. Instead, we will demolish and redevelop the three government buildings next to the HKCEC in Wan Chai North into a new wing that can be connected to and integrated with the existing HKCEC. Based on an initial estimate, the project will add about 23 000 square metres of connected convention and exhibition facilities. Hotel facilities, which complement the convention and exhibition activities, and Grade A office space, which can help alleviate the market shortfall, can be built on top of the new convention and exhibition venue.

43. The proposed new wing of the HKCEC will not be sufficient to make up for the venue shortage. We will continue with the development of a new convention centre above the MTR Exhibition Station of the Shatin to Central Link to provide the market with an additional 15 000 square metres of convention space. As a longer-term plan, when the reprovisioning of the Wan Chai Sports Ground is satisfactorily resolved, the site may be earmarked for the

further development of convention and exhibition facilities so as to reinforce and enhance the status of Wan Chai North as a convention and exhibition hub in Asia. We will also continue to explore the feasibility of expanding other existing convention facilities.

44. In redeveloping the site vacated by the government offices buildings in Wan Chai North, we will take the opportunity to thoroughly examine the traffic arrangements. To make full use of the new MTR Exhibition Station of the Shatin to Central Link in Wan Chai North, we propose to upgrade and enhance the footbridge network in Wan Chai North and its proximity to connect the convention and exhibition facilities to the MTR Wan Chai Station, Admiralty Station and the MTR Exhibition Station of the Shatin to Central Link. This will improve the pedestrian walkway network in the area. We will also capitalise on the completion of the Central-Wan Chai Bypass to optimise the traffic arrangements in the vicinity and enhance the efficiency of the road network linking Wan Chai North.

Revitalisation of Industrial Buildings

45. The Government is exploring different approaches to facilitate the transformation of industrial buildings and releasing land resources. Possible options include reactivating the revitalisation scheme for industrial buildings by offering incentives to encourage owners of old industrial buildings to undertake redevelopment or wholesale conversion, and considering how operating space can be provided legally and safely under the scheme for certain industries with development potential, such as cultural, arts and creative industries, and for appropriate community facilities. To address the issue of fragmented ownership in certain old industrial buildings, the Government will consider ways to facilitate the assembly of titles, including examining the threshold of “compulsory sale” applicable to old industrial buildings. The Government is also studying how to facilitate the conversion of the lower floors of industrial buildings for non-industrial purposes, subject to fire safety and building safety requirements, and will review the definition and coverage of “industrial” and “godown” uses in land leases.

Talent

46. The continuing development of Hong Kong’s economy requires a supply of talent for different sectors. Nurturing local talent is thus the priority task of the Government. In this connection, we will set up a Commission for the Planning of Human Resources, to be chaired by the Chief Secretary for Administration, for the training of talent for different industries and the formulation of policy initiatives to attract talents from outside Hong Kong more

proactively. In addition, the pooling of talents benefits the development of various sectors. The Government will enhance Hong Kong's training resources and policy initiatives to fully realise our soft-power and strengthen our training capacity in such areas as aviation, maritime, railway, finance, construction, city management, etc. This will not only provide suitable talent for the high value-added and diversified development of Hong Kong in the long run, but also make contribution in training talents for our country as well as the Belt and Road cities and neighbouring areas.

Government-to-Government Business

47. Through conducting more government-to-government dialogues and establishing more bilateral and multilateral ties with the Mainland and overseas countries, we will promote Hong Kong's advantages and attract more Mainland and international enterprises, investors and talent to Hong Kong.

48. On the enhancement of bilateral ties, the Government will actively seek to sign free trade agreements (FTAs), investment promotion and protection agreements (IPPAs) and comprehensive avoidance of double taxation agreements (CDTA) with other economies, including those along the Belt and Road to open up markets, and to further strengthen Hong Kong's position as an international trade, commercial and financial centre.

49. After years of negotiations, Hong Kong will sign an FTA and an IPPA with the Association of Southeast Asian Nations (ASEAN) in November this year. This will help foster closer bilateral economic ties, boost the confidence of investors and enhance investment flows, thereby benefiting our economy. The Hong Kong and Macao Closer Economic Partnership Arrangement (HK-Macao CEPA) is expected to be signed within this year. We will sign an FTA with Georgia upon the completion of all the necessary internal procedures by both parties. We will continue to negotiate bilateral FTAs with Australia and the Maldives. We will also sign IPPAs with Bahrain and Mexico respectively after both parties have completed all the necessary internal procedures. In addition, we are engaged in a strategic trade dialogue with Britain to discuss its post-Brexit trade relationship with Hong Kong. We will review our bilateral and multilateral economic and trade relationships with our trading partners with a view to creating the most favourable environment and maximising the business opportunities for external trade and investment.

50. The Government has so far concluded CDTAs with 38 tax jurisdictions. Following the signing of an agreement with Saudi Arabia this August, we will continue to identify potential negotiation partners, especially countries along the Belt and Road. We hope to further expand our CDTA network, bringing the total number of such agreements to 50 over the next few years.

51. On multilateral relations, we will maintain our active participation in the affairs of the World Trade Organisation (WTO) and the Asia-Pacific Economic Co-operation (APEC). The Secretary for Commerce and Economic Development (SCED) will be one of the Vice Chairs of the WTO's Eleventh Ministerial Conference to be held in December this year.

52. We now have 12 Economic and Trade Offices (ETOs) in major economies around the world. To further expand the network of our ETOs and to strengthen our work on external promotion, in addition to the new ones proposed earlier (such as those to be set up in India, Russia and the United Arab Emirates), the Government is planning to set up an ETO in Thailand, which will be our third ETO in ASEAN, after Singapore and Indonesia. This plan takes into account the fact that ASEAN is currently Hong Kong's second largest merchandise trading partner and the fourth largest services trading partner. It is also an economic region with significant development potential under the Belt and Road Initiative. The addition of an ETO in Thailand will make the ETO network in ASEAN on par with that in the European Union.

Enhanced Co-operation with the Mainland

53. Regarding the Mainland, we have upgraded the network and functions for our offices in the Mainland. At present, our five offices in the Mainland cover 31 provinces, municipalities and autonomous regions, with each office having at least two liaison units. In future, these offices and their 11 liaison units will enhance government-to-government connection both at the central and local levels, strengthen the promotion of Hong Kong in the Mainland and establish platforms for direct communication between Hong Kong's business sector and relevant Mainland authorities. This will further enhance the close relationship between Hong Kong and the Mainland, and support Hong Kong people and businesses to fully grasp the development opportunities in the Mainland.

54. In addition, the DoJ is actively liaising with the Mainland authorities on proposals for facilitating the resolution of cross-boundary civil and commercial disputes through a clear and user-friendly legal regime with the aim to further safeguard the rights of the parties from the two places. In this regard, the DoJ will explore with the Supreme People's Court and relevant authorities appropriate ways to expand the scope of the arrangements on mutual legal assistance between the two places in civil and commercial matters. Furthermore, the DoJ will soon renew the "Co-operative Arrangement on Legal Matters" with the Shenzhen Municipal People's Government to enhance legal collaboration and exchanges between Hong Kong and Shenzhen.

55. The DoJ is also stepping up its overseas promotion of Hong Kong's international legal and dispute resolution services through co-operation with international organisations such as the United Nations Commission on International Trade Law (UNCITRAL) and participation in the work of the "Friends of the Chair on Strengthening Economic and Legal Infrastructure" under the Economic Committee of APEC.

Policy Directions

56. In the face of competition from other economies as well as the rise of protectionism in recent years, Hong Kong is facing increasingly grave challenges. We must develop a high value-added and diversified economy. This embraces the development of new economic sectors such as innovation and technology and creative industries, and capitalising on the opportunities arising from the national Belt and Road Initiative as well as the Guangdong-Hong Kong-Macao Bay Area (Bay Area) development, in order to generate new impetus for our future economic development.

Opportunities Arising from the Belt and Road Initiative

57. The Belt and Road Initiative is a new engine for Hong Kong's economic development. In the current-term Government, the Commerce and Economic Development Bureau (CEDB) has been tasked to co-ordinate the work of the HKSAR Government on the Belt and Road Initiative. The SCED is proactively steering the next stage of work on the Belt and Road Initiative. To ensure that the CEDB will be able to take forward the work on the Belt and Road Initiative more effectively and on a sustained basis, we will provide additional resources to reinforce the manpower for the Belt and Road Office. The SCED has also revamped the Trade and Industry Advisory Board into a broader platform to facilitate liaison with enterprises and various professions and to collect their views more effectively.

58. To fully participate in and capitalise on the opportunities brought by the Belt and Road Initiative, and to leverage our edge under the "what the country needs, what Hong Kong is good at" policy, the HKSAR Government will step up communication with the Central Authorities to gain a deeper understanding of the policy directions and implementation of the Belt and Road Initiative. We will also co-operate with enterprises and chambers of commerce to translate policies into business opportunities. We are in discussion with the Central Authorities with the aim of entering into an agreement of Hong Kong's full participation in the Belt and Road Initiative with the National Development and Reform Commission (NDRC) by the end of

this year. The agreement will cover various areas such as finance, infrastructure, economic and trade facilitation, people-to-people bonds, project interfacing, dispute resolution as well as the Guangdong-Hong Kong-Macao Bay Area development. Specific measures will be drawn up to lay down the principles and provide a blueprint for mutual co-operation. Among these measures, we will explore the establishment of an information sharing platform for Belt and Road projects so that enterprises will have a better grasp of relevant information to facilitate more effective project interfacing and enterprise collaboration. The HKSAR Government will also establish a joint working mechanism with the NDRC for direct and regular dialogues, to strengthen communication and co-operation and to oversee the implementation of the agreement.

59. The second Belt and Road Summit (the Summit), jointly organised by the Government and the Hong Kong Trade Development Council (TDC), is a significant initiative in driving the Belt and Road Initiative. The second Summit held on 11 September this year gained strong support from the Central Authorities and attracted the active participation of many countries and various sectors in Hong Kong. Over 3 000 government representatives of different countries and leaders of different sectors from more than 50 countries and regions took part in the Summit. The business matching sessions, in particular, received an overwhelming response from the business sector. As many as 170 investment projects in transport and logistics infrastructure, energy, natural resources and public utilities, and urban development were featured through project presentations and networking sessions, with more than 600 participants. In addition, one-to-one business matching meetings were arranged for over 200 companies, including project owners, investors and professional services providers. The Summit successfully achieved its objective of “turning vision to action, fostering concrete co-operation under the Belt and Road Initiative”. Building on the success of the Summit this year, the HKSAR Government plans to continue to work with the TDC and stage the event every year, making it a key platform to promote and foster Hong Kong as an international commerce and trading platform for the Belt and Road Initiative.

Development of the Guangdong-Hong Kong-Macao Bay Area

60. After the signing of the co-operation framework agreement by the governments of Guangdong, Hong Kong and Macao, and the NDRC, witnessed by President Xi Jinping, on 1 July this year, we have basically completed the drafting of the development plan for a city cluster in the Guangdong-Hong Kong-Macao Bay Area (the Plan). Soon to be promulgated by the State Council, the Plan will provide a blueprint for building a world-class city cluster through

complementary co-operation among the three places. The HKSAR Government will actively participate in taking forward the development of the Bay Area, so as to create favourable conditions for diversifying our industries, in particular for promoting innovation and technology development. Moreover, we will seek further facilitation measures for Hong Kong people to study, work, and start up and operate business, live and retire in the Bay Area and thereby facilitating the flow of people, goods, capital and information between Hong Kong and other cities in the Bay Area and making it a quality living circle for Hong Kong people.

61. To more effectively take forward various tasks related to the development of the Bay Area, the Steering Committee on Co-operation with the Mainland, chaired by the Chief Secretary for Administration, will be renamed as the Steering Committee on Taking Forward Bay Area Development and Mainland Co-operation. This will enable us to capitalise on the unique advantages of Hong Kong in the Bay Area and formulate concrete work plans in a more focused manner. The Constitutional and Mainland Affairs Bureau will set up a Guangdong-Hong Kong-Macao Bay Area Development Office, which will be responsible for co-ordination with the relevant central authorities, the Guangdong Provincial Government, the Macao SAR Government, and the relevant bureaux and departments of the HKSAR Government. The office will proactively approach trade associations, professional bodies and relevant stakeholders to co-ordinate effort related to the implementation of the Plan. Additional resources will be allocated to the office for undertaking research and publicity on the Bay Area development to assist Hong Kong people and enterprises to discover new opportunities.

Investment

62. The current-term Government is committed to promoting two-way investments. Invest Hong Kong (InvestHK) under the CEDB will maintain closer ties with the HKSAR's offices overseas and in the Mainland to identify targets and proactively attract enterprises, including start-ups, to Hong Kong. According to the latest annual survey jointly conducted by InvestHK and the Census and Statistics Department, there are over 8 200 business operations in Hong Kong with parent companies overseas and in the Mainland. Among them, 1 413 have their regional headquarters in Hong Kong, representing an increase of 2.5% over the same period last year. The Government also encourages local enterprises to explore investment opportunities overseas and in the Mainland. This will in turn add momentum to the development of professional services in Hong Kong.

A Business-friendly Environment

63. To create an environment for all businesses to thrive, the Government must devote effort to business facilitation. Through the Business Facilitation Advisory Committee, we will improve our regulatory regimes and provide an effective platform for communication across departments and sectors so that the industries can put forward their views on regulatory matters to the Government.

64. Our business facilitation work has won recognition worldwide. In the past ten years, Hong Kong has all along been ranked by the World Bank's Doing Business report among the top five easiest places to do business across the globe. Our ranking last year further moved one notch up to the fourth place. This achievement is made possible only by hard effort. Looking ahead, we must enhance our business facilitation effort and remove red tape for various industries so as to enhance Hong Kong's competitiveness. We will also step up our dialogue with the World Bank and share the results of our work in this area with them so that Hong Kong will be able to maintain its position among the world's top ranking economies in the Doing Business report.

New Taxation Proposal

65. We must maintain a simple and low tax regime, which is one of the important competitive advantages of Hong Kong. In the face of new dynamics arising from economic restructuring and global competition, we should strategically utilise our tax measures to enhance Hong Kong's competitiveness by promoting the development of our industries and economic diversification.

66. The Financial Services and the Treasury Bureau will soon implement the two specific tax measures put forward in my Election Manifesto. On the two-tier profits tax system, the profits tax rate for the first \$2 million of profits of enterprises will be lowered to 8.25%, or half of the standard profits tax rate, instead of 10% as proposed in my Election Manifesto. Profits above that amount will continue to be subject to the standard tax rate of 16.5%. The tax rate for the first tier, which is even lower than that proposed in my Manifesto, will provide further tax relief to small and medium-sized enterprises (SMEs). To ensure that the tax benefits will target SMEs, we will introduce restrictions such that each group of enterprises may only nominate one enterprise to benefit from the lower tax rate. To encourage research and development (R&D) investment by enterprises, the ITB will consult the industries on additional tax deduction for R&D expenditure. It is proposed that the first \$2 million eligible R&D expenditure will enjoy a 300% tax deduction with the remainder at 200%.

The implementation of the above two initiatives requires the formulation of the operations details and the enactment of legislation. We will submit the draft legislation as soon as possible, with a view to implementing the proposals in 2018.

67. The Government will maintain communication with stakeholders with the aim to formulate forward-looking tax policies and initiatives to promote the economic development of Hong Kong.

68. The above initiatives of the Government apply to all trades and industries. For individual industries, we need to draw up more concrete policies and measures depending on how developed they are. I would like to first talk about two emerging industries in respect of which we have a competitive edge and much potential: innovation and technology and the creative industries.

Innovation and Technology

69. Since the establishment of the ITB in November 2015, the Government has been actively promoting scientific research and the development of innovation and technology. Our efforts in these two years are beginning to see results. Capitalising on our advantages of “One Country, Two Systems”, our geographical location, business environment, legal system, intellectual property, R&D capability, financial services, etc., and given the opportunities brought by the National 13th Five-Year Plan and the Guangdong-Hong Kong-Macao Bay Area development, Hong Kong has huge potential to become an international innovation and technology hub. Nevertheless, we must keep reinforcing and upgrading our capability, provide a conducive eco-system for innovation and technology, drive entrepreneurship through R&D results, foster economic development and improve people’s daily lives.

70. Innovation and technology is not a single industry, but a new model of development. The development of innovation and technology can lead to new industries and create wealth, provide more employment for young people and improve people’s daily lives. To catch up in the innovation and technology race, the Government will step up its efforts to develop innovation and technology in eight major areas.

71. First, increase resources for R&D. We have set a goal to double the Gross Domestic Expenditure on R&D as a percentage of the Gross Domestic Product to about \$45 billion a year (i.e. from 0.73% to 1.5%) by the end of the current Government’s five-year term of office. The Innovation and Technology Fund has doubled its financial support for innovation and technology from

\$730 million in 2013-14 to over \$1.5 billion in this financial year. From 2013-14 to 2016-17, the research funding provided by the University Grants Committee (UGC)/Research Grants Council (RGC) has increased by 18% from \$4.46 billion to \$5.28 billion. We have set aside no less than \$10 billion as funding for university research, which will be disbursed upon the completion of the review on research funding by the UGC task force led by Professor TSUI Lap-chee. But before that, the funding provided by the RGC need not be confined to the investment return of the Research Endowment Fund. We can also draw down part of the principal as appropriate. To give private companies an incentive to increase investment in technological R&D, we will provide additional tax deduction for expenditure incurred by enterprises on R&D. The first \$2 million eligible R&D expenditure will enjoy a 300% tax deduction and 200% for the remainder. With this measure, we hope to reverse the ratio of public sector versus private sector expenditure on R&D from government-led to public-private participation, which will make R&D funding more sustainable.

72. Second, pool together technology talent. With its blend of Chinese and Western cultures, top-notch tertiary institutions and outstanding scientific research achievements, Hong Kong is the prime location for establishing an international hub of scientific research talent. To train and pool together more technology talent and to encourage them to pursue a career in innovation and scientific research, the ITB will launch a \$500 million “Technology Talent Scheme” in the coming year, one of the initiatives is to establish a “Postdoctoral Hub” to provide funding support for enterprises to recruit postdoctoral talent for scientific research and product development. With an injection of \$3 billion into the Research Endowment Fund, the Education Bureau (EDB) will provide studentships for local students admitted to UGC-funded research postgraduate programmes to incentivise more local students to engage in research work, thereby promoting the development of innovation and technology. In addition, we will provide funding to subsidise local enterprises on a matching basis for training their staff on advanced manufacturing technologies, especially those related to Industry 4.0, with a view to driving “re-industrialisation”. We will also expand the current Internship Programme to benefit more enterprises and Science, Technology, Engineering and Mathematics (STEM) graduates.

73. The Government has been striving to attract top overseas scientific research institutions to Hong Kong. Last year, the Massachusetts Institute of Technology set up an innovation node and the Karolinska Institutet from Sweden established a research centre in Hong Kong. The presence of these renowned institutions bears testimony to the fertile ground in Hong Kong for developing innovation and technology. In the past three months, several other internationally renowned institutions approached me directly and expressed

interest in setting up key collaborative technology platforms in Hong Kong. Indeed, we have sufficient scientific research capabilities to attract world-acclaimed universities, R&D institutes as well as technology enterprises to collaborate and carry out forward-looking research projects that will benefit the society. Such collaborative effort will not only create a pool of top talent around the world in Hong Kong, but also raise the standard of our technology talent.

74. Third, provide investment funding. The Innovation and Technology Commission rolled out a \$2 billion Innovation and Technology Venture Fund Scheme last month to co-invest, on a matching basis, with venture capital funds in local technology start-ups. Other public bodies under the Government, such as Science Park and Cyberport, also have different funding schemes to support start-ups. I believe that, given time, local enterprises seeking outlets for capital will be more than willing to invest in technology development.

75. Fourth, provide technological research infrastructure. We are now working with the Shenzhen Municipal People's Government to jointly develop the Lok Ma Chau Loop into the "Hong Kong-Shenzhen Innovation and Technology Park", with a view to providing the largest-ever innovation and technology park in Hong Kong. The development of the Guangdong-Hong Kong-Macao Bay Area and collaboration between Hong Kong and Shenzhen will connect the upstream, midstream and downstream sectors of innovation and technology industries, thereby developing an international innovation and technology hub in the Bay Area. In addition, the Data Technology Hub and the Advanced Manufacturing Centre in the Tseung Kwan O Industrial Estate, as well as the expansion of Science Park, will be completed from 2020 onwards to provide the infrastructure critical for driving "re-industrialisation". The "InnoCell", a residential building for talent adjacent to Science Park to be completed in 2020, is another key supporting facility. In support of innovation and technology start-ups, apart from our continuous support to the Shenzhen Municipal People's Government in respect of its youth entrepreneur hubs in Qianhai and Nanshan, the Space Sharing Scheme for Youth is also in the pipeline. In the first phase of the scheme, a floor area of some 60 000 square feet will be made available for start-ups and other uses at no more than one-third of the market rent.

76. Fifth, review existing legislation and regulations, so as to remove outdated provisions that impede the development of innovation and technology. With the rapid advancement in technology, new economic models such as the sharing economy are becoming increasingly popular in the Mainland and overseas cities in recent years, leading to the emergence of many

new economic activities. I will ask the Policy Innovation and Co-ordination Unit to be established to work with all bureaux to proactively review the policies and legislation within their policy purview to bring them up to date and remove red tape in order to foster the development of a new economy.

77. Sixth, open up government data. In the digital era, we need to expedite the opening up of government data for use as raw materials in technological research, innovation and the development of smart city. At present, the Government provides over 3 100 datasets and 1 000 application programming interfaces for free use by the public. Government departments will proactively open up datasets in various areas to bring convenience to the public and to facilitate technological research as well as the development of various industries. The Hospital Authority will also establish a Big Data Analytics Platform to identify useful information that will support the formulation of healthcare policies, facilitate biotechnological research, and improve clinical and healthcare services. This will promote innovation in healthcare services.

78. Seventh, Government to lead changes to procurement arrangements. We will explore the inclusion of innovation and technology as a tender requirement and will not award contract only by reference to the lowest bid, so as to encourage local technological innovation. The ITB will also make use of its block vote of \$500 million to promote the use of technology by government departments to enhance service quality. Launched in mid-2017, the scheme has received very positive responses from departments. The ITB has just agreed to provide \$100 million to fund more than 20 applied technology projects or studies proposed by departments. Some of these projects will commence in this financial year.

79. Lastly, popular science education. Apart from disbursing one-off grants to public sector primary and secondary schools in the 2015/16 and 2016/17 school years respectively, the EDB has updated the curricula of the Science, Technology and Mathematics Education Key Learning Areas, with a view to enhancing the ability of students in the integration and application of knowledge and skills as well as nurturing their creativity, collaboration and problem-solving capabilities. In addition, the EDB will soon complete the drafting of a supplementary document on “Computational Thinking – Coding Education” for use by schools. For the professional development of teachers, starting from the current school year, the EDB will arrange a series of intensive training programmes for the leadership tier and middle managers of all primary and secondary schools to enhance their capacity in planning and implementing school-based activities related to STEM. The STEM Education Centre, newly set up in the Arts and Technology Education Centre at Lok Fu,

Kowloon, will commence operation shortly to provide training and relevant teaching support to primary and secondary school teachers. To provide more opportunities for students to apply what they have learnt and share their learning with each other, we will collaborate with tertiary institutions and other relevant organisations to arrange more large-scale quality activities for students, e.g. education fairs related to science and technology. The Leisure and Cultural Services Department will also update the permanent exhibitions of the Hong Kong Science Museum to further promote STEM education using the museum's facilities.

Smart City

80. Smart city development can improve people's daily lives and make Hong Kong a more liveable city. The Government has just completed the consultation on the Smart City Blueprint, and the responses from various sectors are very positive. We are studying the feedback received and will make public the Smart City Blueprint for Hong Kong within this year, ahead of the original schedule. Prior to this, we will invest \$700 million to push ahead with the following key infrastructure projects for smart city development:

- (i) provide an "eID" for all Hong Kong residents so that everybody can use a single digital identity and authentication to conduct government and commercial transactions online. This will foster the development of a new economic service model that place emphasis on direct interface with residents and consumers. It will also provide a key digital infrastructure for smart city development;
- (ii) launch a pilot Multi-functional Smart Lampposts scheme at selected urban locations to support the building of a smart city with city-wide coverage of data and network. The Smart Lampposts will provide convenient data services and collect various real-time city data, enhance city and traffic management, and complement the future infrastructure development for 5G mobile communications services in Hong Kong; and
- (iii) reform the development technology of e-Government systems and build a big data analytics platform to support the adoption of cloud services and new information technology by government departments, thus enhancing operation efficiency and cyber security.

81. To become a smart city, we must strive to achieve universal broadband coverage across the territory as far as possible. Currently, the household broadband penetration rate in Hong Kong is over 90%, among the highest in the world. Most people can now enjoy high-speed quality broadband services. However, for villages, remote locations in the New Territories and the outlying islands, the progress of network coverage by telecommunications companies is slow due to the high costs of network installation and a small base. In view of this, I propose that the Government takes the lead to provide telecommunications companies with financial incentives in the form of subsidies to encourage the extension of fibre-based network to villages in remote locations. The plan will cover about 380 villages currently without high-speed broadband network coverage and is expected to benefit nearly 170 000 villagers. This initiative not only demonstrates the people-oriented philosophy of the current-term Government, but also provides the telecommunications infrastructure necessary for the conservation and revitalisation of rural and remote areas in future.

82. “Smart Mobility” is an important element for Hong Kong’s development into a smart city. Through the application of technology, Smart Mobility aims to facilitate the public in planning their travel arrangements, enable people to make the best use of public transport services and alleviate road traffic congestion. The Government will continue to develop intelligent transport systems and integrate various existing transport mobile applications of the Transport Department into an “all-in-one” platform to facilitate one-stop search for walking, driving, public transport and real-time traffic information by the public. Starting from 2019-20, we will also install a new generation of on-street parking meters which accept payment of parking fees through multiple means, including remote payment through mobile applications. These parking meters will also be equipped with sensors to detect whether a parking space is occupied, and provide real-time information to assist motorists in finding vacant parking spaces. This will reduce the need for vehicles to circulate on roads to look for parking spaces. Furthermore, the Transport Department is studying the installation of in-vehicle units so as to allow motorists to receive timely traffic information, pay tunnel fees without stopping the vehicles, etc. The Transport Department expects to complete the study in mid-2018 and will explore ways to promote the installation of such devices as soon as practicable.

83. To press ahead with innovation and technology development at full steam, I will personally lead a high-level, inter-departmental Steering Committee on Innovation and Technology to examine and steer measures

under the eight areas of innovation and technology development as well as Smart City projects. The objective is to take forward innovation and technology development in Hong Kong in an expeditious and efficient manner.

Creative Industries

84. Our creative industries have immense development potential. They are not merely a cluster of emerging professions, mainly in the design, arts, cultural and communications sectors that are popular among young people, but are also a powerhouse that will drive the economy, add value and make Hong Kong a more attractive international city.

85. From 2005 to 2015, the value added in nominal terms contributed by creative industries increased at an average annual rate of 5.4%. The number of employees and establishments in these industries also increased by around 15% and 39% respectively. In 2015, the value added in nominal terms contributed by creative industries exceeded \$57 billion, accounting for 2.5% of our GDP. These industries also employed over 135 000 persons.

86. Of the eight sectors that constitute the creative industries, the growth in the design industry is very impressive. From 2005 to 2015, the growth in the value added reached 314%, representing an average annual growth of 15%. In monetary terms, the value added increased from \$1 billion in 2005 to \$4.1 billion in 2015. The number of employees and establishments in the design industry increased by 68.8% and 125% respectively in the same period.

87. With their international outlook and innovative thinking, Hong Kong's professional design talents are able to assist their clients in enhancing their competitiveness, branding and adding value to their products and services. We can make use of the Guangdong-Hong Kong-Macao Bay Area to proactively promote the further development of our creative industries. For example, by strengthening co-operation in design, we can realise the concept of "Shenzhen Going Global, Hong Kong Attracting Foreign Investments". Another example is to jointly promote the production of Cantonese films and television programmes in Guangdong, Hong Kong and Macao by further opening up the market and encouraging investment, promoting co-operation and exchange among talents, and fully capitalising on Hong Kong's role as a talent hub in the creative industries.

88. We can also further enhance our policies, improve services and products through creativity and treat creativity as a "problem-solving" tool in public administration and business operation. The Government is pleased to take the lead, and encourage enterprises and the community to place more

emphasis on creating and design so as to shape Hong Kong as a creative city that values design. In the coming year, the CEDB will in partnership with the Civil Service Training and Development Institute include creativity and design thinking as key components of training programmes for directorate officers, and step up training on creativity and problem-solving capability. Apart from training, we put equal weight on practical application. In collaboration with the EU, the CEDB will proactively work with key public service providers within the Government to redesign their workflow and their communication channels with the public through effective application of design thinking in a bid to further enhance efficiency and meet the public's needs.

89. The nurturing of creativity and design thinking should begin at an early age. Also, education programmes on creativity should not be confined to nurturing artists, designers or architects. Design thinking should become a problem-solving capability and a new way of thinking that promotes value adding and advocates inter-disciplinary collaboration. We need to place more emphasis on the promotion of design and creativity both within and outside our education system. As regards professional design education, there are now no less than 11 publicly-funded programmes relating to design in Hong Kong. They range from advanced diploma programmes to postgraduate programmes funded by the University Grants Committee. The Hong Kong Design Institute and the Technological and Higher Education Institute of Hong Kong under the Vocational Training Council provide 15 programmes, covering a wide range of design subjects such as clothing design, interior design, fashion design, furniture design, stage design and visual design. We must also promote design and creativity training to other professions and apply them to the operation and management of enterprises. Such training can even become a kind of on-the-job administration education and post-school training. We encourage and support enhanced co-operation with local and overseas organisations to jointly take forward the development in this respect.

90. Looking forward, we will further the development of our creative industries, in particular the design industry, by leveraging our existing advantages and the provision of financial support. We suggest injecting \$1 billion into the CreateSmart Initiative to strengthen our support for the development of the design industry and the creative industries, especially the nurturing of young talent, and enhance the community's awareness of creative thinking and design capability.

91. In this regard, the Hong Kong Design Centre (HKDC) has always been a close partner of the Government in promoting design and related creative industries. Since the establishment of the HKDC in 2001, the Government has provided \$300 million in total to fund its operation, with the aim of nurturing

design talent, as well as enhancing and promoting the image of Hong Kong's design industry in the region and around the world. Such efforts include the hosting of the Business of Design Week, which has attained a very high reputation. In recent years, the HKDC has been commissioned by the Government to administer the Design Incubation Programme and the Fashion Incubation Programme. The HKDC also runs the Hong Kong Young Design Talent Award to nurture new blood for the local design sector. As design is becoming highly valued, we see room for promoting design thinking among people of different age groups through the HKDC. We plan to provide more resources for the HKDC to implement a series of measures to reinforce Hong Kong's status as a city of design excellence in Asia.

92. There is much room for development by combining design and industry. There are also opportunities at the district and retail levels. We will actively look into ways for young designers to make full use of the traditional base for apparel and fabrics in Sham Shui Po District to create new synergy. This can drive the local economy and enrich the tourism resources of the district. At the same time, this can foster the development of Hong Kong's fashion design industry.

93. Apart from co-operation in innovation and technology, Hong Kong and Shenzhen have enormous potential for collaboration in their design industry. The construction of the Qianhai HK-SZ Design Innovation Hub, which commenced about a month ago, is an excellent example. We will liaise more closely with other design cities in the Mainland and overseas, and promote Hong Kong's position as a creative hub, thereby opening up new markets for Hong Kong.

94. As for film making, the Government has adopted a multi-pronged approach in promoting the development of the film industry. Initiatives include encouraging local film production, nurturing talent, audience building and establishing the Hong Kong film brand name both in the region and overseas. Established in 1999, the Film Development Fund aims to provide funding for various initiatives conducive to the development of the film industry. Since 2007, the Government has injected \$540 million into the Film Development Fund and supported the production of a great number of films through this Fund. Many of these films have attained encouraging achievements, winning a total of over 110 local and international awards. In the light of changes in the film market in the past decade, we will review the operation of the Film Development Fund this year with a view to driving the further development of the local film industry and nurturing more professionals for film production or post-production, so that the industry will be better able to respond to market needs.

95. The publishing industry has a long and distinguished history in Hong Kong. To enable Hong Kong publishers to tap into the Mainland market, the Government will continue to explore feasible measures with the relevant Mainland authorities. Meanwhile, the EDB is promoting a reading culture which will be conducive to providing new impetus for our publishing industry.

96. Creative industries and intellectual property are inseparable. Our intellectual property regime is the cornerstone for the long-term development of the creative industries. The Government will continue to strengthen the regime, promote the development of Hong Kong as a regional intellectual property trading centre and encourage commercialisation of intellectual property so that the development of our creative industries can further diversify.

Finance

97. To reinforce and enhance Hong Kong's status as a global financial centre, an offshore Renminbi (RMB) business hub and an international asset management centre, we will capitalise on the opportunities arising from the Belt and Road Initiative and the Bay Area and make the best use of Hong Kong's advantages to promote diversified development of our financial market. Through continuous development of various existing financing channels in Hong Kong and timely updating of the regulatory regime, we will develop Hong Kong into a premier financing platform for new business enterprises in the region so as to cater for the new economic environment. On this front, the Financial Leaders Forum chaired by the Financial Secretary will put forward strategic and forward-looking proposals, which will be followed up by relevant departments. The Government will allocate more resources to the Financial Services Development Council to enhance its role in conducting strategic research, formulating recommendations, promoting market development and nurturing talent. Following consultation on the concept of introducing a new board earlier, the Hong Kong Exchanges and Clearing Limited is now considering the views collected with a view to drawing up a more detailed proposal for consultation with the market.

98. To demonstrate our support for sustainable development and determination to combat climate change, and to promote the development of green finance in Hong Kong, we will take the lead in arranging the issuance of a green bond in the next financial year. Through this initiative, we seek to encourage investors in the Mainland and along the Belt and Road as well as international investors to arrange financing of their green projects through our capital markets. With our encouragement, the AAHK has announced the

issuance of a green bond in Hong Kong. We will continue to encourage public sector bodies to follow suit and promote the establishment of green bond certification schemes that meet with international standards by local entities.

99. Together with the industry and the Mainland authorities, we will continue to explore expansion of the channels for two-way flow of cross-border RMB funds to reinforce and enhance the status of Hong Kong as a global hub for offshore RMB business. In deepening mutual financial market access between Hong Kong and the Mainland, we will explore the possibility of including in the two-way mutual access mechanism a wider range of investment products, such as exchange-traded funds, and extending the Mainland-Hong Kong Bond Connect to cover Southbound Trading.

100. Maintaining investor confidence in our financial markets is crucial to the development of Hong Kong as an international financial centre. Building on the existing foundation, we will strengthen the risk prevention and resilience of our financial system and ensure that our financial market mechanism is on par with international standards. We will establish a Policy Holders' Protection Scheme to provide policy holders with a safety net, so as to boost public confidence in the insurance sector.

101. The Government and the Mandatory Provident Fund Schemes Authority (MPFA) have commenced work on the eMPF, a centralised electronic platform which will enhance the administrative efficiency of the Mandatory Provident Fund schemes, thereby providing more room for fee reduction. A working group comprising all the 14 trustees who are operating MPF schemes has been formed to steer the development of the eMPF.

102. As an international financial centre with a highly-developed information and communication technology sector, Hong Kong is an ideal place for the development of financial technologies (Fintech). We will continue with our efforts to promote local Fintech development and encourage the industry to experiment with innovative businesses. Following in the steps of the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission and the Insurance Authority just introduced the Supervisory Sandbox in September to facilitate the launch of new Fintech products and services in the market. The banking industry is exploring the establishment of a Know-your-customer Utility (KYCU) to enhance the efficiency of banks in conducting customer due diligence.

103. Regarding payment services, 13 stored value facilities (SVF) service providers issued with licences last year are now actively promoting and enhancing their payment products and services. To further promote market

development and facilitate person-to-person (P2P) payments, the HKMA will launch the Faster Payment System (FPS) next year to allow banks and SVF service providers to conduct real-time settlement and transfer on a single payment platform, thereby encouraging merchants to adopt more varied innovative retail payment products for the benefit of consumers. In support of the further development of the sector, the Government will actively promote the use of new payment channels (such as smartphone e-wallet) for various government fees and charges in future. We will also continue to encourage stakeholders to connect the financial institutions with various Fintech talents so as to facilitate the training and exchange of talents.

Transportation Services and Logistics Industry

104. The Hong Kong International Airport (HKIA) is an important driving force for local economic growth, consolidating Hong Kong's status as an international maritime and aviation centre and a hub for people flows and cargo flows. We must capitalise on the unique advantages of Hong Kong in terms of its geographical location and infrastructure, and continue to enhance the HKIA's hardware and software. Regarding hardware, the focus is on enhancement of the passenger and cargo handling capacity. Measures include actively assisting the AAHK in implementing the Three-Runway System and enhancing the airport infrastructure and intermodal facilities. As for software, the Government has signed a Memorandum of Co-operation with the Civil Aviation Administration of China, and the Civil Aviation Authority of Macao in July this year to further enhance the efficiency of air traffic management in the Pearl River Delta region and carry out detailed technical analysis to facilitate the optimisation and synergised development of the airspace in the Bay Area. The Government will also develop high value-added aviation services including aircraft leasing and related business, and continue to expand Hong Kong's aviation network.

105. The booming growth of e-commerce has generated an ever-increasing demand for cross-border logistics and delivery services, in particular air mail and transshipment services. At present, the Air Mail Centre located at the HKIA has to process a vast volume of air mail every day. As it has been almost 20 years since it commenced operation, there is room for enhancement in its processing capacity for air mail. In view of this, Hongkong Post is holding discussions with the AAHK and other postal authorities on the expansion of the Air Mail Centre at the HKIA in order to enhance its capacity and operating efficiency to cater for the future growth in air mail volume.

106. To entrench Hong Kong’s position as a diversified international maritime centre, the Hong Kong Maritime and Port Board established by the Government is actively working with the industry to formulate a comprehensive strategy to bolster and promote the development of Hong Kong’s maritime industry and high value-added maritime services (including marine insurance, maritime legal and arbitration services, ship finance, ship management and ship registration), and encourage overseas maritime enterprises to set up presence in Hong Kong. Furthermore, the Transport and Housing Bureau signed a Memorandum of Understanding with Maritime London in September this year to further strengthen liaison and collaboration between Hong Kong and the United Kingdom in promoting high value-added maritime services and training of maritime practitioners. The Government is also actively implementing various trade facilitation measures for the shipping industry, including strengthening the services of the Hong Kong Shipping Register by providing timely services to overseas shipowners through the Government’s Economic and Trade Offices overseas and in the Mainland, thereby enabling their ships to set sail promptly upon their registration with the Register.

Tourism

107. Over the years, tourism has remained one of the pillar industries of Hong Kong. Visitor arrivals increased by 1.9% year-on-year in the first eight months of this year. The current-term Government has set a clear vision and mission to press ahead with the development of Hong Kong into a world-class premier tourism destination. Apart from maintaining a steady growth in visitor numbers, we are more concerned about attracting more high-yield overnight visitors to ensure the balanced, healthy and sustainable development of the tourism industry.

108. In August this year, the HKSAR Government and the China National Tourism Administration signed the “Agreement on Further Enhancement of Tourism Co-operation between Mainland and Hong Kong”. Build on the existing foundation, the Agreement aims to further enhance the exchanges and collaboration between the two places. Measures include launching of promotional campaigns in the Belt and Road countries and Bay Area cities jointly, developing “multi-destination” tourism products to achieve a win-win outcome, promoting the development of Mainland-Hong Kong cruise tourism and enhancing co-operation in tourism regulation, etc.

109. The Financial Secretary recently convened a high-level tourism co-ordinating meeting in early October at which he directed bureaux and

departments to drive the implementation of various tourism-related measures through closer co-operation and co-ordination.

110. Adopting the four development strategies set out below, the current-term Government will formulate and implement relevant measures and initiatives in a holistic and orderly manner to boost the further development of tourism:

- (i) We will develop a diversified portfolio of visitor source markets for Hong Kong, with an emphasis on attracting high-yield overnight visitors. Efforts will include assisting the industry in seizing the tourism opportunities brought by the Bay Area development, organising a “Belt and Road” tourism forum with the participation of Belt and Road countries and the relevant tourism sectors so as to help the local industry expand their visitor source markets, and providing continuous support to the Hong Kong Tourism Board (HKTB) in its promotion of Hong Kong’s tourism features and image, including “multi-destination” products and itineraries, to source markets. For the medium and long term, we will discuss with the China National Tourism Administration and the tourism industry to continue to deepen tourism collaboration between the Mainland and Hong Kong;
- (ii) To develop and explore tourism products and projects with local and international characteristics, including cultural tourism, heritage tourism, green tourism and creative tourism to enrich visitors’ experience. For example, in the short and medium term, we will explore different green tourism attractions and collaborate with local districts to promote the development of sustainable green tourism, and examine ways to improve their supporting transport arrangements. We will also explore the feasibility of co-collaborating with creative media schools to enable visitors to experience, through the use of multimedia and creative technology, the historical landscape and community culture of places with a rich historical culture amidst the modern urban setting of these places today. This would enrich our cultural and heritage tourism products. In addition, we will consolidate and enhance Hong Kong’s status as a travel destination for meetings, incentive travels, conventions and exhibitions (MICE) tourism and a regional cruise hub. We will also strive to attract different kinds of new and mega events to Hong Kong;

- (iii) To promote smart tourism. Short- and medium-term measures include improving Wi-Fi facilities in tourist hotspots, exploring ways to use smart technology to provide travel facilitation services for tourists at suitable attractions and border control points, such as sending messages to inbound tourists' mobile phones to provide them with basic and useful tourist information and public transport information of different attractions for itinerary planning. We will also encourage the industry to make good use of innovative technology to enhance their competitiveness; and
- (iv) To upgrade the service quality of our tourism industry and seek the LegCo's early approval of the Travel Industry Bill to safeguard the rights of tourists. We will also promote good business practices in the industry to maintaining Hong Kong's image as a tourist destination.

Construction and Related Professional Services Sectors

111. For the Hong Kong construction sector, the Belt and Road Initiative has brought visions while the Guangdong-Hong Kong-Macao Bay Area initiative has generated concrete opportunities and made it easier to achieve results.

112. The Mainland and Hong Kong signed an Agreement on Economic and Technical Co-operation under the Closer Economic Partnership Agreement (CEPA) on 28 June 2017, which expressly supports Hong Kong's participation in the development of pilot Free Trade Zones. The Government will capitalise on the new opportunities and continue to assist the construction and related professional services sectors in their business development in the Mainland. The Government will also deepen the co-operation with Qianhai, Hengqin and Nansha in accordance with the Agreement signed in June 2017. We will continue to discuss with the Mainland various issues such as mutual recognition of professional qualifications, rationalisation of the work of "professionals" and "practitioners", and promote the "Hong Kong management model" already adopted in Qianhai to other Free Trade Zones.

113. The construction industry has been facing the challenges of high construction costs and labour shortage in recent years. Hence, the Government is proactively promoting the adoption of technology and innovative construction methods to improve productivity and cost-effectiveness. For instance, the Government is assisting the industry in establishing large-scale

and highly automated steel reinforcing bar prefabrication plants for the production of prefabricated steel reinforcement components for use in construction projects. We will also adopt Building Information Modelling technology in the design and construction of major government capital works projects that are scheduled to start in 2018, and promote the use of this technology in private construction projects. Besides, the new Construction Innovation and Technology Application Centre of the Construction Industry Council will be in operation by the end of this year to provide the latest information on local and overseas construction technologies and to support their adoption by small and medium enterprises.

Legal Services

114. The DoJ will implement various initiatives to consolidate Hong Kong's position as a centre for international legal and dispute resolution services in the Asia-Pacific region. These initiatives include promoting such services of Hong Kong in the Mainland and overseas in collaboration with the relevant sectors and making extra efforts to promote further co-operation among relevant sectors in Hong Kong, the Mainland and overseas, and providing professional services to Mainland enterprises "going global" as well as those enterprises investing in the Mainland.

115. One of the DoJ's priorities is to step up efforts in proactively promoting Hong Kong as an international legal and dispute resolution services centre for the "Belt and Road" Initiative and the Bay Area, and encourage the legal sectors of Hong Kong and the Bay Area to enhance their level of co-operation. This includes exploring the setting up of a Bay Area legal co-operation platform for the legal sectors of the three places to effect mutual notification, exchange information, provide training and develop a talent pool.

116. To attract more international legal services and dispute resolution institutions to set up branches or offices in Hong Kong, the Government is rolling out the Legal Hub programme. Works are being taken forward to renovate the West Wing of the former Central Government Offices and the former French Mission Building. The programme will start providing office space for international and local law-related organisations around early 2019.

Broadcasting

117. The blossoming of Over-the-top television services and various forms of online infotainment over the Internet and mobile platforms in recent years has completely changed the business environment of Hong Kong's

broadcasting industry. With the emergence of new channels providing education, entertainment and information to the public and the popularity of online media platforms, the existing disparities in the regulatory regimes for the broadcast contents of traditional media and the Internet platforms have become obvious.

118. Indeed, traditional media have great influence as they can reach all households directly and all household members, regardless of age, easily. Some therefore opined that free television services should be kept under strict control. Such conventional view is understandable, but the fact is technological advancement has brought significant changes to people's viewing habits. In addition to this, the imbalanced regulatory regimes and tough competition from the Internet platforms have made it very difficult for traditional media to run their business.

119. To provide a balanced competitive environment for the broadcasting market, and to leave more room for innovation and investment in order that the development of local free television services can sustain, the Government is now reviewing the broadcasting-related ordinances with the aim of relaxing obsolete statutory requirements and rationalising the regulatory regimes. We will listen carefully and evaluate the responses from different sectors of the community before making a decision. We undertake to make our best endeavour to gauge public opinions and maintain close communication with the industry in the process. In this regard, we expect to conduct public consultation on the relaxation of the regulatory regimes in early 2018.

Agriculture and Fisheries Industry

120. The Government will continue to implement the measures under the New Agriculture Policy, which include preparing for the establishment of an Agricultural Park and commencing the consultancy study on designating Agricultural Priority Areas. The latter aims to assist in formulating policies and measures to promote the rehabilitation of fallow agricultural land and curb the damage to agricultural land or alteration of agricultural land to incompatible use. We will also facilitate operations in industrial buildings/zones that employ hydroponics and other agro-technology. With various measures complementing each other, we strive to achieve the long-term and sustainable development of local agriculture. We will also expand the existing fish culture zones, improve the fish culture environment and promote the development of marine fish culture.

IV. Nurturing Talent

My Belief

121. Talent is the most important element in Hong Kong's continued development, and education is the key to nurturing talent. Government expenditure on education is therefore the most meaningful investment for our future development. The sound education infrastructure, renowned universities and outstanding research personnel in Hong Kong help not only to cultivate our future generations, but also to train talents for the Mainland and neighbouring regions. Given the benefits that a wider pool of talent can bring to our economic and social development, the Government should assume a more active role in establishing our position as a talent hub.

Vision on Education

122. My vision for education is to nurture the future generations into quality citizens who are socially responsible and equipped with a sense of our national identity, a love for Hong Kong and an international perspective. We should create a stable, caring, inspiring and satisfying teaching and learning environment for students, teachers, parents and principals.

New Education Resources

123. Education is founded on dedication and commitment. Money alone does not guarantee quality education. Yet, we cannot deny that given the fluctuations in the student population, coupled with the government funding model and various other reasons, some problems faced by the education sector have to be addressed urgently with additional resources. Thus, I proposed in my Election Manifesto an immediate increase of recurrent education expenditure by \$5 billion a year. The \$3.6 billion first-phase measures, which reflected the consensus I reached with the education sector through discussions when I was Chief Executive-elect, were announced in the first week after my assumption of office. Following approval by the LegCo Finance Committee, these measures, covering the whole spectrum of the education system from kindergartens, primary and secondary schools, integrated education, special education to post-secondary education, are being launched progressively starting from September this year. As to how the remaining \$1.4 billion recurrent funding should be put to good use, the Government will examine the relevant issues and continue to discuss with the education sector. We will also provide additional resources where necessary.

Further Review on Eight Key Areas of Education

124. After listening to the views of stakeholders in the education sector, I pointed out at my Question and Answer Session at the LegCo on 5 July this year that the Government need to carry out in-depth reviews on eight key areas of education, including professional development of teachers, curriculum arrangement, assessment system, vocational and professional education and training (VPET), self-financing post-secondary education, school-base management, parent education and University Grants Committee (UGC)'s funding on research and student hostels. The EDB will set up task forces this year to take forward the reviews on these various areas. Under the principles of "Led by Professionals" and "Listening to Views Directly", we will invite education experts, including professionals with good knowledge of the situation of frontline teachers and student learning, to participate in the work of the task forces. We have invited the UGC to set up a task force, to be chaired by Professor TSUI Lap-chee, to review the existing research support strategy, the level of research funding and the funding allocation mechanism for the higher education sector. Regarding the role of self-financing post-secondary institutions and the way forward for sub-degree programmes, we will establish another task force, to be chaired by Professor Anthony CHEUNG Bing-leung, to review the issues and make recommendations to the Government.

125. VPET is another area on which the Government will conduct in-depth review. The Government has all along stressed the importance of VPET for the sustainable social and economic development of Hong Kong. We have been actively implementing the recommendations made by the Task Force on Promotion of Vocational Education in 2015, including the rebranding of vocational education as VPET, the launch of promotion and publicity activities, and the provision of grant subsidies to secondary schools to cover Applied Learning course fees. Nevertheless, stakeholders in general still consider VPET inferior to traditional academic education. This bias is not conducive to the development of VPET and the relevant industries. We will strengthen our promotion efforts by widening our use of social media and online platforms to promote VPET to youngsters and parents. The EDB will develop and maintain a VPET portal as a one-stop platform that provides information on VPET and related industries. The EDB will also assist education and training institutions, employers and trade associations in organising seminars and visits for senior secondary students and parents.

Kindergarten Education

126. For kindergartens, the new free quality kindergarten education policy has been implemented starting from this school year. The Government has undertaken to review the salary arrangements for kindergarten teachers with the aim of assessing the feasibility of introducing a salary scale for them. We will use the data of the three school years from 2017/18 to 2019/20 as a basis to assess the implications of a salary scale on the stability of the teaching force, the sustainability of quality services as well as the flexibility and diversity of the kindergarten sector. The EDB will further consult the kindergarten sector and stakeholders and chart the way forward.

Post-secondary Education

127. Universities in Hong Kong have made remarkable achievements in the academic domain and are highly reputable around the world. Our universities also carry the mission of grooming high-calibre talent for Hong Kong. The Government will provide further support to the researchers and students of local universities in a more proactive manner, and enhance Hong Kong's position as a regional education hub. We also need a wider research talent pool to drive the development of an innovation and technology-based economy. We will inject \$3 billion into the Research Endowment Fund to provide studentships for local students admitted to UGC-funded research postgraduate programmes, thereby incentivising more local students to engage in research work in support of the development of innovation and technology.

128. For years, the Government has not been able to provide sufficient hostel facilities to allow all local undergraduate students enrolled in UGC-funded universities to experience hostel life while in university. This also reduces the incentive for non-local students to study in Hong Kong, and impedes the achievement of the policy objective of creating more internationalised campuses. If we continued with the arrangement whereby every university hostel project has to compete for resources internally and then make a funding submission to the Public Works Sub-committee and the FC of the LegCo, the shortfall in university hostels would unlikely be eased in the short term. In view of this, the Government will adopt a new approach by setting up a \$12 billion Hostel Development Fund to provide unit cost subsidy for the construction of university hostels so as to increase hostel facilities at a faster pace. We will submit a detailed proposal on the Hostel Development Fund to the LegCo.

Children with Special Educational Needs

129. There is a dire need for children in pre-primary education who have special needs, such as those suffering from autism, hyperactivity disorder, language disorder or dyslexia, to be provided with pre-school rehabilitation services as early as possible. In late 2015, the Government launched the Pilot Scheme on On-site Pre-school Rehabilitation Services, under which multi-disciplinary teams visit schools to provide services to children with special needs. These teams comprise occupational therapists, physiotherapists, speech therapists, psychologists, social workers and special child care workers. With the pilot scheme delivering notable results, the Government has decided to regularise the pilot scheme, upon its completion, from the 2018/19 school year. The Government will earmark \$460 million a year in recurrent expenditure for the programme and double the service places from about 3 000 to 7 000 in two years, with a view to achieving the policy objective of “zero-waiting time” for pre-school rehabilitation services. In addition, the Social Welfare Department (SWD) is working with the EDB on ways to enhance support for children with special needs so that they will be provided with appropriate services when they proceed to primary education. Starting from October 2018, the SWD will regularise another pilot scheme which supports youths with autism having high average intelligence and their carers. The programme aims to enhance the living, social and employable skills of these youths; provide their parents/carers with support services; and render advisory services and professional training to relevant subvented rehabilitation service units and frontline staff.

Enhancing Teaching Facilities in Primary and Secondary Schools

130. The Government has been implementing various measures to improve the teaching and learning environment as well as the facilities in schools according to their needs. As air-conditioning facilities can produce a more comfortable teaching and learning environment in hot weather, the Government will provide air-conditioning systems for standard teaching facilities (including classrooms and special rooms), student activity centres and assembly halls in all public sector schools. Starting from the 2018/19 school year, a recurrent Air-conditioning Grant will be provided for schools to cover the related daily expenses, including electricity charges and routine maintenance costs. The Government will also arrange for the installation of air-conditioning systems for the facilities concerned as necessary in phases, taking into account the actual situation of individual schools. Schools under

the Direct Subsidy Scheme will also benefit from the new initiative, and the amount of subsidy they receive will be adjusted accordingly.

Qualifications Framework

131. The Qualifications Framework (QF) has been implemented for nine years. At present, about 8 000 QF-recognised academic and vocational qualifications are listed in the Qualifications Register. The EDB has also conducted comparability studies of QFs with the relevant authorities in the European Union, New Zealand, Scotland and Ireland. Such international co-operation will not only enhance the international image and recognition of the Hong Kong QF, but also promote the mobility of learners with recognised qualifications. We need to further strengthen and drive the development of QF, enhance recognition of qualifications for different industries and provide youngsters with quality-assured pathways for further studies and career development. The Government will inject \$1.2 billion into the QF Fund for the continued implementation of various initiatives.

Understanding Chinese History and Culture, and Developments of Our Country

132. It is the intrinsic duty of school education to help students to understand the development of the history, culture, economy, technology, political system and law of their country and to cultivate in them a sense of their national identity. The EDB will include Chinese history as an independent compulsory subject for the junior secondary level in the 2018/19 school year. On the basis of the existing curriculum, the EDB will continue to enrich curricular contents to promote students' understanding of Chinese history and culture. We are conducting a second stage consultation on the revisions to the curricular content with the education sector. The EDB will continue to adopt diversified strategies to enable teachers and students to gain an all-round understanding of our country and to appreciate and inherit the splendid Chinese culture. These strategies include, strengthening Basic Law education, organising more professional development programmes for principals and teachers, developing teaching and learning resources, enriching Mainland exchange programmes and learning activities for teachers and students, and encouraging sister schools to enhance exchanges and co-operation on an on-going basis. Having regard to the development strategies of our country, the EDB will enhance the content of Mainland exchange programmes to enable more teachers and students to understand the opportunities brought by these development strategies and to widen their horizons through visiting the Belt and Road provinces and cities, the

Guangdong-Hong Kong-Macao Bay Area and enterprises in the innovation and technology sector. We expect that through the learning of Chinese history and meaningful activities, students will develop positive values and attitudes, become knowledgeable and responsible citizens with a sense of our national identity, and contribute to our country and our society.

Lifelong Learning

133. The Government will inject an additional \$1.5 billion into the Continuing Education Fund and improve its operation by expanding the range of the courses covered, stepping up quality assurance for the curriculum and enhancing protection for applicants. We estimate that an additional 150 000 citizens will be able to receive the subsidy and the Fund's operation will be extended to 2024.

Human Resources Planning

134. The Commission for the Planning of Human Resources, to be chaired by the Chief Secretary for Administration, will commence operation early next year. The Commission will consolidate the resources and efforts of the Government and various sectors (such as the business, education and professional sectors), and collectively formulate, examine, co-ordinate and take forward policies on human resources in a holistic manner, through this initiative, we aim to ensure that our human resources will cater for the short-, medium-, and long-term development needs of Hong Kong and keep up with our country's latest developments as well as the evolving trends in the global market. This will enable our citizens to seize the manifold and enormous opportunities ahead for upward mobility. The Government will also draw up a talent list for attracting professionals to Hong Kong in a more effective manner to support our development as a high value-added and diversified economy.

Importation of Labour

135. The unemployment rate in Hong Kong has remained low in recent years and we basically achieve full employment. Individual sectors, particularly the elderly care service sector, have persistently suffered from labour shortage and recruitment difficulty. With an ageing population and a declining birth rate, the overall labour force in Hong Kong is expected to continue to drop after reaching the peak in 2019 to 2022. An ageing population will significantly increase the demand for in-patient services and ageing-in-place carers. Moreover, large-scale infrastructural projects such as the Three-Runway System and new railway projects, the ten-year hospital

development plan and the public housing development plan will create heavy pressure on the labour supply for the construction sector. If the formidable challenge of an inadequate workforce is not dealt with properly, Hong Kong's economic competitiveness and its sustainable social development will be seriously undermined. Therefore, relevant policy bureaux and departments will discuss with relevant industries ways to enhance training and attract new recruits, especially young people. On the premise that local workers' priority for employment will be safeguarded, we will also explore with stakeholders the possibility of increasing imported labour on an appropriate and limited scale. For example, consideration may be given to allowing subsidised elderly service and rehabilitation service units more flexibility in importing carers.

Women Workforce

136. Women are the main carers in Hong Kong families. To protect the interests and well-being of women and unleash their working potential, the Government will make efforts to strengthen the support for families on various fronts, including community and home care support services for the elderly, persons with disabilities and children. With regard to child care services, the Government will provide a total of about 300 additional places in aided stand-alone child care centres in the North District, Kwun Tong, Kwai Tsing and Sha Tin starting from 2018-19. Moreover, we have commissioned the University of Hong Kong to conduct a study and make recommendations on the long-term development of child care services. The study is expected to be completed by the first quarter of next year.

137. Meanwhile, in early October this year, the Government relaxed the income limit for low-income families under the Fee Waiving Subsidy Scheme for After School Care Programme through the Community Care Fund, and provided 2 000 additional fee-waiving and fee-reduction places. In 2018-19, we will inject \$400 million into the Partnership Fund for the Disadvantaged. Of this sum, \$200 million will be mainly for implementing after-school learning and support programmes and about 130 000 grassroots children are expected to benefit, thereby alleviating the pressure on working women in looking after their children.

Talent Hub

138. With the rapid development of our country and in support of the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development, the demand for talent in such fields as financial investment, air and maritime transport and logistics, infrastructure, professional services,

trade, legal and dispute resolution services has surged significantly. The Government is committed to strengthening Hong Kong's position as a talent hub, nurturing talent for the local community and neighbouring places.

139. In recent years, we have established the Hong Kong International Aviation Academy and the MTR Academy to train personnel in air transport and railway operation and management for Hong Kong, the Mainland and other places. To nurture more high-calibre and professional construction practitioners, the Construction Industry Council also plans to establish the Hong Kong Institute of Construction in the first half of 2018. The Fire and Ambulance Services Academy was established in early 2016 to provide training service for the Hong Kong Fire Services Department as well as other public and private organisations. It aspires to become a leading training centre in the region for fire and ambulance services. Hong Kong should fully realise its soft-power in grooming talent. This will not only boost the recognition and influence of Hong Kong professionals in the Mainland and the region, but also open up development and mobility opportunities for our professionals.

V. Improving People's Livelihood

My Belief

140. Housing, healthcare, welfare services and other livelihood issues are closely related to the daily lives of our people. They are the pillars of a caring and inclusive society. For Hong Kong people to call this place their home, the Government must ensure the provision of safe and proper accommodation, trustworthy healthcare services and reliable social support. Hong Kong people are by nature kind and willing to help others. The Government should further engage in tripartite co-operation with the community and the business sector to make Hong Kong an inclusive society where people of different races, professions, ages and physical abilities live together in peace and harmony. Whether in poverty alleviation, care for the elderly or support for the disadvantaged, the Government should adhere to the following principles in formulating policies: pro-child, pro-family, pro-work and pro-user. On the provision of social services, we should promote cross-sector and cross-profession collaboration as well as public-private partnership to make better use of our resources and provide more comprehensive care for the needy in society. I must point out, however, that as public resources are not without limits, the policies and measures for improving people's livelihood are not merely a matter of supply and demand. They also involve the issue of resource allocation, which the community cannot shy away from.

Housing

Present Situation

141. Among all livelihood issues, the housing problem is the most challenging, formidable and complex. This is also the very issue that our people most earnestly look to the current-term Government to resolve with innovative solutions in a resolute manner. The current shortage in housing supply and surging property prices have resulted from both external and internal factors. The current-term Government is determined to rectify the situation with the greatest effort.

Land Supply

142. Whether it is about solving people's home ownership problems or improving their living conditions, we must increase land supply. Over the years, the Government has proposed many strategies for increasing land supply, including reclamation outside the Victoria Harbour, reviewing land uses, increasing the development intensity of sites, developing rock cavern

space, speeding up urban renewal, developing the Lantau Island, etc. The departments and organisations concerned are also undertaking studies on the utilisation of land on the periphery of country parks and the use of brownfield sites in the New Territories. Many proposals on land supply have also been put forward in the community. Hence, it appears that what is lacking is not ideas on how to increase land supply but a broad consensus on the pros and cons, trade-offs and priorities of different options. However, if we continued to argue repeatedly and stayed indecisive, coupled with the long lead time for land production, the tight land supply in Hong Kong would only get worse, making it even more difficult for our people to realise their aspirations for home ownership.

143. Established in September this year, the Task Force on Land Supply (Task Force) will lead the community to examine the pros and cons of different land supply options in a thorough and macro manner, with a view to achieving the broadest consensus in the community. With an important mission to achieve within a limited time frame, the Task Force plans to launch a public engagement exercise in the first half of 2018. We appeal to all sectors of the community to consider the difficult questions of land supply in an inclusive, open and rational manner. We also look to the Task Force to draw up a comprehensive package of proposals and a visionary land supply strategy.

Housing Policy

144. My housing policy comprises the following four elements:

- (i) housing is not a simple commodity. Our community has a rightful expectation towards the Government to provide adequate housing. This is also fundamental to social harmony and stability. Therefore, while maintaining respect of a free market economy, the Government has an indispensable role to play in this area;
- (ii) we will focus on home-ownership to enable our people to live happily in Hong Kong and call it their home. The Government will strive to build a housing ladder to rekindle the hopes of families in different income brackets to become home-owners;
- (iii) focusing on supply and based on the Long Term Housing Strategy, we will step up our effort in increasing the supply of housing units; and
- (iv) with insufficient land and when new supply is not yet available, we will strive to optimise the existing housing resources to meet

the housing needs of families that have long been on the waiting list for public rental housing (PRH) and to help residents in poor living conditions.

Public Rental Housing and Green Form Subsidised Home Ownership Scheme

145. PRH is the first rung on the housing ladder. At present, there are about 756 000 households living in PRH, among which 19% are elderly persons and 16% are receiving the Comprehensive Social Security Assistance (CSSA). PRH is a long-established safety net for the grassroots and low-income families. The Government will strive to shorten the waiting time for PRH while stepping up our effort to help those relatively better-off PRH tenants to move up the housing ladder and vacate their units for allocation to the needy.

146. One approach is to substantially increase the supply of units under the Green Form Subsidised Home Ownership Scheme (GSH), which specifically caters for PRH tenants. The Hong Kong Housing Authority (HKHA) launched the GSH Pilot Scheme in 2016 and selected a PRH project in San Po Kong to provide 857 units for sale at affordable prices to enable Green Form Applicants to become home-owners. The project was nearly 18 times over-subscribed and all units were sold. PRH units in different districts are in turn vacated for allocation to those on the waiting list.

147. From the perspectives of housing policy, utilisation and allocation of the HKHA's resources, and public aspirations for home ownership, GSH has its merits and no shortcomings. In fact, apart from assisting PRH tenants to become home-owners, PRH applicants who have passed the detailed eligibility vetting are also eligible for GSH and can thus more quickly fulfil their aspirations for home ownership. In view of this, I consider that our future public housing developments should include more GSH units instead of PRH units. I have requested the HKHA to complete the review on GSH as soon as possible, with a view to regularising the Scheme and offering more such flats for sale. After a preliminary technical assessment, the Housing Department (HD) considers that some 4 000 new PRH units in Fo Tan, Sha Tin can be converted into GSH units for sale in late 2018.

Resale of Home Ownership Scheme Flats and Subsidised Flats

148. Newly-constructed Home Ownership Scheme (HOS) flats in the housing ladder have all along been providing middle-income White Form applicants with the opportunities to own subsidised flats. The Government will continue to increase HOS supply. In the past, HOS flats with premium unpaid used to be available for sale on the secondary market only to Green

Form applicants. The HKHA launched two rounds of the Interim Scheme of Extending the HOS Secondary Market to White Form Buyers (Interim Scheme) in 2013 and 2015 respectively on a pilot basis to allow eligible White Form applicants to purchase HOS flats with premium unpaid. This allows tenants of private premises more opportunities to become home-owners and at the same time facilitates the turnover of HOS flats.

149. Taking into account the Tenants Purchase Scheme (TPS) flats with premium unpaid, there are a total of 380 000 flats available on the secondary market for purchase by White Form buyers. I propose that the HKHA regularise the Interim Scheme.

“Starter Homes” Pilot Scheme for Hong Kong Residents

150. In my Election Manifesto, I proposed to introduce, on top of HOS, affordable “Starter Homes” for Hong Kong middle-class families, thus re-igniting the hopes of families with higher income to own a home in the face of hiking private property prices. This has generated a lot of attention in the community. I must reiterate that given the limited land supply for public housing, the Government will provide the proposed “Starter Homes” units only on the premise that the existing supply of public housing will not be affected. It now appears that the land supply for “Starter Homes” will have to come from sites already owned by private developers or to be bought from the Government.

151. Our initial thinking is to incorporate provisions into the land lease to require developers to pursue mixed developments, i.e., to design, build and offer for sale a specified number of “Starter Homes” units in addition to private housing units, and to sell these units to target buyers who meet the eligibility criteria set by the Government. These criteria include, among others, Hong Kong residents who have lived in Hong Kong for seven years or more and have never owned any property here. Their income will fall between the income limits for HOS applicants and about 30% higher than the HOS limits. Based on the prevailing HOS income limits, the upper income limit for the new scheme will be set at not exceeding \$34,000 a month for singletons and \$68,000 for households with two or more members. The prices and sizes of such units will be determined having regard to the affordability of eligible buyers. The alienation restrictions may be tighter than those for the HOS. We need to further consider how to deal with the subsidy to the buyers at the time of purchase, i.e., the issue of premium payment.

152. As “Starter Homes” is a new concept and a type of Government-subsidised flats for sale, the implementation details will intertwine with those of HOS and GSH, which will see a notable increase in supply. The Government will discuss

with the HKHA and relevant sectors and listen carefully to the views of the community. Details of the scheme will be finalised for announcement in mid-2018, so as to dovetail with our proposal to launch a pilot scheme by the end of next year using a residential site at Anderson Road, Kwun Tong on the Government's Land Sale Programme to provide about 1 000 residential units.

Community Initiatives on Social Housing

153. Even if our housing policy has broad community support, it takes time to identify land for increasing housing supply. The current-term Government will think out of the box to facilitate the implementation of various short-term community initiatives to increase the supply of transitional housing, with a view to alleviating the hardship faced by families on the PRH waiting list and the inadequately housed. Specific measures that may be considered include:

- (i) optimising the use of idle government premises by providing rental housing units like those under the "Light Housing" project launched by Light Be in Sham Tseng;
- (ii) supporting the Community Housing Movement initiated by the Hong Kong Council of Social Service on a pilot basis, including encouraging the Urban Renewal Authority to participate by offering units in old buildings;
- (iii) facilitating the Hong Kong Housing Society in allowing the owners of its subsidised housing to rent out their flats with premium unpaid to needy families at below market rentals on a pilot basis;
- (iv) exploring the wholesale conversion of industrial buildings into transitional housing with waiver of land premium; and
- (v) supporting non-profit-making organisations to explore the feasibility of constructing pre-fabricated modular housing on idle sites.

154. Admittedly, the above measures are unable to resolve the problem of insufficient supply we face today. Nevertheless, they will help us pool community efforts and resources and demonstrate our determination in tackling this priority livelihood issue together.

Healthcare Services

Improving Healthcare System and Services

155. To ensure the long-term sustainable development of our healthcare system and safeguard the health of our population, the Government will devote effort and allocate resources in a focused manner to improve our healthcare system and services. Measures include: actively promoting primary healthcare, enhancing public health regulation and promoting advancements in medical technology. The Government will also proactively support the development of Chinese medicine.

Primary Healthcare

156. Together with Professor Rosie Young and other members of the Working Party on Primary Health Care, I set out a blueprint for the delivery of primary healthcare in the early 1990s.

157. As a matter of fact, a comprehensive and co-ordinated primary healthcare system will enhance overall public health, reduce hospital re-admission and rectify the situation where accident and emergency service is regarded as the first point of contact in seeking medical consultation. The Government is determined to step up efforts to promote individual and community involvement, enhance co-ordination among various medical and social sectors, and strengthen district-level primary healthcare services. Through these measures, we aim to encourage the public to take precautionary measures against diseases, enhance their capability in self-care and home care, and reduce the demand for hospitalisation.

158. We will set up a steering committee on primary healthcare development to comprehensively review the existing planning of primary healthcare services and draw up a development blueprint. The Committee, comprising healthcare professionals, academics, non-governmental organisations and community partners, is tasked to advise on the Government's strategy on the development of primary healthcare services. Its work will include drawing up a model for district-based medical-social collaboration, using big data to identify the areas of medical care services requiring in-depth study, establishing a framework to implement measures on disease prevention in a more systematic manner (e.g. vaccination), disease screening and identification (especially chronic diseases such as stroke) and strengthening scientifically proven service provision and policy-led development work.

159. To further illustrate the effectiveness of medical-social collaboration, I have asked the Food and Health Bureau to set up a district health centre with a brand new operation mode in Kwai Tsing District within two years. The Government will provide funding for the centre according to the needs and characteristics of the district, with a view to enhancing public awareness of disease prevention and their capability in self-management of health through public-private partnership, providing support for the chronically ill as well as relieving the pressure on specialist and hospital services. The planned district health centre will make use of the local network to procure services from organisations and healthcare personnel serving the district so that the public can receive necessary care in the community. Kwai Tsing District Council made use of the \$100 million provided by the Government in 2013 for district-based signature projects to launch a number of healthcare services in collaboration with local associations and non-profit-making organisations, and has built a solid foundation for the further extension of district-based primary healthcare services. With the experience gained from the pilot scheme, we will progressively set up district health centres in other districts.

Services of the Hospital Authority

160. The Government will deploy sufficient resources and enhance the supporting infrastructure to keep improving the healthcare services and facilities provided by the public sector. We will introduce a new arrangement by undertaking to increase the recurrent funding for the Hospital Authority (HA) progressively on a triennium basis, having regard to population growth rates and demographic changes. This will enable HA to address the staffing issue and service demands arising from a growing and ageing population in a more effective and sustained manner. On the supporting infrastructure, the Government and the HA will press ahead with the delivery of the 10-year Public Hospital Development Plan, for which \$200 billion has been earmarked, and kick-start the next round of public hospital development planning in the coming five years. We will also discuss the future development needs of the CUHK Medical Centre with the Chinese University of Hong Kong.

161. On healthcare manpower, as pledged in my Election Manifesto, the HA will employ all qualified local medical graduates and provide them with relevant specialist training. Over 2 000 medical graduates will register as medical practitioners in the next five years. The HA will make every effort to retain existing and rehire retired healthcare professionals as appropriate. It will also proactively recruit qualified non-locally trained doctors through limited registration to provide clinical services in the public healthcare system.

162. The HA will set up more nurse clinics and seek to achieve better results by deploying multi-disciplinary teams. It will also increase the number of pharmacists to strengthen its clinical pharmacy service, study ways for better resource deployment to improve pharmacy services for elderly persons living in elderly homes, improve the manpower ratio for psychiatric services under the Case Management Programme, and explore how to manage stable psychiatric patients through public-private partnership.

163. In addition, the HA has formulated a strategic service framework on palliative care to set out specific guidelines on its service model and system infrastructure. Measures will be introduced to provide palliative care and end-of-life care services for an increased number of terminally ill patients within hospital settings and in the community. Such measures include home palliative care, increasing the frequency of home visits by nurses each year and training for the staff of residential care homes for the elderly. Meanwhile, the Government will consider amending the relevant legislation to give patients the choice of “dying in place”.

164. To enhance community health through cross-sector and multi-disciplinary collaboration, we will regularise the Dementia Community Support Scheme and extend it to all 41 district elderly community centres so that appropriate support services can be provided for elderly people with mild or moderate dementia and their carers through a medical-social collaboration model. Based on the evaluation results of the Student Mental Health Support Pilot Scheme, we will consider ways to provide appropriate support services for students with mental health needs.

Support for Uncommon Diseases

165. There have been appeals in recent years for more assistance to be provided for patients with uncommon diseases. Having regard to the evidence-based requirements and principles adopted by the HA when considering the listing of drugs in its Drug Formulary, the Government and the HA have agreed to implement the following improvement measures:

- (i) extending the scope of the assistance programme to provide patients with subsidies for specific drug treatments according to individual patients’ special clinical needs. Eligible patients will be subsidised to participate in compassionate programmes of individual pharmaceutical companies; and
- (ii) the HA will expedite the review of the patient’s co-payment mechanism under the Community Care Fund Programme with a

view to alleviating the financial burden on patients requiring long-term ultra-expensive drug treatment. The HA will complete the review in the first half of 2018 and propose improvement measures.

166. The Drug Management Committee under the HA and the relevant committees will more closely monitor the research developments and the accumulation of medical scientific evidence for new drugs so that financially-needy patients who require the use of ultra-expensive drugs, including patients with uncommon diseases, could receive early treatment.

Enhancing Public Health Regulation

167. To safeguard public health and maintain public trust in the healthcare system, the Government will proactively follow up on the legislative work of the Medical Registration (Amendment) Bill 2017, which was introduced into the LegCo in June 2017. The Government will pursue the Accredited Registers Scheme for Healthcare Professions by completing the accreditation process for speech therapists, clinical psychologists, educational psychologists, audiologists and dietitians to pave the way for setting up a statutory registration regime for these professions. The Government will enhance the regulation of private healthcare facilities by establishing a new licensing system through legislation. The Private Healthcare Facilities Bill was introduced into the LegCo for scrutiny in June 2017.

Promoting Voluntary Health Insurance Scheme and Scientific Research

168. The Government plans to implement the Voluntary Health Insurance Scheme in 2018 and will amend tax legislation to offer tax incentives for members of the public who procure such health insurance products. To harness the potential of new technology for better public health policies and clinical outcomes, we will set up a steering committee to lead the study on strategies for developing genomic medicine in Hong Kong.

Development of Chinese Medicine

169. With increasing public demand for Chinese medicine services in recent years, we have enhanced training for Chinese medicine practitioners. The Government will strive to facilitate the development of Chinese medicine in Hong Kong so that it will assume a more prominent role in promoting public health.

170. As a first step, the Government will set up a dedicated unit under the Food and Health Bureau to oversee Chinese medicine development. The dedicated unit will be responsible for maintaining close liaison with the Chinese medicine sector as well as co-ordinating and implementing the strategies and measures for promoting the development of Chinese medicine in Hong Kong. The unit will examine options to further the development of Chinese medicine, including exploring ways to open up markets in the Mainland and neighbouring countries.

171. The Government is actively planning for a Chinese medicine hospital at a site in Tseung Kwan O. Local stakeholders and overseas experts are being consulted on the governance framework, business model, operating model, financial model and contract management model of the hospital. We expect to announce in the first half of 2018 the positioning of the Chinese medicine hospital, as well as, the development framework for major areas of the hospital.

172. To foster the professional development of Chinese medicine practitioners, the Government will organise various training courses, such as diploma courses on Chinese medicine specialty for registered Chinese medicine practitioners and basic Western pharmacy training for Chinese medicine pharmacists. The Government will also provide relevant Chinese medicine training courses for medical practitioners, nurses and healthcare professionals. To attract more talent to join the Chinese medicine sector, the Government will review the remuneration package and promotion opportunities for staff employed at all levels in the Chinese Medicine Centre for Training and Research in the 18 districts.

173. The Government will also include information on Chinese medicine in the scope of information sharing in the second-stage development of the Electronic Health Record Sharing System (eHRSS). We will continue to standardise medical terminologies of the Chinese medicine and develop the Chinese Medicine Information System On-ramp so as to facilitate the access to, and sharing of, patients' information among Chinese medicine practitioners who choose to use the eHRSS in future.

174. To develop Hong Kong into an international hub for scientific research on Chinese medicines testing and quality control, the Government will speed up the establishment of the permanent Government Chinese Medicines Testing Institute, and empower the industry to strengthen quality control of their products through the development of internationally-recognised reference standards for Chinese medicines and related products and technology transfer.

Social Welfare

Poverty Alleviation

175. To build a harmonious society, the Government should look after the underprivileged with compassion. Through efficient use of public resources and the efforts of the Commission on Poverty (CoP) and the Community Care Fund (CCF), the Government has achieved much progress in the areas of poverty alleviation, elderly care, and support for the disadvantaged over the past few years. We have rolled out various initiatives to provide appropriate support for the elderly, poverty-stricken working families, persons with disabilities, women and other people in need, including the Old Age Living Allowance (OALA) and the Low-income Working Family Allowance (LIFA). To enhance the existing retirement protection system, the Government announced the launch of two measures to improve the OALA in January this year. Following the relaxation of the asset limit of the OALA in May this year, the Government is making preparation for the implementation of a Higher Old Age Living Allowance (HOALA) in mid-2018 to provide a monthly allowance of \$3,435 to eligible elderly persons. As the measure will take retrospective effect from 1 May this year, eligible beneficiaries of HOALA who are currently receiving OALA will receive an additional one-off sum of over \$10,000 upon launching of the HOALA.

Low-income Working Family Allowance

176. The LIFA Scheme was introduced in May last year, with the aim to encourage self-reliance through employment for low-income families who are not receiving CSSA. It focuses on providing support for families with children and youngsters, with the objective of easing cross-generational poverty. As at the end of August this year, more than 35 000 families (about 130 000 persons), including 56 000 children or youngsters, are receiving LIFA. The total amount of allowance disbursed exceeded \$900 million. We have noted the views expressed that the number of beneficiaries under LIFA is too small and that the eligibility criteria and the application procedures are too stringent.

177. Soon after taking office in July this year, the current-term Government embarked on a comprehensive policy review of the LIFA Scheme with the objective of bringing about early improvements so that more working households could benefit. Taking into account stakeholders' views and various factors, the Government has decided to introduce the following improvement measures on the LIFA Scheme:

- (i) extending the Scheme to cover singletons;

- (ii) introducing a tier with the income limit pitched at 70% of the median monthly domestic household income (MMDHI), and adopting the MMDHI of economically active households as the basis for calculating the income limit;
- (iii) for the working hour requirement, adding a new tier of 168 hours a month for non-single-parent households and a new tier of 54 hours a month for single-parent households. Households meeting the respective monthly working hour requirements are eligible for higher rates of allowance;
- (iv) allowing household members to aggregate working hours for assessing the allowance; and
- (v) increasing all rates of allowance, and adding another tier of $\frac{3}{4}$ allowance rate between the current full-rate allowance and half-rate allowance.

In addition, the LIFA Scheme will be renamed as the “Working Family Allowance” Scheme. The Government expects that the above initiatives will be implemented on 1 April 2018.

178. According to the above improvement measures, a four-person household with two eligible children will receive a total of \$3,200 a month under the Working Family Allowance Scheme if its monthly income is \$19,000 or below and the total monthly working hours of all household members is not less than 192. This is about 25% more than the monthly allowance of \$2,600 given out under the existing LIFA Scheme for a similar household.

179. The Working Family and Student Financial Assistance Agency (WFSFAA) is making preparation for implementing the above improvement measures, and will conduct a new round of publicity and support services in this connection. We agree that the design of the scheme should be as simple and easy to understand as possible, with appropriate safeguards against abuse.

180. Upon the implementation of the above improvement measures, we expect that the Working Family Allowance will basically cover the household-based applicants for the Work Incentive Transport Subsidy (WITS). As such, we will abolish the household-based WITS when implementing the improvement measures. Furthermore, the WFSFAA will upgrade its information technology (IT) systems. Upon project completion, the processing of WITS applications submitted by individuals, which is currently performed by the Labour Department will be taken up by WFSFAA. Processing of Working Family Allowance applications and WITS applications by the same

office would bring about more efficient and convenient service provision to applicants.

181. Since its establishment in 2011, the CCF has launched 44 assistance programmes with a total commitment of around \$8.4 billion benefiting over 1.5 million cases as at the end of July this year. We will invite the CCF to implement other new programmes and proactively regularise those programmes with proven results.

Elderly Services

182. In the face of the challenges posed by an ageing population and the ever increasing demand for welfare services in our society, the Government has to be innovative in its thinking and approach in exploring solutions, such as reviewing existing schemes and considering the future mode of service delivery, in order to keep service delivery up-to-date with changing needs and ensure more effective use of limited resources.

183. The Elderly Commission has completed the formulation of the Elderly Services Programme Plan, which provides the basis for the future development and planning for elderly services. Some of the recommendations will be implemented in the near future. For example, the Pilot Scheme on Home Care and Support for Elderly Persons with Mild Impairment is expected to be launched in December this year while the Pilot Scheme on Support for Elderly Persons Discharged from Public Hospitals After Treatment is expected to be launched in early 2018. Moreover, the Government will regularly review the implementation progress of the Elderly Services Programme Plan and make adjustments as necessary.

184. The Government's policy direction should accord priority to the provision of home care and community care, supplemented by residential care. The Government will provide additional resources to enhance community and home care services, with the aim to achieve zero waiting time. This will enable the elderly, especially those discharged from hospitals, to recover and enjoy life in a familiar environment. Since August this year, an additional 2 000 vouchers are available under the Second Phase of the Pilot Scheme on Community Care Service Voucher for the Elderly to support ageing in place for elderly persons with moderate or severe impairment. The Government plans to further increase the number of vouchers under the Second Phase of the Pilot Scheme by 1 000 to a total of 6 000 in 2018-19.

185. Apart from increasing the service quotas, the Government will improve manpower planning and proactively enhance the quality of long-term care service. We will launch a four-year pilot scheme by setting up a district-based professional team, comprising social workers, physiotherapists, occupational therapists, etc., to provide outreach services for residents of private residential care homes for the elderly (RCHEs) and residential care homes for persons with disabilities (RCHDs) to meet their social and rehabilitation needs. The Government will also introduce visiting medical practitioner services for residents of all RCHEs and RCHDs in Hong Kong to proactively respond to seasonal influenza and episodic illnesses, thus promoting their health conditions and reducing their reliability on the public medical system. In addition, we will include more recognised service providers in the Pilot Scheme on Residential Care Service Voucher for the Elderly to turn the principle of “money-following-the-user” into reality and enhance the service quality of private elderly homes. Through these measures, public and private organisations will play complementary roles in the provision of elderly care service.

186. To proactively promote gerontechnology for improving the quality of life of elderly persons and reduce the burden and pressure of carers and care staff, the Government will earmark \$1 billion for setting up a fund to subsidise elderly service units to trial use and procure technology products. The initiative will also cover rehabilitation service units.

Rehabilitation Services

187. The Hong Kong Rehabilitation Programme Plan (HKRPP) sets out the strategic directions as well as short-, medium- and long-term measures to address various service needs of persons with disabilities, such as residential and day care, community support, employment, barrier-free facilities, transport, healthcare, education, sports and arts. The HKRPP was last reviewed and updated in 2007. To keep our rehabilitation services updated with changing needs, the Government has asked the Rehabilitation Advisory Committee (RAC) to commence work this month to formulate a new HKRPP. The HKRPP covers 10 types of disabilities. In view of the diverse needs of persons with different disabilities, RAC will conduct an extensive public engagement exercise early next year for stakeholders to hold systematic and thorough discussions on the rehabilitation service needs of persons with disabilities at different life stages and other related issues. RAC aims to submit a report on the new HKRPP in 2019.

188. We will continue to improve our rehabilitation services pending the completion of the report. Efforts would include increasing the number of places of pre-school children service, day service and residential service; and strengthening community support for persons with disabilities, in particular mental health support services. The Social Welfare Department will create new clinical psychologist posts at Integrated Community Centres for Mental Wellness to step up professional support for ex-mentally ill persons and persons suspected to suffer from mental health problems through the provision of individual or group psychological treatment, and to strengthen the capabilities of frontline professionals in these centres through clinical supervision.

189. Furthermore, the Special Scheme on Privately Owned Sites for Welfare Uses will adopt a flexible and innovative approach, whereby social welfare organisations will be encouraged and subsidised to make better use of their site to augment the provision of welfare facilities through expansion, redevelopment or new development, in particular elderly care, rehabilitation and child care facilities, which are in high demand, and other associated developments. A facility under the scheme has already come into operation, adding 100 places for rehabilitation services. Facilities under five more projects are expected to be completed by 2018-19, providing about 260 additional places of elderly services and 920 additional places of rehabilitation services in total. Based on a welfare service-oriented approach and the principle of enhancing people's livelihood, we will flexibly process development proposals on optimising land use received from social welfare organisations, taking into account the preference of individual organisations.

Special Needs Trust

190. Some parents are worried about the care of their children with special needs, in particular those with intellectual disabilities, after they have passed away. They may have difficulties in finding relatives or friends who are trustworthy and capable of managing their wealth. On the other hand, most of these parents are unable to afford the high cost of setting up a private trust. The Government has decided to take the lead in setting up a "special needs trust", with the Director of Social Welfare as the trustee, to provide reliable and affordable trust services for managing the assets of deceased parents. Regular disbursement will be made to the carers of their children, who may be individuals or organisations, in accordance with the parents' wishes. This is to ensure that their assets will be used for meeting the long-term daily needs of their children. The Labour and Welfare Bureau (LWB) will continue to follow up with stakeholders on the details regarding the setting up of the trust.

Commission on Children

191. The Government plans to set up a Commission on Children in the middle of next year to amalgamate the efforts made by relevant bureaux/ departments and child concern groups, and focus on addressing children's issues as they grow. To this end, a preparatory committee chaired by the Chief Executive was established last month, with the Chief Secretary for Administration as the Vice-chairman. Members of the preparatory committee include the Policy Secretaries of relevant bureaux; experts in children affairs, such as members of the healthcare, education, social welfare and legal sectors; as well as academics and representatives of ethnic minorities and parents.

192. The preparatory committee held its first meeting early this month to discuss the roles and functions of the Commission on Children as well as its work priorities as suggested by the stakeholders. It will conduct a series of public engagement activities to canvass views from the community extensively including those of children, so as to ensure that the functions and the work of the new Commission on Children will have the support of the community.

193. In future, the Commission on Children may co-ordinate its work with the existing platforms. One of these platforms is the Child Development Fund. Operating on the basis of tripartite and cross-sector collaboration among the community and family, the business sector and the Government, the Fund aims at building an environment conducive to the growth of children from a disadvantaged background to support their longer-term development, thereby alleviating inter-generational poverty. We will inject \$300 million into the Fund in 2018-19 for launching more projects which aim to boost the self-motivation and confidence of children from low-income families and help them plan for their future.

Food Assistance Service

194. The Short-term Food Assistance Service provides basic food supply for low-income earners who have difficulties in coping with their food expenditure temporarily for a period of generally up to eight weeks at a time. Since its introduction in 2009, the service has recorded over 250 000 visits. The total funding for this initiative is \$600 million. The Government will allocate an additional \$447 million for extending the service for three years to 2020-21. A comprehensive review of the initiative will be conducted in parallel.

Promoting the Employment of Persons with Disabilities

195. As an employer, the Government will take the lead in promoting the employment of persons with disabilities in order to foster an inclusive society.

In addition to implementing measures to facilitate persons with disabilities to apply for government jobs and to ensure that they enjoy equal opportunities in employment, we will enhance the transparency of civil service recruitment by publishing the success rates of persons with disabilities as well as those for other candidates in the hope of encouraging the private sector to employ more persons with disabilities in the long run.

196. We will also further expand the Internship Scheme for Students with Disabilities next year. Our target is to double the number of internship places, increasing from an average of 50 a year in the past two years to 100, to allow more young persons with disabilities to gain hands-on work experience through placements in the Government, thereby strengthening their competitiveness before they enter the work force. The scheme also enables civil service colleagues to appreciate the talents and potential of persons with disabilities. To enhance the scheme, we will arrange for interns to take up more diversified jobs.

Providing Support for Ethnic Minorities

197. At present, there are hundreds of thousands of non-ethnic Chinese, including more than 80 000 South Asians, living in Hong Kong. Some of them have encountered difficulties in adaptation and social integration due to language barriers and cultural differences. Through enhancing relevant legislation as well as enhancing employment and other support services for the ethnic minorities (EM), the Government seeks to provide them with equal opportunities and facilitate their integration into our community.

198. On legislation, the Race Discrimination Ordinance, which is enforced by the Equal Opportunities Commission (EOC), was fully implemented in 2009. The EOC reviews the operation of the Ordinance on a regular basis and puts forward legislative amendment proposals where necessary. Last year, the EOC submitted its proposals on the Discrimination Law Review to the Government. Among these proposals, nine recommendations were accorded priority of which seven related to Race Discrimination Ordinance. We aim to submit the legislative amendment proposals to the LegCo in the 2017-18 LegCo session.

199. To support non-Chinese speaking students in learning the Chinese language systematically and to assist their integration into the community, the EDB has implemented the Chinese Language Curriculum Second Language Learning Framework (Learning Framework) in primary and secondary schools since the 2014/15 school year. The EDB has been observing the implementation of the Learning Framework in schools to collect first-hand information regarding curriculum planning, learning, teaching, and assessment for

discussion with experts, academics and teachers so as to gauge its effectiveness. Views of EM parents and relevant organisations will also be taken into consideration.

200. With a view to increasing government job opportunities for EM, the Civil Service Bureau has started to co-ordinate a comprehensive review on the entry requirements relating to Chinese proficiency for all the grades of the civil service. The review is expected to be completed early next year. Besides, to further support and assist the EM to integrate into society and to cultivate positive values, the Hong Kong Police will launch a regular cross-disciplined forces training programme targeting EM youths to provide them with discipline, physical and team-building training.

Labour Rights

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

201. Abolition of the arrangement for “offsetting” severance payment (SP) and long service payment (LSP) with Mandatory Provident Fund (MPF) contributions is one of the priority tasks of current-term Government after assumption of office. At present, over \$3 billion of accrued benefits from employers’ MPF contributions is used each year for offsetting SP or LSP, thus reducing the total amount of MPF benefits to which employees are entitled on retirement. The last-term Government proposed to progressively abolish the “offsetting” arrangement. Although the business sector and the labour sector did not arrive at a consensus in the end, both sides displayed sincerity in addressing the “offsetting” issue during the consultation process. Since July 2017, the current-term Government has been in active discussion with the business sector and the labour sector to explore viable options. By now, the community has by and large reached a broad consensus on whether “offsetting” should be abolished. The current-term Government has made clear its stance that the “offsetting” arrangement should be abolished and is willing to increase its financial commitment to mitigate the impact of the abolition on enterprises, in particular micro, small and medium enterprises. With reference to the views collected, we are studying how we can assist employers in saving up a dedicated reserve in advance to cover any potential expenses that may arise from SP or LSP payment to their employees in the future. We expect to put forward a proposal that takes into account the interests of both the labour sector and the business sector in the coming months.

Improving Employees' Benefits

202. The LWB has completed the review on the statutory paternity leave and initially proposes to increase paternity leave from the current three days to five days. The Labour Department will report the outcome of the review to the Labour Advisory Board and the LegCo Panel on Manpower and consult their views within this year. In recent years, the labour sector and the women's sectors have also proposed to improve maternity benefits of female employees, including extending the duration of the 10-week statutory maternity leave. On the premise of balancing the needs of working women on the one hand and the affordability of enterprises on the other, the Government will commence a study and work on the enhancement of maternity leave.

Occupational Safety and Health

203. The Government attaches importance to occupational safety and health (OSH) of employees. While the overall OSH situation in Hong Kong has seen continuous improvement, the industrial accident rate of the construction industry remains relatively high. The Government is particularly concerned about the fatal construction accidents which occurred during the year. In view of this, we will adopt a three-pronged approach to enhance the OSH of the construction industry by stepping up inspection and enforcement, publicity and promotion, as well as education and training. We are also aware that the relatively lenient penalties for non-compliance of OSH legislation have failed to reflect the seriousness of the offences. We therefore consider it necessary to impose heavier penalties against breaches of OSH legislation, as appropriate, in order to achieve a greater deterrent effect and further enhance OSH protection for workers. We are pressing ahead with the review on relevant legislation and are seeking advice from the DoJ. We aim to put forward the broad directions of the proposed legislative amendments within this year.

Relieving the Burden of Public Transport Expenses

204. Public transport expenses is an essential expenditure item in our daily living expenses. I mentioned in my Election Manifesto that we should explore the possibility of using the Government's annual dividends receipt from the MTRC Limited to relieve the fare burden of long distance grassroots commuters. I would like to extend my appreciation to colleagues in the Transport and Housing Bureau who, after three months of diligent effort, propose to introduce a non-means tested Public Transport Fare Subsidy Scheme to provide fare subsidy, to an extent, for commuters if their monthly public transport expenses exceed a specified level. Our proposal is to set the line at \$400 in the monthly

expenditure on public transport, with the Government providing a subsidy amounting to 25% of the actual expenses in excess of this level, subject to a cap of \$300 a month. We anticipate that over 2 million commuters will benefit from the scheme, which will cover the fares of MTR, franchised buses, green minibuses, ferries and trams. The scheme will be simple and easy to understand, and will not require any application. The Government aims to launch the scheme within one year after obtaining funding approval from the LegCo Finance Committee.

Municipal Services

Public Markets

205. Based on our new thinking on governance focused on bringing benefits and convenience to the public, we will make available resources for building new public markets to offer wider choices of fresh provisions in Tung Chung, Tin Shui Wai and Hung Shui Kiu. In this connection, we will also consider adopting new approaches to the design, construction and operation of these markets. The Government will conduct a comprehensive review of existing public markets and formulate specific improvement measures for both the facilities and their management in a systematic manner. As far as the hardware is concerned, the Government will allocate resources to improve the environment of existing public markets. One of the measures is to expedite the installation of air-conditioners.

Environmental Hygiene

206. In the coming five years, we will deploy resources to improve environmental cleanliness, and will continue to step up effort in law enforcement and prosecution. To this end, we will set up additional dedicated enforcement teams and extend the pilot scheme on the installation of Internet Protocol cameras at hygiene blackspots to cover all the 18 districts.

Policy on Burial

207. The Government is determined to take forward the burial policy by adopting a three-pronged approach to cater for the long-term need of the public. On the regulation of private columbaria, the Private Columbaria Ordinance has come into operation since 30 June 2017. We endeavour to implement and enhance the regulatory regime in order to resolve this long-standing issue. As regards public niche supply, the Government will continue to press ahead with the development projects under the district-based scheme in order to secure the supply for the coming 15 years. We will also continue our effort in promoting green burial.

Food Safety

208. The Government will further enhance the governance of our food safety regime, and strike a balance between safeguarding food safety and ensuring the stability of food supply. We will make timely effort to update the local food safety standards, including tightening the regulation of metallic contaminants and other harmful substances in food. To enhance its capability in conducting risk-based surveillance and taking contingency measures in food incidents, the Centre for Food Safety will improve its information technology systems to enhance its capability in risk analysis and food traceability, and to interface with the “Trade Single Window”.

209. We must safeguard the stable supply of powdered formulae and ensure that local demand is not adversely affected by parallel trading activities. Mindful of the concerns of different stakeholders in the community over the export control of powdered formulae, we will carry out a review on this issue, and explore long-term measures to safeguard the stability of local supply of powdered formulae.

VI. Liveable City

My Belief

210. For Hong Kong people to be happy, hopeful, confident about the future and have a sense of belonging, a vital prerequisite is that Hong Kong is a liveable place. Our people's aspiration for a liveable city has grown in step with social development. In addition to increasing the supply of land and housing that are necessities of our community, a convenient transport network, a green countryside, a beautiful harbour, a sustainable environment, a heritage of historical significance, as well as culture, arts, recreational and sports activities and good social order are all indispensable building blocks that make up a quality city, where people will be keen to stay and make it their home.

Transport

211. Although small and densely-populated, Hong Kong has developed into a liveable city with our continuous effort in improving public transport services and facilities. Over the years, it has been the Government's transport policy to develop a public transport-oriented system with railway as the backbone. At the same time, we strive to develop other public transport services to complement the railway services and provide the public with more choices for added convenience. Over 12 million passenger trips are made on different public transport services in Hong Kong every day, accounting for over 90% of the total passenger trips made on a daily basis. This percentage is unparalleled anywhere in the world. That is why officials from other major cities often come to Hong Kong to learn from our success.

Public Transport Strategy Study

212. That said, we cannot afford to be complacent. We must continue to develop and enhance our public transport services so that the public can travel conveniently. The Public Transport Strategy Study, completed in June this year, reaffirmed the key factors for the success of Hong Kong's public transport system and put forward concrete improvement measures so that the public can enjoy even more efficient, convenient and diversified public transport services. The Government is actively implementing these measures. One of them is the increase of the maximum seating capacity of light buses from 16 to 19 since July 2017, which enhances the overall carrying capacity of the light buses to meet passenger demand, particularly during peak periods. The first batch of 19-seat light buses has already commenced service. Meanwhile, we are making preparation for launching franchised taxis with "online-hailing" features to address the new demand for personalised and point-to-point public transport

services in the community. We are also working with the franchised bus companies on the implementation of trial schemes of new long-haul bus services and mid-sized single-deck bus services so as to provide more choices for passengers and meet different service needs of the community. In addition, we will continue to take forward the short-, medium- and long-term measures for enhancing the carrying capacity of the Light Rail as well as the study on the long-term operation model of outlying island ferry services.

Barrier-free Transport

213. The Government is actively discussing the implementation details of the low-floor wheelchair-accessible light bus trial scheme with the relevant light bus operators. Examination and approval of the specifications and installations of the new vehicle models are underway. The trial scheme is expected to be implemented in phases, starting from the fourth quarter of this year, on three hospital routes, covering Queen Mary Hospital, Prince of Wales Hospital and St. Teresa's Hospital.

Road Infrastructure

214. The Government is pressing ahead with a number of major road infrastructure projects. The Central-Wanchai Bypass and the Island Eastern Corridor Link is targeted for commissioning in end 2018 or the first quarter of 2019, and the Tseung Kwan O-Lam Tin Tunnel in 2021. In addition, we hope to obtain early funding approval from the LegCo for constructing the Central Kowloon Route. We will also take forward the construction of the Cross Bay Link in Tseung Kwan O as well as the widening of Tai Po Road (Sha Tin Section) in order to meet the transport needs in different districts in Hong Kong.

Railway

215. Railway is the backbone of the public transportation system, with a daily patronage of over 5.2 million. The overall performance of the railway service in Hong Kong is steady, attaining international best standards. The Tai Wai to Hung Hom section and the Hung Hom to Admiralty section of the Shatin to Central Link is targeted for commissioning in mid-2019 and 2021 respectively. By 2021, the railway network will cover areas inhabited by more than 70% of the Hong Kong population. For the next stage of railway development, the Government will take forward the new railway projects under the Railway Development Strategy 2014 in an orderly manner. We aim to consult the public on the railway schemes of Tuen Mun South Extension and the Northern Link (and Kwu Tung Station) in 2018. In parallel, we will proceed

with the detailed planning for the East Kowloon Line, the Tung Chung West Extension (and Tung Chung East Station) and the North Island Line.

216. The MTR network is admittedly quite congested during peak periods and individual incidents have led to service disruptions, thus causing inconvenience to passengers. The Government has requested the MTR Corporation Limited to consider encouraging passengers to ride during non-peak periods so as to divert the peak-hour passenger flow; and to enhance the release of real-time train service information so that passengers could make early planning for their trips.

Alleviating Road Traffic Congestion

217. Like other major cities, Hong Kong has to cope with a heavy vehicular and pedestrian flow. We are committed to making the best use of the road network to shorten the commuting time for the public and reduce the social costs arising from road traffic congestion. The Government will continue to pursue various measures progressively to alleviate road traffic congestion. Among these measures, we will make early preparation for the implementation of the Electronic Road Pricing Pilot Scheme in Central and its vicinity in order to alleviate congestion in busy districts. We will also implement a series of short- and medium- to long-term measures to increase parking spaces in various districts having regard to the local situation in order to combat illegal parking. We will accord priority to meeting the parking needs of commercial vehicles, and will at the same time provide an appropriate number of parking spaces for private cars. These measures include studying the opening up of parking spaces and loading/unloading bays currently designated for own use of the development projects concerned and putting them up for night-time public parking of commercial vehicles; requiring developers to provide parking spaces at the higher end of the range under the Hong Kong Planning Standards and Guidelines; and providing public car parks in suitable new government, institution and community facilities.

Co-location Arrangement for the Guangzhou-Shenzhen-Hong Kong Express Rail Link

218. Since the inauguration of the current-term Government, one of the most concerned issues that has attracted the widest public attention is the arrangement for customs, immigration and quarantine clearance (clearance arrangements) for the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL). Since our announcement of the proposal for implementing the co-location clearance arrangement at the West Kowloon Station of the Hong Kong Section of the XRL on 25 July this year, there has

been extensive discussion in the community. Efficient and time-saving clearance procedures are absolutely essential to realising the full potential of the XRL in terms of speed and convenience. Similar co-location arrangement can be found in the cross-border transport services in other cities and countries around the world, and I believe many Hong Kong people have experienced such clearance service when travelling elsewhere. The co-location arrangement for Shenzhen Bay Port, in smooth operation since its implementation in 2007, has been well received by travellers. The proposal of implementing a co-location arrangement at the West Kowloon Station is a practical and effective solution in line with “One Country, Two Systems” and does not contravene the Basic Law. It is also the most practical and cost-effective option to realise the transport, social and economic benefits of the XRL. This arrangement will also maximise convenience to passengers and avoid causing security problems. The Government has given notice to initiate a motion debate on this issue at the LegCo sitting on 25 October this year. After examining the views from various parties including LegCo members, the Government will take forward the follow-up tasks of the co-location arrangement pursuant to the “Three-step Process” proposal announced earlier. These include reaching a Co-operation Arrangement with the Mainland, seeking the approval and endorsement of the Co-operation Arrangement by the Standing Committee of the National People’s Congress through a decision to be made by the Standing Committee and commencing the local legislative process thereafter so as to meet the target of implementing the co-location arrangement at the West Kowloon Station upon the commissioning of the Hong Kong Section of the XRL in the third quarter of 2018.

The Hong Kong-Zhuhai-Macao Bridge

219. We will continue to press full steam ahead with another external land transport infrastructure project of Hong Kong – the construction of the Hong Kong Section of the Hong Kong-Zhuhai-Macao Bridge (HZMB) – to dovetail with the commissioning of the HZMB. We will announce the commissioning date of the entire HZMB as soon as possible subject to factors such as the implementation of cross-boundary traffic measures, the results of the discussion among the governments of Guangdong, Hong Kong and Macao and the subsequent reporting to the HZMB Central Task Force.

Pedestrian-friendly Environment

220. The Government will continue to take forward “Walk in HK” and encourage people to walk more so as to reduce the use of mechanised transport

for short-distance commuting. This will help alleviate traffic congestion and improve air quality, and develop Hong Kong into a walkable city. The “Walk in HK” initiative will provide user-friendly information on walking routes, enhance pedestrian networks, make walking a pleasant experience, and provide a safe and quality pedestrian environment. Measures include progressively taking forward the construction of covers for suitable walkways in different districts, selecting two pilot areas in Hong Kong within next year to study the creation of an innovative measure and comfortable walking environment on a pilot basis, and commencing a study towards the end of this year to review and improve the assessment mechanism for proposed hillside escalator links and elevator systems projects.

City Management

221. A quality city has to be well managed, in addition to being equipped with various public facilities. Our standard of city management has always been acclaimed internationally. Hong Kong is also one of the safest cities in the world. We have a clean and efficient civil service and an array of professional public organisations of a high quality, including the AAHK, the MTR Corporation Limited, various bus and public transport service providers as well as power and gas companies. They provide the community with up-to-date public services round the clock, ensuring our quality of life and the efficient operation of our city.

222. The successive typhoons hitting Hong Kong in the past few months did not bring serious casualty or economic loss. Our resilient infrastructure including slope safety and flood prevention facilities, proved to be up to the test. Various government departments and public service organisations activated their emergency response mechanisms and co-operated effectively and seamlessly in various areas from alert and preventive measures, dissemination of information, arranging temporary shelters and emergency rescue services, to the prompt resumption of transport services and daily public services afterwards. This bears testimony to the efficient and orderly city management of Hong Kong. Global climate change will bring more extreme weather, and Hong Kong cannot be spared. The Government will stay vigilant and strive to keep hazards at bay. We will enhance our preventive capability and resilience against natural disasters by making continuous investment in various resilient infrastructure projects, keeping the existing emergency response mechanisms and measures under review and further improving them on an on-going basis.

Building Safety

223. City management is also about safeguarding the safety of our citizens' homes. The Government thus also attaches importance to the maintenance of old buildings. The Operation Building Bright initiative launched in 2009 has largely been completed, benefiting 3 000 buildings.

224. There are over 5 000 residential and composite buildings aged 50 years or more in Hong Kong. Without timely inspection and maintenance, they will pose hazards to both the residents and passers-by. To further safeguard public safety, the Government plans to launch "Operation Building Bright 2.0" at a cost of around \$3 billion. The initiative will adopt a risk-based approach, with a focus on the most needy owners and providing more targeted assistance. Subsidy will be provided to owner-occupiers of aged residential or composite buildings with rateable values not exceeding the prescribed level for undertaking primarily inspections of their buildings and repair works as required under the Mandatory Building Inspection Scheme.

225. Apart from structural safety, enhancing fire safety of old buildings is also critical in protecting lives and properties. In view of this, the Government also plans to devote about \$2 billion to subsidise owners of old composite buildings to undertake fire safety enhancement measures as required by the Fire Safety (Buildings) Ordinance.

226. We hope to launch "Operation Building Bright 2.0" and the afore-mentioned subsidy scheme for fire safety works in the second half of next year to assist owners in tackling structural hazards and enhancing the fire safety standards of their buildings. In addition, the Urban Renewal Authority (URA) is carrying out a study on the Building Rehabilitation Strategy with a view to prolonging the serviceable lifespan of buildings and arresting urban decay. The URA is also setting up a one-stop Building Rehabilitation Platform, with the participation of professional bodies and members of the industry, to provide comprehensive information and technical assistance to owners.

Drinking Water Safety

227. The "lead in drinking water" incident in public rental housing estates two years ago has aroused public concern about drinking water safety. We will take forward the Action Plan for Enhancing Drinking Water Safety in Hong Kong announced in September this year. The plan covers five components, including establishing a set of drinking water standards tailored for Hong Kong and implementing water quality monitoring at the consumers' end, strengthening the regulatory control of plumbing materials and commissioning requirements for new plumbing installations, promoting the implementation of

the Water Safety Plan for buildings, enhancing public education and publicity on safe use of drinking water, setting up an independent dedicated team in the Development Bureau to take up the role of a water quality regulator, and conducting detailed studies to establish a drinking water safety regulatory regime suitable for Hong Kong.

Water Quality of the Victoria Harbour

228. The water quality of the Victoria Harbour has improved substantially following the completion of the Harbour Area Treatment Scheme (HATS) Stage 2A. As a result, the cross-harbour swimming race this year will be held right at the centre of the Victoria Harbour, reviving a race route used forty years ago. To speed up the amelioration of the near-shore odour problems of the Victoria Harbour, the Government is conducting tender exercises for various sewerage improvement projects and the construction of dry weather flow interceptors in Kowloon and the New Territories. The upgrading of the Kwun Tong Preliminary Treatment Works commenced in September and other works projects will commence one-by-one within this year.

Beautification of the Harbourfront

229. The harbourfront is a precious natural asset in our urban area. We encourage the community to make better use of the harbourfront so that it will become more vibrant and more quality public space will be available for public enjoyment. In partnership with the Harbourfront Commission, we will take action in this area, including the identification of suitable harbourfront sites for non-governmental organisations to operate community facilities or organise community events. In this regard, we aim to make available a site in Kennedy Town for the running of a community garden and related uses through a short-term tenancy in the first quarter of 2018.

Environment and Nature Conservation

Climate Change and Energy

230. This summer, Hong Kong was repeatedly hit by tropical cyclones. The storm surge induced by Hato caused serious tidal back flow in some low-lying areas. Climate change will lead to a continuous rise in the sea level, and the challenges of extreme weather will exacerbate.

231. To combat climate change, we take actions in three areas, namely mitigation, adaptation and resilience. The Steering Committee on Climate Change, chaired by the Chief Secretary for Administration, has enhanced co-operation across bureaux and relevant departments in implementing the

“Hong Kong’s Climate Action Plan 2030+”. We will review the effectiveness of various measures in a timely manner and remain vigilant at all times.

232. Among others, the Climate Change Working Group on Infrastructure co-ordinates the effort of works departments in combating climate change. Such effort includes reviewing the design standards of infrastructure and the resilience of existing infrastructure, and updating them as necessary to enhance protection against extreme weather. The Government will also continue to put in more effort for carrying out analysis of climate change, making forecasts on extreme weather and promoting disaster preparedness in order to enhance the city’s resilience against climate change.

233. Mitigation of climate change also calls for immediate action. The Paris Agreement, in effect since November 2016, applies to the HKSAR. To help achieve the vision of the Paris Agreement, the Government will drive Hong Kong’s low-carbon transformation towards our target of reducing carbon intensity by 65% to 70% by 2030 compared with the 2005 level.

234. Our low-carbon transformation takes a multi-pronged approach. These measures include: adopting cleaner fuels, promoting territory-wide energy saving, commuting green and reducing waste, etc. Among others, we will gradually replace most of our coal-fired generation units with cleaner energy sources, further encourage the development of renewable energy, and implement the “Energy Saving Plan for Hong Kong’s Built Environment 2015~2025+” with a view to promoting energy efficiency, energy conservation and green building, etc.

235. The Government entered into new Schemes of Control Agreements (SCAs) with the power companies in the first half of this year. We will announce details of the Feed-in Tariff and the Renewable Energy Certificates Schemes next year to promote distributed Renewable Energy. Details of a series of new energy-saving initiatives under the new SCAs will also be announced.

236. In addition, we will actively promote the adoption of Renewable Energy, energy conservation and green buildings on government premises. Measures include the development of large-scale Renewable Energy facilities at suitable venues. An innovative example is the study undertaken by the Water Supplies Department (WSD) to examine the feasibility of developing large-scale floating solar farms in Hong Kong by reference to the results of the pilot schemes of the installation of floating photovoltaic systems at the Shek Pik Reservoir and the Plover Cove Reservoir.

Air Quality

237. From a macro perspective, while implementing the action plan set out in the “Clean Air Plan for Hong Kong 2013 – 2020”, the Government is undertaking a review on the Air Quality Objectives (AQOs), which is conducted once every five years. Through the working group and the public consultation forum, we engage the community interactively and seize this review opportunity to explore the possible scope for tightening the AQOs and the strategies on relevant improvement measures. We plan to complete the review in 2018.

238. Despite the discernible improvement in air quality over the past few years as a result of the considerable effort made by the Government, marine vessels remain the largest local emission source of air pollutants. To tackle this, the Government has signed a co-operation agreement with the Mainland on joint efforts to take forward the implementation of a Domestic Marine Emission Control Area in the Pearl River Delta. We plan to mandate vessels in Hong Kong waters to use low sulphur fuel starting from January 2019. The establishment of the emission control area in this region will set a leading example in Asia.

239. In addition, we will explore the launch of pilot schemes for local ferries and new government vessels to adopt green technologies to reduce their emissions.

Waste Reduction and Recycling

240. The promotion of a “Use less, Waste less” culture is crucial to achieving low-carbon living. This calls for a multi-pronged approach, and waste reduction at source holds the key. The implementation of municipal solid waste (MSW) charging is central to the “Hong Kong: Blueprint for Sustainable Use of Resources 2013 – 2022”. It will introduce financial incentives to drive a behavioural and cultural change, and encourage the community to practise waste reduction and clean recycling more proactively. We are refining the implementation arrangements announced earlier and aim to introduce an amendment bill into the LegCo later.

241. To complement the implementation of the MSW Charging Scheme, we will further step up our effort in supporting waste reduction at source and clean recycling. Among others, an outreaching service and another round of publicity and public education programme on clean recycling will be launched to enhance public awareness of waste recycling. This in turn will increase the recyclability and economic value of recyclables, thereby enlarging the supply of suitable recyclables for the recycling industry.

242. Starting from early next year, the Mainland will progressively introduce new measures in reforming its import management regime on recyclables. This will bring new opportunities to the recycling industry in Hong Kong. We are fine-tuning the operation of the Recycling Fund step-by-step to assist the industry, especially small and medium enterprises, in expanding and upgrading their businesses. New subsidy programmes under the Recycling Fund were launched in recent months to encourage the trade to process their recyclables to a standard that meets the latest import requirements of the Mainland.

243. In addition, the Environmental Protection Department (EPD) will provide better support for collecting recyclables with lower recycling value through enhanced co-operation with non-governmental organisations and stakeholders. For instance, we will implement central collection of waste plastic bottles so that these recyclables can be processed most cost-effectively.

244. The EPD will also study the feasibility of nurturing a local manufacturing industry using recycled materials in the long run. Under this study, we will examine how best to support the development of such an industry with the land and ancillary facilities at the EcoPark and look for more long-term, effective and diversified ways out for the processing of local recyclables.

245. On addressing the challenge of food waste, following the gradual establishment of a network of organic resources recovery centres, the EPD will set up a dedicated Food Waste Recycling Group to implement source separation and collection of food waste, study and formulate new regulatory measures on food waste disposal, administer the Food Wise Hong Kong Campaign, and facilitate food waste reduction and recycling. Furthermore, the Food Wise Hong Kong Campaign will enter a new stage, during which we will foster the “Food Wise” culture among the public and promote centralised food waste recycling in the commercial and industrial sectors.

Nature Conservation

246. In response to the strong demand of the international community for strengthening the control of ivory trade to eliminate the threat to the survival of elephants, the Government moved the second reading of the Protection of Endangered Species of Animals and Plants (Amendment) Bill 2017 in June this year, to ban the import and re-export of elephant trophies, phase out the local ivory trade, and impose heavier penalties on smuggling and illegal trading of endangered species. The LegCo has set up a Bills Committee to scrutinise the Bill, and we hope that the Bill will be passed as soon as possible. We will also

follow the common international practice of offering no compensation to the ivory trade to avoid sending a wrong message, which might lead to further poaching of elephants and smuggling of illegal ivory into Hong Kong by illicit traders for seeking possible compensation. However, the Government will offer appropriate assistance to the affected ivory craftsmen as far as possible.

247. While taking forward the “Biodiversity Strategy and Action Plan 2016 – 2021”, we will continue to organise the Hong Kong Biodiversity Festival in collaboration with community organisations to promote public appreciation of the nature and wise consumption of biological resources in our daily lives.

248. Country parks are Hong Kong’s precious resources. To commemorate the 40th anniversary of country parks, the Agriculture, Fisheries and Conservation Department organised a series of programmes on the theme of “Country Parks Our Legacy” for public enjoyment and to promote nature conservation.

Countryside Revitalisation

249. Remote areas in the countryside are rich in ecological, architectural and cultural resources. The Government will enhance the conservation of these areas, thereby protecting the natural ecology of the countryside, revitalising the architectural environment of villages, and conserving our precious cultural resources. These actions will not only bring new life to the almost desolate remote countryside, but also promote eco-tourism, thus responding to the community’s vision for urban-rural symbiosis. In collaboration with various NGOs, the Government has earlier carried out various revitalisation projects and minor improvement works to rehabilitate the ecological, cultural and architectural environment in Lai Chi Wo. The initiative has the support of the villagers, and is well received by the community.

250. The Government will establish a Countryside Conservation Office to co-ordinate conservation projects that promote sustainable development of remote countryside, and has earmarked \$1 billion for such conservation effort and revitalisation works. As a priority, the Office will, in collaboration with NGOs on an interactive basis, organise diversified and innovative activities, take forward the planning of enhanced effort on countryside revitalisation in Lai Chi Wo, and implement an ecological conservation project in Sha Lo Tung. We will keep under review the implementation of the initiative and the effectiveness of these projects from time to time, and will extend the initiative progressively to other remote countryside areas.

Heritage Conservation

Intangible Cultural Heritage

251. We announced the first Representative List of the Intangible Cultural Heritage of Hong Kong (Representative List) in August 2017, which comprises 20 items of high cultural value and with an urgent need for preservation. They include nanyin (southern tunes), sek pun (basin feast), paper crafting technique and Hong Kong-style milk tea making technique, etc. The Government will closely liaise with the respective organisations and bearers, and organise thematic exhibitions and a wide range of activities to enhance public knowledge of the items on the Representative List. The Government will continue to encourage various sectors of the community to participate in and support the protection of intangible cultural heritage.

Historic Buildings

252. The invaluable cultural heritage of Hong Kong stands witness to the historical development of our city. The Government adopts a multi-pronged approach in promoting heritage conservation, which includes enforcement of the Antiquities and Monuments Ordinance, implementing the grading mechanism for historic buildings, providing subsidies and grants under the Built Heritage Conservation Fund, implementing the Revitalising Historic Buildings Through Partnership Scheme (Revitalisation Scheme) and organising promotional and public education activities, etc. So far, five batches of projects under the Revitalisation Scheme have been rolled out, involving a total of 19 projects, including the “Viva Blue House” at the Blue House Cluster in Wan Chai, which was opened last month. Various projects under the signature initiative of Conserving Central are completed one by one. Furthermore, the “Heritage Vogue • Hollywood Road” street carnival held in July this year was well-received with enthusiastic public participation. We will continue to organise similar activities for public enjoyment in future.

Arts and Culture

253. Arts and culture are the soul of a city. They enrich people’s life, support diversification of industries, promote tourism and provide alternative employment opportunities for young people. After years of planning and preparation, the much anticipated West Kowloon Cultural District (WKCD) is gradually becoming a prominent landmark on the waterfront of the Victoria Harbour. Major facilities of the WKCD to be completed in the next few years include the Xiqu Centre, the M+ Museum, the Lyric Theatre Complex, the Freespace, the Art Park and the Hong Kong Palace Museum. I am pleased that

as the WKCD progresses to the next stage, the Hon. Henry TANG Ying-yen has agreed to assume once again the chairmanship of the Board of the West Kowloon Cultural District Authority (WKCDA) to lead the WKCDA team to start a new chapter in Hong Kong's arts and culture sector.

254. In addition to the WKCD, the Government will strive to provide an environment conducive to arts and cultural development. Apart from exploring ways to assist the arts and cultural sector in the context of the review of the industrial building revitalisation policy conducted by the Development Bureau, the Government would also continue to identify suitable locations for development into arts space. With the support of the Government, the Hong Kong Arts Development Council (HKADC) is looking into the possibility of opening new arts space in revitalised industrial or commercial buildings offered by private owners for use by young artists at affordable rentals based on the mode of operation of the "ADC Arts Space" in Wong Chuk Hang.

255. The realm of arts knows no boundary. Let us not forget that there is a much wider world outside Hong Kong, where our arts sector has gradually earned a fine reputation with years of hard work. During the year, to complement the celebration events organised for the 20th anniversary of Hong Kong's return to our Motherland, we have arranged arts groups to stage performances both within and outside Hong Kong. These performances won wide acclaim. To consolidate Hong Kong's status as an international cultural metropolis and to create more opportunities for our young artists, we will allocate more resources to support the local arts and cultural sector. In the next few years, we will increase the resources support for local artists and arts groups to perform and stage exhibitions outside Hong Kong and for hosting Hong Kong Week in some of the major Mainland cities to showcase the essence of Hong Kong arts. We will also provide a funding of \$36 million in the coming six years for continuing the training scheme for arts administrators and encouraging young artistic talents to study and exchange experience with their counterparts elsewhere.

256. We also attach importance to cultivating the cultural literacy of our younger generation and building a wider audience base. In this connection, the Government will support the work of the HKADC in fostering further collaboration between arts groups and schools. This will help promote the better use of school premises as arts space as well as nurture students' interests in arts, thereby laying a foundation for future cultural development in Hong Kong.

Sports Development

257. The Government is taking forward the Kai Tak Sports Park Project to provide modernised and multi-purpose facilities to support holistic sports development and the hosting of more world-class sports events. Having completed the prequalification process, we will invite qualified tenderers to submit tenders within this year. The construction works are expected to commence in the second half of 2018 and be completed between 2022 and 2023.

258. Starting from this school year, the EDB and the HAB have launched the Opening up School Facilities for Promotion of Sports Development Scheme, which provides additional subsidies to public sector schools to encourage them to open up their school facilities to sports associations and help promote a sporting culture in schools. We will collect views from relevant schools and sports associations to further enhance the scheme.

259. Following the completion of the Consultancy Study on Sport for People with Disabilities in Hong Kong and the public consultation on the study, the HAB developed a detailed work plan in collaboration with stakeholders. One of the key measures is to launch a pilot scheme to provide full-time training to athletes with disabilities and funding support to elite sports for the disabled. We will draw on the experience gained from the pilot scheme when devising a long-term elite support scheme.

260. Ball games played by teams have always been the most popular sports among students and young people. However, given the larger number of players involved in team sports, more resources are required to organise training in order to enhance their chance of achieving good results in major international games. To promote the development of team ball games, we will earmark \$130 million for the launch of a five-year development programme to provide additional funding for the relevant national sports associations to formulate and implement training programmes for Hong Kong representative teams to compete in the Asian Games. Funding support will also be offered to members of Hong Kong representative teams, with the aim of enhancing the performance of team sports progressively and increasing their chances of attaining elite sports status in future.

Safe City

261. Public safety is an important indicator of a liveable city. Hong Kong is one of the safest cities in the world and the overall crime rate in recent years hit a record low. In view of the rapid development of the global counter-terrorism situation and the potential threat posed by terrorism to Hong Kong, the

Government must ensure the adequacy of Hong Kong's counter-terrorism capability and preparedness and reinforce this with continuous enhancement. We will establish a dedicated Inter-departmental Counter-terrorism Unit led by the Police and comprising relevant law enforcement agencies. The unit will monitor the global terrorism trends and regimes on countering terrorism, review and improve counter-terrorism strategies in Hong Kong, and formulate measures and action plans in collaboration with relevant departments. The Government will also strengthen intelligence-sharing with the counter-terrorism agencies elsewhere, and enhance our capabilities in intelligence gathering and analysis. In addition, we need to develop specialised training on counter-terrorism, specialised investigation and capability in combating and continuously improve the emergency response plans and enhance public alertness and education.

VII. Connecting with Young People

My Belief

262. Young people are our future. They are the most energetic and creative generation in our society and they possess the greatest potential to drive the development of our society. I recognise that young people have very different talents and aspirations. As such, we should support them in fully realising their potential. We appreciate that young people have great hopes and aspirations for the future of Hong Kong and possess diverse views on the current situation. Our community should understand more about their feelings and needs, give them more support and create room for them to realise their potential. In the next five years, we will strive to do our best in youth development work by addressing their concerns about education, career pursuit and home ownership, and encouraging their participation in politics as well as public policy discussion and debate. In so doing, the younger generation will see hope and opportunities for upward mobility. This will, in turn, help address deep-rooted social conflicts. Young people should also be given more opportunities to participate in public affairs so that the Government can better understand their views and suggestions and take them into account.

Youth Development Commission

263. The Youth Development Commission, to be chaired by the Chief Secretary for Administration, will be set up in the first half of 2018 to enhance policy co-ordination within the Government. This would enable holistic and more effective examination of, and discussion on issues of concern to young people. This will also promote collaboration across bureaux and departments in the implementation of policy initiatives agreed by the Commission. In addition, I will chair youth summits to examine the outcome of the Commission's work jointly with stakeholders and listen to the views of young people.

Stepping up Communication with Young People

264. We strive to enhance communication with young people. My political team and myself, will listen and respond to the views and aspirations of young people through different channels, such as regular school visits to meet students and listen to their views. Through these activities, we can show more care, listen more, take more concrete action and interact more with young people. We will also make good use of various channels, including making

better use of social media and online platforms, to connect with youngsters so that the Government will be able to attain a better understanding of their ideas and proposals and take them on board in a more effective manner. Furthermore, the HAB will launch a “Youth Ambassadors” scheme and reinforce the district youth networks in the 18 districts. We will continue to step up effort in the promotion of youth development and enhancement of liaison and communication with young people at different levels.

Participation of Young People in Policy Discussion

265. As mentioned earlier, we will appoint more young people to various government boards and committees with the aim of increasing the overall ratio of youth members (i.e. persons who are aged between 18 and 35) to 15% within the current-term Government. As a start, we will invite young people to become members of specified boards and committees by self-recommendation through the pilot member self-recommendation scheme.

Participation of Young People in Politics

266. The Government will recruit 20 to 30 young people aspiring to pursue a career in policy research as well as policy and project co-ordination to join the proposed Policy Innovation and Co-ordination Unit on a non-civil service contract basis, so that they can gain experience in public administration and the voices of young people can be heard at senior levels of the Government. We expect that those recruited will be able to start participating in the work of the proposed Unit when it formally commences operation.

Expectation on Young People

267. Young people should develop a positive outlook to life, a commitment to society, a sense of national identity, a love for Hong Kong and an international perspective. The Government will enhance collaboration with various community organisations, in particular uniformed groups and volunteer organisations, to provide more opportunities for young people to participate in community affairs and to serve the community. This would instil in them a positive attitude towards life and perseverance. Besides, exchange and internship schemes in the Mainland and overseas in various formats and on different themes will be organised. Through these schemes, we seek to enhance young people’s understanding of the prevailing economic, social and cultural landscape at the national and international levels, and promote their acceptance of different cultures through exchanges with young people from the Mainland and overseas.

Broadening Horizons

Scholarship for Excellence Scheme

268. Starting from the 2019/20 school year, we will regularise the Hong Kong Scholarship for Excellence Scheme to continue to support up to 100 outstanding local students per cohort to pursue studies in world-renowned universities outside Hong Kong with a view to grooming a top cadre of talent with global vision, international network and world-class education. The graduates would contribute towards the long-term economic and social development of Hong Kong.

Overseas Internships Arranged by Economic and Trade Offices

269. In recent years, our overseas ETOs have arranged for Hong Kong higher education students to take up summer internships provided by different organisations in the countries under their purview. These internships help the students to gain an understanding of the work culture in different places and broaden their perspectives. The ETOs will continue to actively promote the scheme and encourage more organisations to participate in order to make available more opportunities for our students to take up overseas internships.

Enhanced Internship in the Mainland

270. We will continue to allocate additional resources to take forward and enhance various youth development programmes in the coming five years. In particular, more internship opportunities in the Mainland, the Belt and Road countries and other parts of the world will be provided for our young people. These internships aim to enhance their understanding of the work culture and career prospects in different places, allow them to establish interpersonal networks, broaden their horizons and assist their future career planning. The Youth Internship Programme at the Palace Museum and the Youth Internship Programme at Wolong National Nature Reserve, both held for the first time and completed in August this year, are good examples. These two programmes attracted the participation of Hong Kong young people who are interested in culture and nature conservation. Through the programmes, participants have gained more knowledge in the relevant disciplines and professional fields. They have also acquired a better understanding of the development of our country on various fronts. Looking ahead, we will provide more enhanced internship opportunities with special features in Mainland provinces and cities for young people in Hong Kong to deepen their understanding of the latest developments and opportunities in our country.

Working Holiday

271. In order to provide more opportunities for our young people to appreciate different cultures and the development of other countries (including the Belt and Road countries), the Government will proactively sign more Working Holiday Scheme agreements with suitable countries. This would enable Hong Kong young people aged 18 to 30 to learn more about the local customs and culture as well as the social development of various countries through travelling, thus broadening their horizons.

Space Sharing Scheme for Youth

272. Many local enterprises have been actively fulfilling their corporate social responsibilities, with the objective of making a contribution to the community through concrete actions, in particular helping our young people. Through a “Community-Business-Government” tripartite partnership, we will implement a Space Sharing Scheme for Youth. The Scheme is a platform for owners of revitalised industrial buildings and commercial buildings to contribute floor areas for the operation of co-working space or studios, to support start-ups of emerging industries and young people who are starting their own businesses, and to support the development of arts and culture. Participating owners will rent out floor areas to suitable non-governmental organisations at a rent no more than one-third of the market rental for operating the co-working space or studios under the Scheme. Alternatively, they may operate such space directly on their own. The operators will provide a wide range of leasing options and supporting services for start-ups, young entrepreneurs and artists at a concessionary rent no higher than half of the market rental. We expect to roll out the first batch of about 60 000 square feet of shared space for youth in the first half of 2018. I appeal for the participation of more owners of revitalised industrial and commercial buildings in the scheme, in a bid to drive all sectors of the community to support young people in pursuing innovation and starting their own businesses.

VIII. Conclusion

273. The year 2017 marks the 20th anniversary of Hong Kong's return to the Motherland. At this important juncture, I pledge in my capacity as Chief Executive that I will lead my governing team to make our best endeavour to ensure that:

- our children will grow up healthily and happily in a caring environment that is inspiring and creative;
- our younger generation will be able to apply their talents to build fulfilling lives for themselves;
- citizens in the prime of their lives will enjoy a stable and satisfying environment so that they can continue to prosper and provide for their families; and
- all our senior citizens will have marvellous golden years.

274. My vision is for a Hong Kong of hope and happiness — a city we are all proud to call our home. I see a vibrant international metropolis that is just, civilised, safe, affluent, enjoys the rule of law, compassionate and well-governed. To achieve this vision, we need to have a society that is united, harmonious and caring. This vision is not, in reality, that far off. In fact, it has been Hong Kong's way to success for more than half a century. We have not lost our intrinsic advantages, Hong Kong people are still brilliant and the Hong Kong spirit has not been eroded. As long as we can connect and achieve consensus, and capitalise on our strengths, the future of Hong Kong is bright.

275. Let us connect for hope and happiness!