

The 2017 Policy Address

Make Best Use of Opportunities
Develop the Economy
Improve People's Livelihood
Build an Inclusive Society

Contents

	<i>Paragraph</i>
I. Introduction	1–8
II. Economy	9–41
The National 13th Five-Year Plan	10–15
Financial Services	16–20
Professional Services	21–24
Convention and Exhibition and Tourism	25–29
Creative Industries	30–34
Transportation and Logistics Industries	35–37
Trade and Investment Environment	38–39
Improving Economic and Trade Office Network	40–41
III. Belt and Road Initiative	42–53
Platform for Professional Services	47–48
Relaxing Visa Requirements to Facilitate Movement	49
People-to-people Bonds	50–53
IV. Innovation and Technology	54–75
Promoting the Development of Applied Scientific Research	57–59
Helping Start-ups	60–63
Promoting the Development of Industries and Re-industrialisation	64–68
Smart City	69–75
V. Housing and Land Use	76–131
Housing	76–79
Housing Demand	76–78
Land Supply	79
Short to Medium-term Programmes	80–91
Government Land Sales, Railway Property Development and Private Housing Land Supply	80–82

Reviewing Land Use and Increasing Development Intensity	83–85
Kai Tak Development Area and Other Urban Development Projects	86–88
Urban Renewal	89
Commercial and Economic Land Uses	90–91
Medium to Long-term Programmes	92–103
New Development Areas and Extension of New Towns	93–96
Tseung Kwan O Area 137	97
Siu Ho Wan Depot Site and Property Developments along Rail Lines	98
Development of Rock Caverns and Underground Space	99
Reclamation outside Victoria Harbour	100
Development of Lantau	101–103
Long-term Planning — “Hong Kong 2030+”	104–106
Land Use — Development and Conservation	107–117
Promoting Green Buildings	118
Heritage Conservation	119
Land Restructuring and Enforcement	120–126
Agricultural Land	120
Brownfield Sites	121–123
Enforcement against the Misuse of Industrial Buildings	124–126
Harbourfront Enhancement and Development	127
Construction Industry	128–131
Public Works Projects	128–129
Technology Application and Innovation	130–131
VI. Environmental Protection and Nature Conservation	132–145
Climate Change and Energy	132–135
Nature Conservation	136–137
Air Quality	138
Water Quality of Victoria Harbour	139

	<i>Paragraph</i>
Marine Cleanliness	140
Waste Management	141–145
VII. Transport	146–163
Roads and Bridges	146–149
Strategic Studies beyond 2030	150
Rail Links	151–153
Other Public Transport Services	154–158
Public Transport Strategy Study	154
Trial Scheme for Low-floor Light Buses	155
Tram	156
Ferry Services for Outlying Islands	157
Improving Ancillary Facilities for Public Transport	158
Fostering a Pedestrian and Bicycle-friendly Environment	159–162
Alleviating Road Traffic Congestion	163
VIII. Poverty Alleviation, Elderly Care and Support for the Disadvantaged	164–184
Progress and Vision	164–172
Elderly Services	173–177
Support for the Disadvantaged	178–184
Persons with Disabilities	178–179
Children with Special Needs	180–182
Family Services	183–184
IX. Retirement Protection and Population Policy	185–203
Retirement Protection	185–199
Reinforcing the Multi-pillar System	186–187
Enhancing the Mandatory Provident Fund System	188–192
Optimising the Multi-tiered Social Security Pillar	193–194
Improving Healthcare for the Elderly	195–196

Supporting the Elderly in Investment Management	197
The Way Forward	198–199
Labour	200–202
Population Policy	203
X. Education and Youth Development	204–217
Kindergarten Education	204–205
Primary and Secondary Education	206–212
Post-secondary Education	213–215
Vocational and Professional Education	216
Youth Development	217
XI. Sports and Culture	218–230
Sports Development	218–225
Culture and Arts	226–230
XII. Healthcare	231–254
Healthcare System	231
Healthcare Manpower Planning and Professional Development	232–233
Improving the Operation of the Medical Council of Hong Kong	234
Development of Public and Private Hospitals	235
Regulation of Private Healthcare Institutions	236
Voluntary Health Insurance Scheme	237
Electronic Health Record Sharing	238
People-oriented Healthcare Services	239
Promoting a Healthy Lifestyle	240–241
Disease Prevention	242–243
Mental Health	244
Development of Chinese Medical Professionals and Chinese Medicines	245–252
Food Safety	253
Safety of Drinking Water	254

XIII. Municipal Services, District Administration and Governance	255–272
Municipal Services	255–257
Public Markets	255
Environmental Hygiene	256
Funeral Services	257
District Administration	258–260
District Councils	258–259
Building Management	260
Law and Order	261–262
Non-refoulement Claims	261
Strengthening the Legislation on Anti-terrorism and Emergency Response Measures	262
Governance	263–272
Twentieth Anniversary of Return to the Motherland	263
Successful Implementation of the Basic Law	264–267
Rule of Law and Judicial Independence	268
Maintaining a Clean Society	269
Enhancing the Voter Registration System	270
The Civil Service	271–272
XIV. Conclusion	273–279

List of Maps, Charts and Tables

Table 1	List of Reports Published by the FSDC	16
Map 1	Major Technology and Industrial Sites in North East New Territories	54
Chart 1	Projected Total Public Housing Production	77
Map 2	Kai Tak Development and Kai Tak Fantasy	87
Map 3	New Development Areas and New Town Extension	93–96
Map 4	Rock Cavern Development and Underground Space Development and Reclamation Outside Victoria Harbour	99–100
Map 5	Some Existing and Upcoming Sites for Conservation	116
Chart 2	Roadside Air Quality	138
Map 6	Major Infrastructure Projects under Construction and Planning	146–149
Map 7	Railway Projects under Construction and Planning	152
Chart 3	Distribution of Average Daily Public Transport Passenger Journeys by Mode	154
Chart 4	Number of CSSA Unemployment Cases	170
Map 8	Five-Year Plan for Sports and Recreation Facilities	219

Mr President, Honourable Members and fellow citizens,

I. Introduction

1. The current-term Government upholds the vision of “Developing the Economy and Improving People’s Livelihood”. We believe that only through economic development can we improve people’s livelihood and promote social harmony and inclusion.

2. The Heritage Foundation of the United States has rated Hong Kong as the world’s freest economy for 22 consecutive years. According to the Human Freedom Index 2016 published by the Cato Institute of the United States, Hong Kong has topped the ranking for six consecutive years. The index measures the state of freedom in 159 jurisdictions based on 79 indicators covering such areas as the rule of law, freedom of movement, civil liberties and economic freedom.

3. Over the past four years, Hong Kong’s economy has seen moderate growth and receding inflation. The Government maintains a sound fiscal position. The working population increased in total by 160 000 while the unemployment rate remained at a very low level. Apart from reinforcing the competitive edges of traditional industries, the Government also strives to promote the development of emerging industries.

4. Land and housing supply for the short and medium terms has increased significantly while medium and long-term planning is actively pursued. Many infrastructure projects are underway.

5. In the past four years, the Government has made full efforts to alleviate poverty, care for the elderly, support the disadvantaged and encourage employment. Over these four years, earnings for the employees in the lowest three income decile groups have increased by 5.2% after discounting inflation. The number of Comprehensive Social Security Assistance (CSSA)

cases has continued to drop and the poor population is shrinking. The Government has invested heavily in healthcare infrastructure. Air quality in our city and water quality in Victoria Harbour have improved notably. Measures on climate change and waste management have been implemented progressively and important progress has been made in the protection and conservation of species and the rural environment.

6. The world's political and economic landscapes are undergoing profound changes. China is playing an increasingly prominent and leading role in the global economy. Against this background, Hong Kong's dual advantages of "one country" and "two systems" and its role as the "super-connector" are becoming more apparent. Leveraging the National 13th Five-Year Plan and the Belt and Road Initiative, Hong Kong enjoys endless opportunities, as we excel in "what the country needs, and what Hong Kong is good at".

7. The Government attaches great importance to the executive-legislative relationship, and seeks to work with all Members of the Legislative Council (LegCo) of different political affiliations. The community expects the executive authorities and the legislature to perform their respective functions and waste no time or opportunity in jointly promoting Hong Kong's social and economic development.

8. Hong Kong is an inalienable part of our country. There is absolutely no room for independence or any form of separation. Under "one country, two systems", every one of us has the obligation to fully comply with the Basic Law and safeguard national sovereignty, security and territorial integrity.

II. Economy

9. Experience around the world clearly shows that economic growth and a low unemployment rate cannot be taken for granted. Last year, Hong Kong's economy saw moderate growth and the unemployment rate remained at a very low level. In the coming year, in view of the uncertain global economic outlook, the whole community must work to sustain economic development. In tandem with reinforcing the competitive edges of our traditional industries, we should foster diversification of our industries, promote re-industrialisation and press ahead with our innovation and technology development to increase output value.

The National 13th Five-Year Plan

10. The Dedicated Chapter on Hong Kong and Macao in the National 13th Five-Year Plan acknowledges the functions and positioning of Hong Kong in our country's development by pledging support for Hong Kong to consolidate and enhance our status as an international financial, transportation and trade centre. The chapter expresses clear support for our professional services to move towards high-end and high value-added developments, and for the development of our innovation and technology as well as legal and dispute resolution services, etc. The chapter emphasises deepening co-operation between the Mainland and Hong Kong and supports Hong Kong's participation in the country's two-way opening up and the Belt and Road Initiative, so as to explore new markets.

11. Other chapters of the National 13th Five-Year Plan also bring new opportunities for Hong Kong in areas such as innovation and technology, environmental and green industries, and urbanisation.

12. The National 13th Five-Year Plan states that the Central Government will advocate the upgrading of the Mainland's closer economic partnership arrangements with Hong Kong and Macao. The Agreement on Trade in Services signed under the

framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) was implemented in June last year to basically achieve liberalisation of trade in services between the Mainland and Hong Kong. The Hong Kong Special Administrative Region (HKSAR) Government is exploring further with the Mainland the expansion and enhancement of CEPA in the areas of investment, economic and technical co-operation, etc. We expect to achieve some concrete results by the middle of this year.

13. The outline of the National 13th Five-Year Plan clearly expresses the need to expedite development of co-operation platforms among Guangdong-Hong Kong-Macao such as Nansha, Qianhai and Hengqin. The planning of the Guangdong-Hong Kong in-depth co-operation zone (the co-operation zone) in Nansha has fully incorporated the concept, experience and advice shared by Hong Kong, and the construction of major transport facilities supporting the co-operation zone has fully commenced. The HKSAR Government will continue to co-operate closely with the Guangdong Provincial Government under the Guangdong-Hong Kong co-operation mechanism and on the principle of achieving mutual benefits through active participation and joint planning, so as to better seize new opportunities for Hong Kong people and enterprises to start business, pursue employment and further career.

14. Qianhai serves as the Shenzhen-Hong Kong modern service industry co-operation zone. With a number of preferential arrangements, such as easing market access and providing concessions on enterprise income tax, as well as being adjacent to Hong Kong, Qianhai is attractive to Hong Kong enterprises.

15. The concessions on enterprise income tax and other relevant liberalisation policy measures adopted by Qianhai have also applied to Hengqin. The HKSAR Government will continue to make use of the co-operation mechanism between Hong Kong and Zhuhai to open up business opportunities for Hong Kong

people and corporations during the process of Hengqin's development of the cultural, creativity, tourism and leisure industries.

Financial Services

16. Over the past four years, the Financial Services Development Council (FSDC) has released 26 reports, taking into account views from experts and putting forward an array of recommendations on the sustainable development of Hong Kong's financial market and financial services sector. The Government will actively consider the recommendations on taxation, laws and regulations, nurturing talent, etc., and implement the feasible measures. We will continue to provide the FSDC with the necessary resources, and fully support its work. With offices around the globe, the Hong Kong Trade Development Council (TDC) has an extensive network in the Mainland and overseas, as well as solid promotional experience. I have therefore decided to request the TDC to collaborate with the FSDC and the industry to strengthen the promotion of our financial services industry outside Hong Kong.

17. The Shenzhen-Hong Kong Stock Connect launched last month has further reinforced Hong Kong's status as an international financial centre of our country and a global offshore Renminbi (RMB) business hub. The Government will promote the realisation of mutual access of exchange-traded funds to expand the scope of eligible securities for trading.

18. The National 13th Five-Year Plan has confirmed Hong Kong's status as a global offshore RMB business hub. The demand arising from the Belt and Road Initiative and the Mainland-Hong Kong Mutual Recognition of Funds Arrangement will enable Hong Kong to further expand its RMB business.

Table 1

List of Reports Published by the FSDC

1.	Strengthening Hong Kong as a Leading Global International Financial Centre
2.	Development and Reform of Mainland China's Financial Sector and the Strengthening and Enhancement of Hong Kong's Pivotal Role as a Financial Centre
3.	Proposals to Advance the Development of Hong Kong as an Offshore Renminbi Centre
4.	Developing Hong Kong as a Capital Formation Centre for Real Estate Investment Trusts
5.	Proposals on Legal and Regulatory Framework for Open-ended Investment Companies in Hong Kong
6.	Synopsis Paper Proposing Tax Exemptions and Anti-avoidance Measures on Private Equity Funds in the 2013-14 Budget
7.	Promotional Activities by the Financial Services Development Council
8.	Pilot Scheme for Training Courses
9.	Positioning Hong Kong as an International IPO Centre of Choice
10.	Policy Development Proposals on the "Mainland and Hong Kong Closer Economic Partnership Arrangement"
11.	Developing Hong Kong as an Offshore RMB-denominated Reinsurance Centre
12.	Disclosure of Interests Regime in Hong Kong
13.	Developing Hong Kong's Human Capital in Financial Services
14.	Chinese Enterprises "Going Global": Opportunities and Hong Kong's Policy Responses
15.	Enhancing Hong Kong's Role as a Centre for Regional and International Financial Institution Operations: Booking
16.	Strengthening Hong Kong as a Capital Formation Centre for Exchange Traded Funds
17.	A Paper on Limited Partnership for Private Equity Funds
18.	A Paper on the Tax Issues on Open-ended Fund Companies and Profits Tax Exemption for Offshore Private Equity Funds
19.	Strengthening Hong Kong as a Retail Fund Distribution Centre
20.	Hong Kong's Position Limits Regime for Exchange-traded Derivatives – the Need for Revision
21.	Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong
22.	Recommendations for Capitalising on the Unique Advantages of Hong Kong in the Process of Renminbi Capital Account Convertibility
23.	Hong Kong as a Regional Green Finance Hub
24.	Proposal on the Mainland-Hong Kong Bond Market Connect
25.	The 13th Five-Year Plan: Opportunities for the Hong Kong Financial Industry and Policy Recommendations
26.	A Paper on Tax Issues Affecting Hong Kong to Become a Preferred Location for Regional and International Financial Institutions to Originate and Trade International Financial Products

19. The Asian Infrastructure Investment Bank (AIIB) promotes infrastructure development in Asian countries. Hong Kong can support the AIIB in such areas as project financing, bond issuance, investment, financial management and foreign exchange management. Hong Kong has been officially invited to join the AIIB. We expect the relevant procedures to be completed by the middle of this year.

20. We also need to promote the development of financial technologies (Fintech) to establish Hong Kong as a hub for the application and setting of standards for cutting-edge Fintech. The sector as well as research institutions and regulatory authorities are actively studying a number of projects on cyber security and “Blockchain”, and building a pool of talent.

Professional Services

21. Professional services are an important economic sector. Between 2005 and 2015, our professional services grew by an annual average of 9.0% in nominal Gross Domestic Product, a very fast rate.

22. Under CEPA, professionals in the construction and related industries have made good progress entering the Mainland market. Liberalisation measures implemented in Guangdong, including allowing our professionals to register and practise and our enterprises to establish a business there, have now been extended to Guangxi and Fujian. The Government will seek to extend Hong Kong’s project management model, which is being practised on a trial basis in Qianhai, to Nansha and Hengqin.

23. The National 13th Five-Year Plan gives clear support for Hong Kong to establish itself as a centre for international legal and dispute resolution services in the Asia Pacific region. The Government will continue to create favourable conditions, improve supporting infrastructure and enhance co-ordination.

24. The Department of Justice has earlier proposed two sets of amendments to the Arbitration Ordinance. One seeks to clarify the arbitrability of intellectual property rights (IPR)

disputes to enhance Hong Kong's status as an international IPR arbitration centre. The other seeks to allow third-party funding for arbitration and mediation to widen the scope of relevant services in Hong Kong.

Convention and Exhibition and Tourism

25. A consultancy study has found that by 2028 there will be a shortfall of about 130 000 square metres of convention and exhibition venues in Hong Kong at peak periods. We must have well-conceived medium and long-term extension planning and ensure that shortage of venues will not pose constraints to our convention and exhibition business.

26. Last year, we highlighted Hong Kong's diversified and high value-added travelling experiences, as well as our gourmet culture and cultural and creative tourism. We successfully staged a number of mega events including the Formula E motor race and the large-scale Hong Kong Wine and Dine Festival.

27. These strategies have delivered results. Although total visitor arrivals have dropped, the decline has become milder in recent months. In particular, the number of visitors from Southeast Asia increased year-on-year while non-Mainland overnight visitors increased by 3.7% year-on-year in the fourth quarter of last year.

28. To celebrate the 20th anniversary of Hong Kong's return to the Motherland, the Government and the Hong Kong Tourism Board will hold a number of mega events, including summits, heritage exhibitions, large-scale sports events and light shows, to attract more high-yield overnight visitors.

29. The number of ship calls at the Kai Tak Cruise Terminal grew by 70% year-on-year in 2016. This year the Government will invite a tender for the Kai Tak Tourism Node in the vicinity of the cruise terminal to develop a world-class tourist attraction.

Creative Industries

30. Cultural and creative industries contribute value added of over \$100 billion year-on-year. From 2005 to 2015, the value added in nominal terms increased at an average annual rate of 7.6%.

31. Hong Kong should entrench its position as a creative hub and as a prime market for investors and buyers. In collaboration with the industry, the Government will continue to facilitate market development, nurture talent and promote cross-sector and cross-territory co-operation.

32. The Government strongly encourages creative industries such as film and design as well as animation and comics to unleash their IPR potentials and attain cross-sector synergy, paving the way to move up the value chain and pursue diversified development. The Government will expand the business matching platform to encourage more interaction among local creators, designers and brand licensors as well as small and medium enterprises (SMEs).

33. The film industry is a key creative industry that reflects Hong Kong's cultural soft power. In the face of competition from all around, Hong Kong has to nurture more film talent. In the coming two to three years, the Government will collaborate with the film industry to run training programmes regularly with a total of 200 places to provide practical training or internship opportunities for frontline talent in the production and post-production sectors of the film industry. Moreover, the Government will support 10 practitioners in the post-production sector in each of the next three years to further their studies or undertake internships overseas.

34. In addition to our continuous efforts to expand markets for local films, the Government will, from this year, organise Belt and Road promotional tours to countries with market potential, such as Iran, Indonesia, Malaysia and India, with a view to attracting film producers to come to Hong Kong for post-

production and location filming and production facilitation services.

Transportation and Logistics Industries

35. The Government plans to introduce a bill into the LegCo this year to amend the Inland Revenue Ordinance to offer tax concession so as to attract companies to develop aircraft leasing business in Hong Kong.

36. Upon commissioning of the Hong Kong-Zhuhai-Macao Bridge (HZMB), it will take only 65 minutes to transport goods from Zhuhai to the Kwai Tsing Container Terminals (KTCTs), instead of about 3.5 hours at present. Meanwhile, the journey time between the Hong Kong International Airport (HKIA) and Zhuhai will be reduced from 4 hours to 45 minutes, thereby greatly increasing business opportunities for the modern logistics sector in Hong Kong. It is estimated that upon full commissioning of the Three-Runway System, HKIA will have the capacity to handle air traffic demand at least up to 2030. Lantau Island will become the geographical converging point of Guangdong, Hong Kong and Macao, providing new opportunities for the next stage of Hong Kong's development as a regional hub.

37. With established maritime heritage and unique institutional advantages, Hong Kong has a vibrant maritime cluster of more than 800 companies providing an array of quality maritime services including ship management, ship broking and chartering, marine insurance, ship finance, maritime law and arbitration, etc. Last year, the Government set up the Hong Kong Maritime and Port Board. A focus of the Board is to step up promotional efforts to encourage key maritime enterprises to set up in Hong Kong, overseas and in the Mainland with a view to strengthening our maritime cluster, and to encourage the use of our commercial and high value-added maritime services, to develop Hong Kong as a premier maritime services hub in the region.

Trade and Investment Environment

38. The HKSAR Government is negotiating a free trade agreement with the Association of Southeast Asian Nations. As regards investment agreements, we have already signed 19.

39. The Government is closely monitoring the impact of the United Kingdom's exit from the European Union. Invest Hong Kong and our Economic and Trade Offices (ETOs) in Europe will actively promote the strengths of Hong Kong to attract European businesses.

Improving Economic and Trade Office Network

40. The Government established an ETO in Jakarta last year and preparations to open one in Seoul are underway. We are commencing preliminary work to set up ETOs in five other countries, namely India, Mexico, Russia, South Africa, and the United Arab Emirates. The current-term Government has been taking forward the establishment of seven new ETOs, with the aim of taking the total number of ETOs from 11 to 18, an increase of over 60%.

41. The Government has also been expanding the network of our offices in the Mainland and enhancing their functions. There is currently an office in each of the five Mainland regions, i.e. eastern, southern, western, northern and central. Over the past five years, we have established under these offices liaison units in Liaoning, Shandong, Hunan and Henan. By the middle of this year, we plan to set up liaison units in Tianjin, Zhejiang, Guangxi and Shaanxi, bringing the total number of liaison units to 11, compared with three before the current-term Government took office.

III. Belt and Road Initiative

42. The Government continues to fully support the Belt and Road Initiative. Leveraging “one country, two systems” and other advantages, we strive to give full play to Hong Kong’s role as a “super-connector” and act in concert with the strategy of our country and Mainland enterprises to go global, thereby creating opportunities for our young people and boosting our social and economic development in the coming decades.

43. Last year, I appointed the Commissioner for Belt and Road to take charge of the Belt and Road Office, to provide recommendations and advice on formulating and implementing strategies relating to the Belt and Road Initiative, and to liaise with government bureaux and departments as well as various sectors of the community to further tap new opportunities for Hong Kong under the Initiative. The Government has reviewed the work and set up of the Belt and Road Office, and considers it necessary to beef up the office’s establishment and resources including the creation of directorate posts and other permanent posts to ensure it can take forward the work under the Initiative more effectively and on a long-term basis.

44. Over the past year, I and the Principal Officials concerned, the ETOs, the TDC and Invest Hong Kong undertook active promotion. The Government will organise with the TDC another Belt and Road Summit in September this year. The TDC will also continue to include Belt and Road sessions in its seminars and expos.

45. In May, the Central Government will host a Belt and Road Forum for International Co-operation in Beijing, the highest-level forum since the introduction of the Belt and Road Initiative, to highlight its achievements. The HKSAR Government is now preparing to take part in the forum.

46. Countries across the globe are increasing their investments in local or cross-boundary infrastructure developments. Such projects are worth hundreds of billions of US dollars. The HKSAR Government is discussing with the

Mainland authorities how we can participate jointly in these projects.

Platform for Professional Services

47. Demand for professional services from regions along the Belt and Road is strong. The \$200 million Professional Services Advancement Support Scheme announced in last year's Policy Address was launched two months ago to support the professional sectors in their exchanges, co-operation and related publicity efforts targeting overseas markets.

48. In support of the Belt and Road Initiative, Hong Kong can provide training programmes for the Belt and Road countries. The MTR Academy has embarked on initial discussions with the rail operators of several countries. The Hong Kong International Aviation Academy established by the Airport Authority (AA) signed an agreement last month with Ecole Nationale de l'Aviation Civile (National School of Civil Aviation) of France to jointly nurture aviation professionals for Hong Kong and the region. The HKSAR Government is also prepared to organise talks or short-term training on the operation of the HKSAR Government for visiting officials from Belt and Road countries to enhance co-operation.

Relaxing Visa Requirements to Facilitate Movement

49. To foster co-operation and exchanges between Hong Kong and countries along the Belt and Road, the Government will consider relaxing visa requirements for nationals of those countries for employment, study and visit. We have reached a consensus with Belarus on mutual visa exemption and are planning to relax visa requirements for Cambodian nationals.

People-to-people Bonds

50. The Government will continue to promote co-operation and exchanges in education to help Hong Kong students gain a

better understanding of the countries along the Belt and Road, thereby strengthening people-to-people bonds. New initiatives include updating or fine-tuning primary and secondary school curricula and producing appropriate teaching resources, providing students with more opportunities to study foreign languages, increasing the quotas to 5 600 for students' Mainland exchange programmes along the Silk Road this year, and encouraging, through the Quality Education Fund, students to engage in exchange activities in the Mainland and countries along the Belt and Road.

51. The Government set up the Hong Kong Scholarship for "Belt and Road" Students (Indonesia) this academic year. In the next academic year, there will be two "Belt and Road" scholarships funded by private donations for students from Malaysia and Thailand.

52. For youth exchanges, the Home Affairs Bureau and the Committee on the Promotion of Civic Education launched the Funding Scheme for Exchange in Belt and Road Countries on a trial basis last year. The scheme aims to provide support for local young people to participate in exchange activities in the Belt and Road countries.

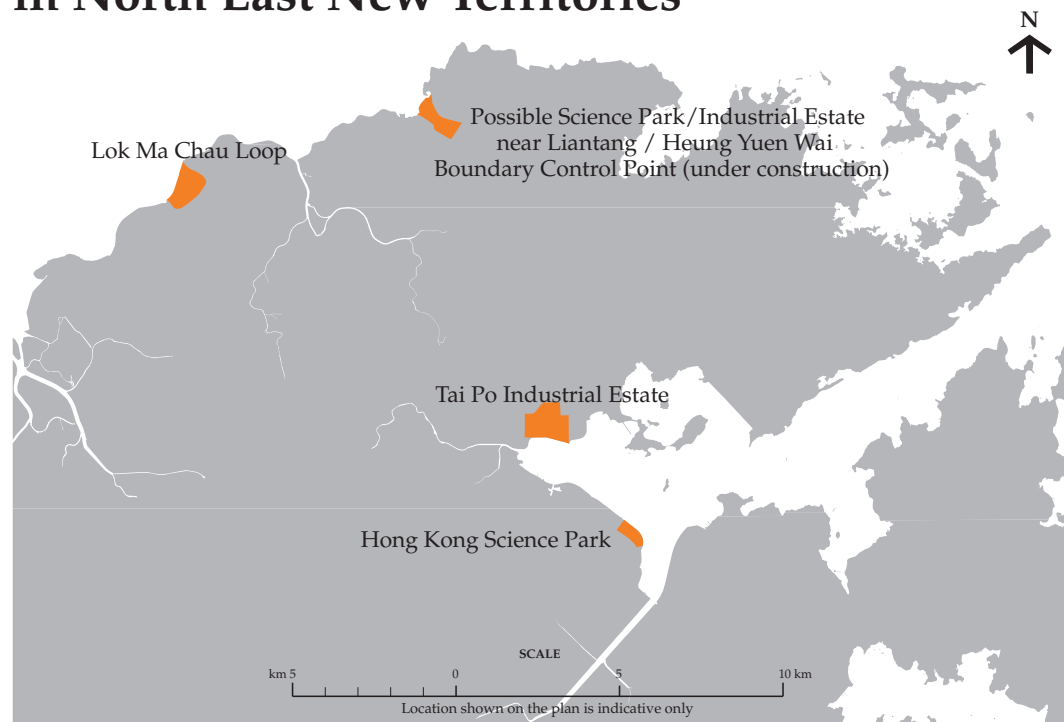
53. On the cultural front, the Government will promote Hong Kong's broad spectrum of arts and culture by organising performances, exhibitions, seminars and forums locally and overseas, and foster people-to-people bonds between the Mainland and countries along the Belt and Road through Hong Kong. We will also continue to strengthen our exchanges and co-operation in sports with these countries.

IV. Innovation and Technology

54. Innovation and technology are no slogan. They create new impetus for economic and social development. Hong Kong's application of innovation and technology notably trails the Mainland of China in various aspects. Since the establishment of the Innovation and Technology Bureau (ITB), the atmosphere for innovation and technology development in Hong Kong has been significantly enhanced over the past year, with more top-tier global research and development institutes establishing their presence here. The Massachusetts Institute of Technology set up its first overseas Innovation Node in Hong Kong. The Karolinska Institutet from Sweden, for the first time in its 200-year history, established an overseas research centre in our Science Park. The Guangzhou Institutes of Biomedicine and Health under the Chinese Academy of Sciences also announced it would set up a Guangzhou Hong Kong Stem Cell and Regenerative Medicine Research Centre in our Science Park. The Alibaba Group launched a \$1 billion Hong Kong Entrepreneurs Fund. Sequoia Capital initiated the Hong Kong X-Tech Startup Platform to provide funding support for early-stage and angel projects. Two weeks ago, the HKSAR Government and the Shenzhen Municipal Government signed a memorandum of understanding on the development of a Hong Kong/Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop in Hong Kong, with a site area quadruple that of the Science Park.

Map 1

Major Technology and Industrial Sites in North East New Territories



55. The Government has also made a substantial investment of \$18 billion to enhance Hong Kong's innovation and technology ecosystem. These measures include promoting re-industrialisation, funding universities to conduct mid-stream and applied research projects, subsidising industry adoption of technology to upgrade and transform, and supporting start-ups.

56. Supply of hardware, such as land and premises, is a necessary but not sufficient condition for Hong Kong to promote innovation and technology successfully. Facing competitors, Hong Kong must consider how to enhance its overall competitiveness, including offering tax and financial concessions, and other policy support measures to attract innovation and technology enterprises from Hong Kong, the Mainland and overseas.

Promoting the Development of Applied Scientific Research

57. The Government will request universities to conduct more impactful and translational research projects that meet Hong Kong's needs, so as to tie in with the work promoting the development of industries and re-industrialisation. In this regard, the Government will request the University Grants Committee (UGC) to complete the review on the allocation of research grants within one year, and expand the assessment criteria to include research impact and effectiveness of knowledge and technology transfer.

58. The Government will also request, through the UGC, all universities to refine their knowledge and technology transfer plans within six months and strengthen the role of their knowledge transfer offices in co-ordinating and commercialising research outputs. Universities should implement their refinement programmes as soon as possible. The UGC and the ITB will keep the universities' implementation under review as one of the criteria for fund allocation.

59. The \$2 billion Midstream Research Programme is now open for applications. The programme encourages universities to conduct more applied research to facilitate downstream research or product development.

Helping Start-ups

60. Start-ups in Hong Kong are developing quickly. There were nearly 2 000 start-ups in Hong Kong last year, a growth of 25% compared with 2015. Among these start-ups, 35% of the entrepreneurs were from outside Hong Kong. The number of incubators and co-work locations run by the commercial sector has increased to over 40.

61. In last year's Policy Address, I announced the establishment of a \$2 billion Innovation and Technology Venture Fund to invite eligible venture capital funds as partners to co-invest with the Government in Hong Kong's technology start-

ups. The fund will commence operation by the middle of this year. Moreover, through the Technology Start-up Support Scheme for Universities, the Government has subsidised six local universities to set up over 120 technology start-ups, turning their research and development deliverables into businesses.

62. The Science Park and the Cyberport have each established funds to invest in technology start-ups and increased the quotas for their incubation programmes.

63. To further foster the development of the innovation and technology ecosystem, the Government supports the construction by the Hong Kong Science and Technology Parks Corporation (HKSTPC) of an InnoCell adjacent to the Science Park. InnoCell will provide residential units with flexible design and ancillary facilities, such as shared working spaces, for leasing to staff of the incubatees and start-ups in the Science Park. It will also be open to scientific research personnel from outside Hong Kong who work for other companies in the park. The HKSTPC is conducting a detailed study with a view to completing the construction of InnoCell in three years.

Promoting the Development of Industries and Re-industrialisation

64. The Science Park expansion is underway for completion in three years. This will further increase the park's gross floor area to some 400 000 square metres.

65. To promote re-industrialisation, the Government is preparing to build a Data Technology Hub and an Advanced Manufacturing Centre in the Tseung Kwan O Industrial Estate, to be completed in three and five years respectively. Furthermore, the Government introduced a Technology Voucher Programme two months ago to subsidise the use of technology by SMEs to improve productivity or facilitate upgrading and transformation.

66. Industries enjoying advantages in the process of Hong Kong's re-industrialisation include biotechnology, big data, the Internet of Things, artificial intelligence and smart city. ITB,

Invest Hong Kong and the ETOs will actively encourage relevant enterprises to establish their presence in Hong Kong.

67. The Government will establish an Inno Space with the Hong Kong Productivity Council to facilitate the sharing of practical technologies and skills to promote the translation of innovative and technological ideas into industrial designs or products, and support a start-up culture and re-industrialisation.

68. The Government has set aside sizable sites, including one of over 50 hectares near the Liantang/Heung Yuen Wai Boundary Control Point, for use by the innovation and technology sector (including the development of a science park and industrial estates) and other emerging or traditional industries. We will also recommend the Science Park make best use of the developable sites in Tai Po, Yuen Long and Tseung Kwan O industrial estates.

Smart City

69. The Government is committed to developing Hong Kong into a smart city by using innovation and technology to enhance city management and improve people's livelihood. Our consultant will complete its study by the middle of this year. So far, preliminary studies have been carried out on some important areas such as the environment, healthcare and transport.

70. The Government is striving to promote the establishment of a Common Spatial Data Infrastructure (CSDI) to provide government departments as well as public and private organisations with an information infrastructure to share spatial data, supporting various smart city applications, and support the smart city blueprint of the ITB. The Development Bureau is commissioning a strategic study on the development of CSDI.

71. The Government is using Kowloon East as a smart city pilot area, leveraging people-centric information and communications technology solutions for the sharing of data to improve the use of resources and enhance the management of pedestrian and vehicular traffic flows.

72. The Government will continue to implement incentive measures to encourage the private owners of eligible industrial buildings to convert them into data centres. We will further streamline the procedures for issuing waivers for such purpose.

73. Since the launch of the Wi-Fi Connected City Programme in the middle of last year, the number of free Wi-Fi hotspots has increased by 1 400 to 18 400. It is estimated that by 2019, the number of such hotspots will increase to 34 000.

74. The Government has earmarked \$500 million for the ITB to assist government departments in using technology to enhance the quality of public services.

75. The Government will launch a \$500 million Innovation and Technology Fund for Better Living by the middle of this year to subsidise innovation and technology projects which will bring more convenient, more comfortable and safer living to the public, or those addressing the needs of specific community groups.

V. Housing and Land Use

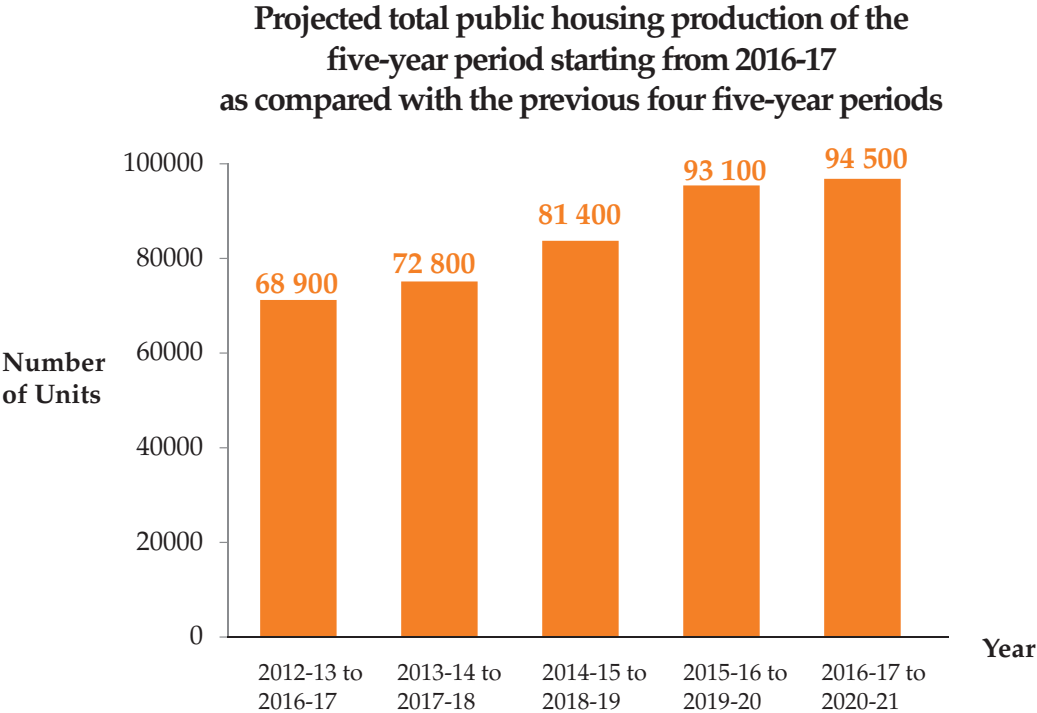
Housing

Housing Demand

76. Expediting and increasing supply is the ultimate solution to various housing-related issues. On private housing, the projected supply of first-hand residential properties for the coming three to four years was 94 000 units at end-December last year. This is 45% higher than the figure at the beginning of the current-term Government, and a record high since the regular release of supply statistics 12 years ago.

77. For the five-year period from 2016-17, estimated public housing production by the Hong Kong Housing Authority and the Hong Kong Housing Society will be about 94 500 units, including about 71 800 public rental housing (PRH) units and about 22 600 subsidised sale flats.

Chart 1



78. According to the latest projection, the housing supply target for the next decade from 2017-18 is 460 000 units, including 200 000 PRH units and 80 000 subsidised sale flats. However, land supply for public housing still lags and the waiting time for PRH units has increased notably. If the Government and the community do not resolve to expedite the identification of land for housing production, the housing problem will remain a tough nut to crack.

Land Supply

79. Our efforts in the past few years are beginning to deliver results. Yet, we must keep up these efforts. In the short to medium term, by way of changing existing land uses and increasing development intensity, which involve some 210 housing sites identified through land use reviews, Kai Tak Development Area, Diamond Hill Comprehensive Development Area, reuse of three quarry sites, railway property developments, urban renewal projects, etc., a total of over 380 000 residential units can be provided. In the medium to long term, various new development areas (NDAs) and new town extensions (including Kwu Tung North and Fanling North NDAs, Tung Chung New Town Extension, Hung Shui Kiu NDA and Yuen Long South Development), as well as potential railway property development projects being planned (including Siu Ho Wan Depot and Pat Heung Depot), can provide over 220 000 residential units and over 8.6 million square metres of commercial and industrial floor area. In sum, the various short, medium and long-term land supply initiatives can provide over 600 000 housing units in total.

Short to Medium-term Programmes

Government Land Sales, Railway Property Development and Private Housing Land Supply

80. Land put up for sale by the Government in the five financial years from 2012-13 to 2016-17 has a capacity to produce about 51 100 units, more than double that of the previous five financial years.

81. It is estimated that private housing land supply in the current financial year is capable of producing over 19 000 units, exceeding the annual target for the third consecutive year.

82. With the collaboration of the current-term Government and the Mass Transit Railway Corporation Limited (MTRCL), the 15 projects successfully tendered so far are capable of providing about 23 900 units, serving as another major source of supply in addition to land sale by the Government. The remaining committed short and medium-term railway property development projects pending tender are capable of providing about 14 000 units.

Reviewing Land Use and Increasing Development Intensity

83. Reviewing the existing land use and appropriately increasing development intensity are effective for the short to medium terms.

84. Since taking office, I have announced in my Policy Addresses a number of measures to increase land supply, involving about 190 potential housing sites. By mid-January this year, nearly half of these (i.e. 93 sites) had been rezoned or made available for housing development. Another 21 are being rezoned. Furthermore, through our on-going land use reviews, together with some newly identified potential housing sites, it is estimated that some 25 additional housing sites, capable of producing over 60 000 units (of which over 80% are public housing units), can be made available for housing development, most of which in the five years from 2019-20 to 2023-24, provided that the relevant statutory plans can be amended and the procedures completed in time.

85. Regarding development intensity, from mid-2012 to the end of last year, the Town Planning Board approved applications to relax the development intensity of 44 housing sites, which will lead to an additional supply of about 8 640 units.

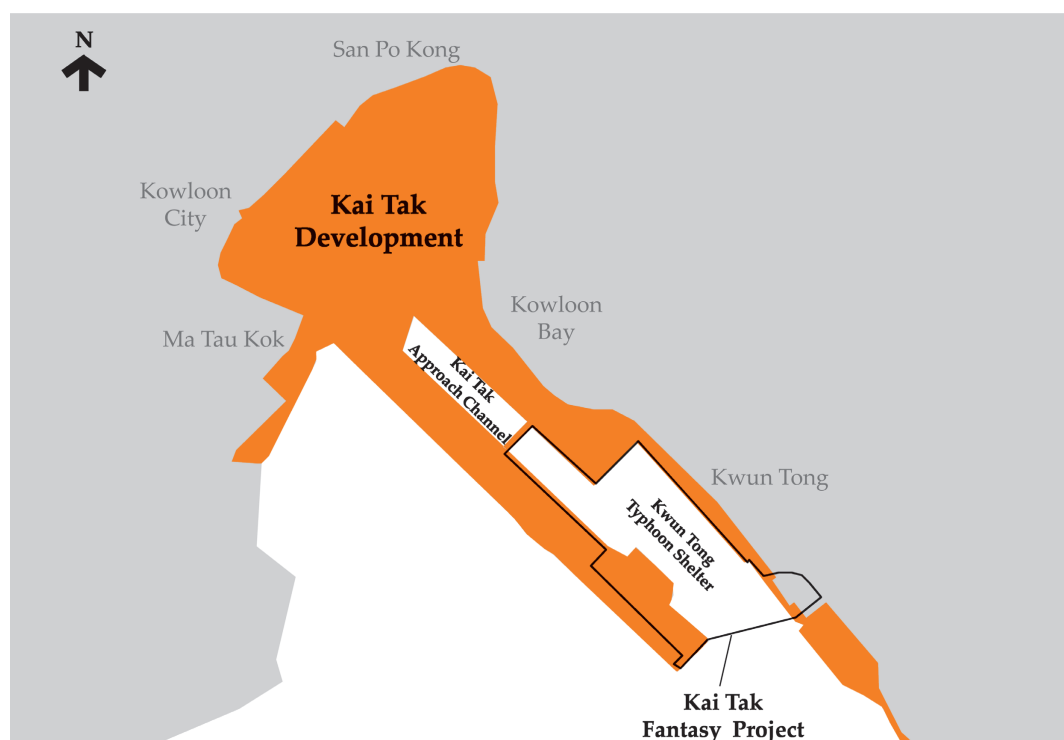
Kai Tak Development Area and Other Urban Development Projects

86. The Government has recently completed a review to further increase the development intensity and enhance the site planning of the Kai Tak Development Area. A total of some 16 000 additional residential flats and about 400 000 square metres of commercial floor area will be provided in two phases.

87. The Government continues to take forward two planning and engineering studies related to the Kai Tak Fantasy project, and will consult the public this year on the design plan of the runway tip and the preliminary proposals for development of the Kwun Tong Action Area.

Map 2

Kai Tak Development and Kai Tak Fantasy



88. The current-term Government has also implemented development of the former Diamond Hill Squatter Areas (Tai

Hom Village), Anderson Road Quarry and former Cha Kwo Ling Kaolin Mine, providing a total of nearly 16 000 housing units.

Urban Renewal

89. Last year, for the first time, the Urban Renewal Authority (URA) introduced a holistic and district-based approach for implementing its redevelopment projects in To Kwa Wan, so as to raise the quality of the environment and improve the road networks by enhancing the overall planning for the community. While undertaking redevelopment, we must also explore effective ways of addressing the problem of ageing building stock. The URA plans to conduct a district planning study for Yau Ma Tei and Mong Kok on a pilot basis. The study aims to explore how to enhance the efficiency of existing land use and redevelopment potential of these districts. At the same time, the URA will also conduct a study on building rehabilitation strategies to formulate appropriate and sustainable measures to prolong the life span of the buildings and explore the feasibility of “retrofitting” as a proposal for building rehabilitation.

Commercial and Economic Land Uses

90. With respect to land for commercial and other economic activities, land sale by the Government in the current financial year can provide 555 000 square metres of floor area, exceeding the aggregate supply in the preceding four financial years.

91. Land supply in Kowloon East continues to increase. The commercial floor area in the area now amounts to over 2.3 million square metres, and is expected to further increase by about 4.7 million square metres.

Medium to Long-term Programmes

92. For the medium to long term, we are determined to implement as soon as possible a number of large-scale projects, including NDAs and new town extensions, with focus on Kwu Tung North and Fanling North, Tung Chung, Hung Shui Kiu and Yuen Long South, to provide additional housing, community

facilities, public space and land for economic use. These development projects are expected to provide close to 200 000 housing units and over 8.6 million square metres of industrial and commercial floor area between 2023 and 2038. Potential railway property development projects can also provide over 21 000 residential units.

New Development Areas and Extension of New Towns

93. With the completion of the planning and engineering study for the Kwu Tung North and Fanling North NDAs, obtaining approval of the statutory plans and funding from the LegCo for the detailed design of advance works, we have also formulated a new compensation and rehousing package. This is the first large-scale new town development in Hong Kong since Tung Chung in the 1990s. The project will provide 60 000 flats and 840 000 square metres of industrial and commercial floor area. The first population intake is expected in six years.

94. Tung Chung New Town Extension is another focus in the medium to long term, and its statutory plans have been approved by the Town Planning Board. The project will provide 49 400 flats and 877 000 square metres of commercial floor area. The reclamation will commence next year, and the first population intake is expected in six years.

95. The planning and engineering study for Hung Shui Kiu NDA has been completed, and we will start formulating the statutory plans in the first half of this year. The project will provide 61 000 flats and 6.37 million square metres of industrial and commercial floor area. The first population intake is expected in seven years.

96. The Recommended Outline Development Plan for Yuen Long South is being finalised. The project will provide 27 700 flats and 590 000 square metres of industrial and commercial floor area. The first population intake is expected in 10 years.

Map 3



Tseung Kwan O Area 137

97. At the end of last year, the Government commenced a planning and engineering study for the development of Tseung Kwan O Area 137, which has potential for large-scale residential, commercial and other development.

Siu Ho Wan Depot Site and Property Developments along Rail Lines

98. The statutory planning procedures for MTRCL's Siu Ho Wan Depot will commence this year. The site can provide not less than 14 000 residential units in the medium to long term. The topside development above West Rail Pat Heung Depot can also provide 6 000 units in the medium to long term. The Government will continue to explore with MTRCL the development of other railway-related sites.

Development of Rock Caverns and Underground Space

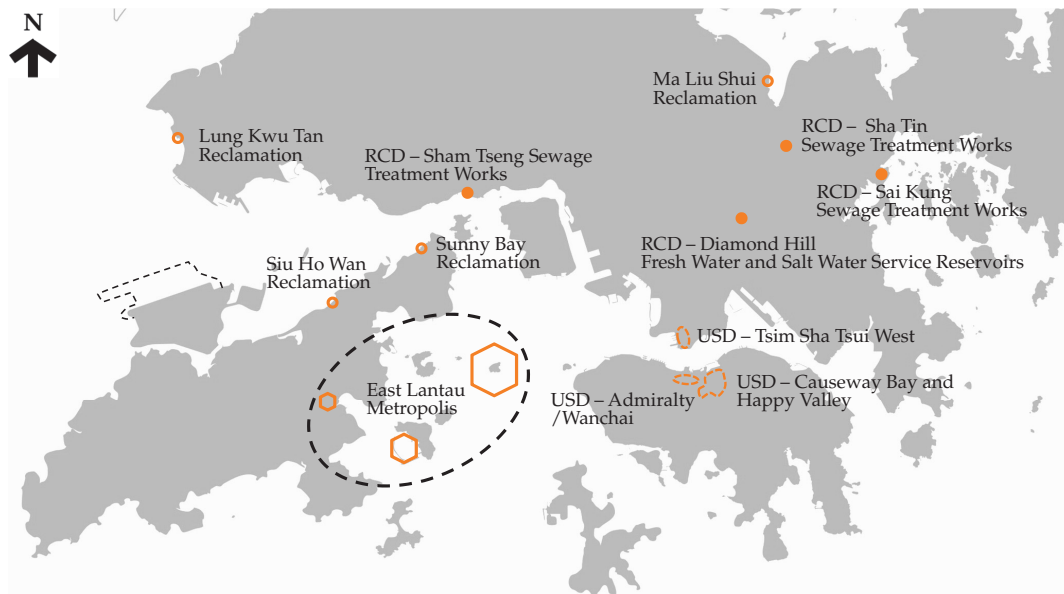
99. The Government will consult the public on the preliminary proposals on the relocation of service reservoirs at Diamond Hill, Sham Tseng Sewage Treatment Works and Sai Kung Sewage Treatment Works to caverns, as well as the development of underground spaces in Causeway Bay, Happy Valley, Admiralty/Wan Chai and Tsim Sha Tsui.

Reclamation outside Victoria Harbour

100. Technical studies on reclamations in Siu Ho Wan on Lantau, Lung Kwu Tan in Tuen Mun and Ma Liu Shui in Sha Tin will be completed this year. The planning and engineering study on the approximately 60-hectare reclamation in Ma Liu Shui will commence as soon as possible. At the same time, we will commence new planning of the 28 hectares of land to be freed up upon relocation of the adjacent Sha Tin Sewage Treatment Works to caverns, and consider allocating it for advanced technology and knowledge-based industries, as well as residential and other uses. The planning and engineering study on the approximately 200-hectare reclamation at Lung Kwu Tan will also commence as soon as possible to provide land for industrial and other uses.

Map 4

Rock Cavern Development (RCD) and Underground Space Development (USD) and Reclamation Outside Victoria Harbour



Development of Lantau

101. The blueprint for Lantau's development and conservation will be published in the first half of this year. The direction will be "development for the north, conservation for the south". North Lantau will be for economic and housing developments, including the Airport North Commercial District, Tung Chung New Town, the topside of the boundary crossing of the HZMB and Siu Ho Wan. Northeast Lantau will be developed into an area for leisure, entertainment and tourism through reclamation in Sunny Bay, complemented by Hong Kong Disneyland. Most of the remaining areas in Lantau will be used for conservation, leisure, cultural and eco-tourism purposes.

102. The AA's SKYCITY development project occupies over 25 hectares, and will become a dedicated area for hotel, retail, dining and entertainment.

103. The boundary crossing facilities island of the HZMB can provide a floor area of 500 000 square metres for economic uses.

The community will be consulted on this in the first half of this year.

Long-term Planning — “Hong Kong 2030+”

104. As our population and the number of households continue to grow, the community has higher aspirations for better living space and environment, the demand for land is ever increasing. The improvement in cross-boundary transport also enhances interactions between Hong Kong and the Pearl River Delta in land use matters. As such, we must undertake long-term and holistic planning.

105. The Government has commenced the “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030” (“Hong Kong 2030+”) planning study and is carrying out public engagement.

106. The Planning Department estimates that at least 4 800 hectares of land is required up to 2046. Even if all the on-going short, medium and long-term land supply initiatives are timely implemented in full, we will still need to identify at least another 1 200 hectares of land.

Land Use — Development and Conservation

107. High property prices and rentals have been a critical livelihood issue in Hong Kong, placing a heavy burden on people. The housing problem affects family structure and distorts our value system. To own a home and repay a mortgage, many people set their eyes on making as much money as they can. Money also weighs heavily on young people when they make academic or career choices. The housing problem also poses the gravest potential hazard to the Hong Kong community as many families have no choice but to live in subdivided units, even in industrial buildings.

108. There are certain misunderstandings in the community about the demand and supply of land for housing. On the demand side, with a very low population growth rate and rapidly

ageing population, we cannot rely on curtailing population growth to reduce housing demand. Over the past four years, despite a number of measures by the current-term Government which have successfully curbed external, investment and speculative demands, the difficulty in achieving home ownership remains an unresolved problem. As for supply, with the low vacancy rate of industrial buildings, we cannot count on their redevelopment to increase the supply of residential units. Even if we build in dense urban areas, flat production will still be very limited.

109. In terms of costs, it is not high construction costs but expensive land premiums that have led to high property prices and rentals. Most families in Hong Kong can afford the construction costs passed onto them, yet the exorbitant land premium is beyond their means. This is not due to inadequate land supply but shortage of land zoned for housing development. Today, only 7% of land in Hong Kong is zoned for housing purposes.

110. The housing problem in Hong Kong boils down to land use, which is not a technical issue, but a conceptual one. So long as we dare think out of the box and re-examine our land use planning in a serious, scientific and objective manner, we will be able to increase land supply and lower the levels of land premium, property prices and rentals, thereby alleviating the housing burden and improving the living environment of our community, and ultimately solving the housing problem at the root.

111. Although this is the last Policy Address of the current-term Government, it is incumbent on us as a responsible government and members of the Hong Kong community to sum up and share our experience with the public. I invite you to re-examine our land use planning for the benefit of Hong Kong's long-term development and our next generation.

112. The most distinctive characteristic of land use planning in Hong Kong is the high proportion of country park area. At present, our country parks account for 40% of the total land area

of Hong Kong, six times that of our total residential land. As the gap in development density between the urban and rural areas widens, people's living conditions in urban areas become increasingly cramped as population density intensifies.

113. Country parks are our precious assets for their leisure, recreational, sports and conservation values. The current-term Government is committed to environmental protection and ecological conservation, and seeks to strike the right balance between development and conservation. In the past few years, we have incorporated suitable enclaves, such as Sai Wan, into country parks, increasing the total area of country parks and special areas by 38 hectares. In developing the Kwu Tung North and Fanling North NDAs, we will establish a Long Valley Nature Park of about 37 hectares. To conserve more sites with high ecological significance, the Government will commence work on designating Robin's Nest, about 500 hectares, a new country park. In addition, we are actively considering long-term conservation of Sha Lo Tung through a non-in-situ land exchange for the private land with high ecological significance at Sha Lo Tung by offering the rehabilitated Shuen Wan Landfill in Tai Po. In tandem, we will continue to identify suitable sites for inclusion into country park areas.

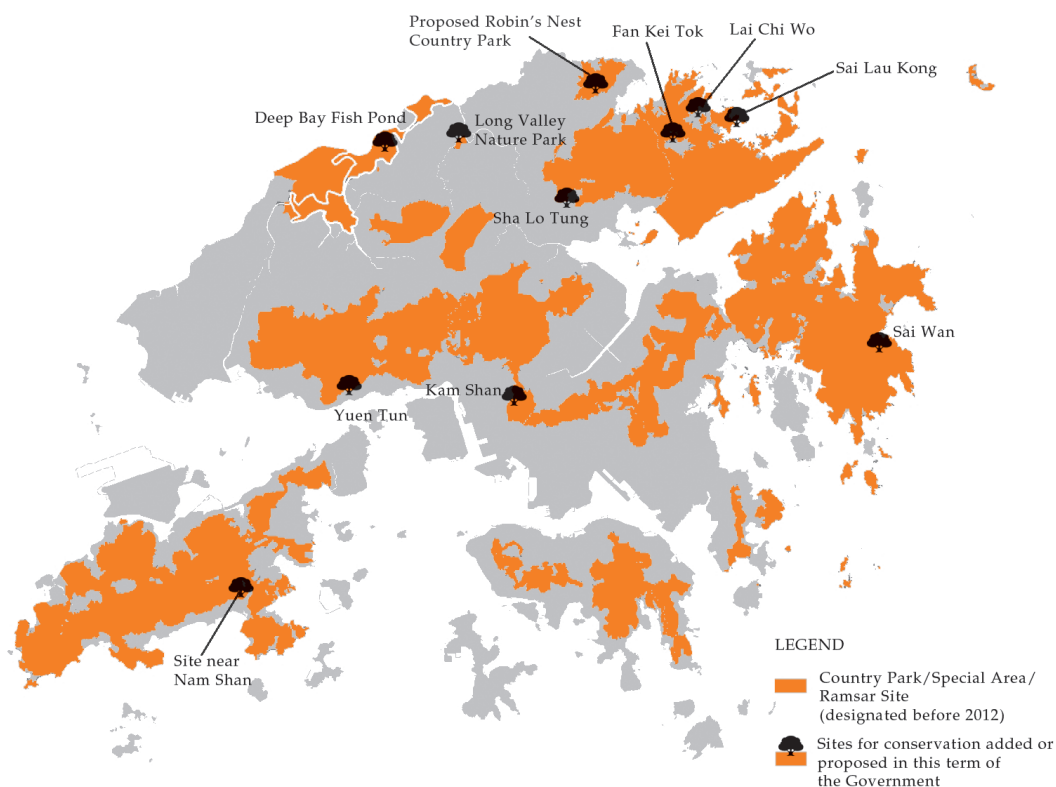
114. Some remote rural areas are on the brink of desolation, leading to depletion of their valuable ecological and cultural resources. Apart from the country parks, the Government has adopted a diversified and flexible approach in supporting and promoting the conservation of rural areas through harnessing community efforts in recent years. Lai Chi Wo, for example, has great ecological value and a Hakka "walled-village" culture dating back to over 300 years ago. With the support of local villagers, the Government is actively collaborating with a number of non-governmental organisations (NGOs) to take forward different revitalisation projects and minor improvement works with various funding sources to rejuvenate its ecological, cultural and architectural environment.

115. To further promote the revitalisation of remote rural areas, the Government will establish a preparatory committee to study the ambit and modus operandi of a conservation fund, as well as the legislation and resources required for setting up such a fund. In the process, we will take into account relevant experience in and outside Hong Kong. We will seek to conserve and revitalise the ecology and culture of rural areas based on the sustainability principle, and respond to the aspirations of urban dwellers for urban-rural symbiosis. The fund will also provide an integrated and dedicated mechanism and resources for implementing policy initiatives relating to the conservation of biodiversity in the rural areas.

116. To underpin the sustainable development and conservation of Lantau, the Government will implement rural conservation pilot projects in areas such as Tai O, Shui Hau and Pui O. Different government and community resources will be deployed to take forward various rural conservation initiatives, including nature conservation and education, revitalisation of old village buildings, as well as promotion of ecological and cultural tourism.

Map 5

Some Existing and Upcoming Sites for Conservation



117. Apart from making strenuous efforts to conserve the rural areas and countryside, the current-term Government also adopts a multi-pronged approach to release land resources, which involves the NDAs and new town extension projects mentioned above as well as development of brownfield sites and reclamation, to address the pressing needs for housing and other development. The reality, however, is that there are often diverging views in local communities or even in the whole society on land development projects. During the planning and development process, we face all sorts of challenges and resistance that may lead to delays, downscaling or even the scrapping of projects. I consider that regarding land use, we should incorporate more land with high ecological value into country parks, increase the total area of ecological conservation sites and country parks, and enhance their recreational and educational values. At the same time, we should also consider allocating a small proportion of land on the periphery of country

parks with relatively low ecological and public enjoyment value for purposes other than real estate development, such as public housing and non-profit-making elderly homes. This issue matters to the well-being of our next generation and warrants serious deliberation of its pros and cons by the society.

Promoting Green Buildings

118. Under the current arrangement, a private housing development project is required, among other things, to register for Building Environmental Assessment Method Plus (BEAM Plus) as a prerequisite for application for gross floor area concession for amenity features. We will review this arrangement to further promote green building. In the review, we will consider tightening the prerequisite by requiring a development project to attain specific standards of performance in environmental protection, or even adopt performance-based and site-specific approaches to determine the maximum gross floor area concession.

Heritage Conservation

119. The Government is committed to promoting heritage conservation. So far, five batches of projects under the Revitalising Historic Buildings Through Partnership Scheme have been rolled out, involving a total of 19 historic buildings. Eight have completed revitalisation works and are open to the public. Among these, four have won the Asia-Pacific Awards for Cultural Heritage Conservation from the United Nations Educational, Scientific and Cultural Organisation. We will continue to collaborate with NGOs.

Land Restructuring and Enforcement

Agricultural Land

120. The New Agriculture Policy announced last year is making good progress. The engineering feasibility study of the Agricultural Park will be completed soon. The \$500 million

Sustainable Agricultural Development Fund started accepting applications from the end of last year. A study on Agricultural Priority Areas will commence later this year to identify relatively large areas of quality agricultural land and formulate policies and measures to promote the rehabilitation of fallow agricultural land and improve the rural environment.

Brownfield Sites

121. The aim of re-organising the land use of brownfield sites and releasing such sites for development is to optimise their use, improve the rural environment and provide suitable land for relevant industries. The priority is to develop areas concentrated with brownfield sites through comprehensive planning by way of large-scale new town development approach. The developments in Hung Shui Kiu, Yuen Long South and Kwu Tung North/Fanling North NDAs currently underway cover about 340 hectares of brownfield sites. Moreover, the Planning Department will conduct a survey on the distribution and use of all brownfield sites in Hong Kong this year.

122. Many brownfield operations related to such industries as logistics, port back-up, recycling, vehicle maintenance, as well as construction, are performing social functions. Taking Hung Shui Kiu NDA as a pilot case, the Government is now exploring the consolidation of brownfield operations into multi-storey industrial buildings or through other efficient means of land use, so as to release the brownfield sites for development.

123. Meanwhile, the Government will continue to take stringent enforcement actions against illegal land uses, including unauthorised development under the Town Planning Ordinance and illegal occupation of government land, in the rural New Territories (including brownfield sites).

Enforcement against the Misuse of Industrial Buildings

124. The Buildings Department and the Lands Department will continue to take risk-based actions to address safety

concerns for industrial buildings arising from non-compliance with or breaches of lease conditions.

125. Meanwhile, the Government will actively consider introducing new legislation to step up the enforcement efforts of the Buildings Department on different fronts to combat the problem of illegal domestic units in industrial buildings. We aim to consult the LegCo on the specific proposals in this legislative session.

126. The Buildings Department will continue to take enforcement action against illegal subdivided units in industrial and residential buildings, including issuing removal orders to owners in respect of unauthorised building works and applying for closure orders from the court when necessary.

Harbourfront Enhancement and Development

127. There is a general consensus in the community for the need of a new mindset in taking forward harbourfront enhancement. However, it is premature to establish a statutory Harbourfront Authority. The Government has decided to first partner with the Harbourfront Commission and implement harbourfront enhancement initiatives through a dedicated team with dedicated funding. The aim is to further extend the waterfront promenade along both sides of the Victoria Harbour, beautify areas in the vicinity and improve accessibility of the waterfront. The Government has earmarked \$500 million for the first stage for taking forward harbourfront development.

Construction Industry

Public Works Projects

128. While making substantial investment in infrastructure, the Government has also strengthened its construction cost control. Last year, the Development Bureau established a dedicated office to manage project costs. A comprehensive review of the public works requirements and policies is

underway to enhance cost-effectiveness. The Government will also enhance the existing procurement procedures for public works projects to reduce costs.

129. The Government is closely scrutinising the estimates of works projects at the planning and design stage to optimise designs and lower costs according to a “fitness for purpose” and “no frills” principle. The Development Bureau has so far examined about 60 works projects and achieved savings of about \$13 billion in project costs.

Technology Application and Innovation

130. Building Information Modelling technology allows construction professionals to carry out design and construction works in a virtual environment, which helps avoid changes in the construction process as far as possible, reduce risks and render clarity to project costs in various stages. The Government will actively seek to require consultants and contractors to use this modelling technology when undertaking design of major government capital works projects from next year onwards.

131. The Construction Industry Council will set up an innovation and technology application centre to provide a platform for introducing innovative technologies into the industry to enhance productivity. The centre will commence operation in the second half of this year.

VI. Environmental Protection and Nature Conservation

Climate Change and Energy

132. At the end of last year, an inter-departmental committee chaired by the Chief Secretary for Administration submitted a report proposing to adopt measures of mitigation, adaptation and resilience to combat climate change, with a view to reducing the carbon intensity in Hong Kong from the 2005 level by 65% to 70% by 2030. I have accepted these recommendations.

133. In respect of adaptation and resilience, the Working Group on Infrastructure under Climate Change has been established to co-ordinate efforts among works departments to combat climate change, including updating infrastructure design standards and comprehensively reviewing the resilience of the existing infrastructure. We will continue to enhance analytical work related to climate change.

134. The Government will gradually replace most of the electricity generated from coal-fired plants with cleaner energy by 2030. When negotiating the new Scheme of Control Agreements with the power companies, the Government will study how to further promote energy saving and renewable energy (RE) generation. We will set higher targets for government buildings in the use of RE, and have earmarked \$200 million for the provision of RE installations in government buildings and venues, as well as community facilities. We will actively take forward a number of large-scale RE (including solar power generation) projects.

135. The Government has completed energy audits of over 200 government buildings, and will earmark at least \$500 million to gradually achieve the targets of energy saving. We will actively encourage private building owners to make use of various tax concessions, loan schemes and funding schemes to procure energy saving installations.

Nature Conservation

136. The Government will enact legislation to phase out the local trade in ivory and impose heavier penalties on smuggling and illegal trade of endangered species. We will step up co-operation with the Mainland law enforcement agencies to combat the smuggling of endangered species, including ivory and incense tree.

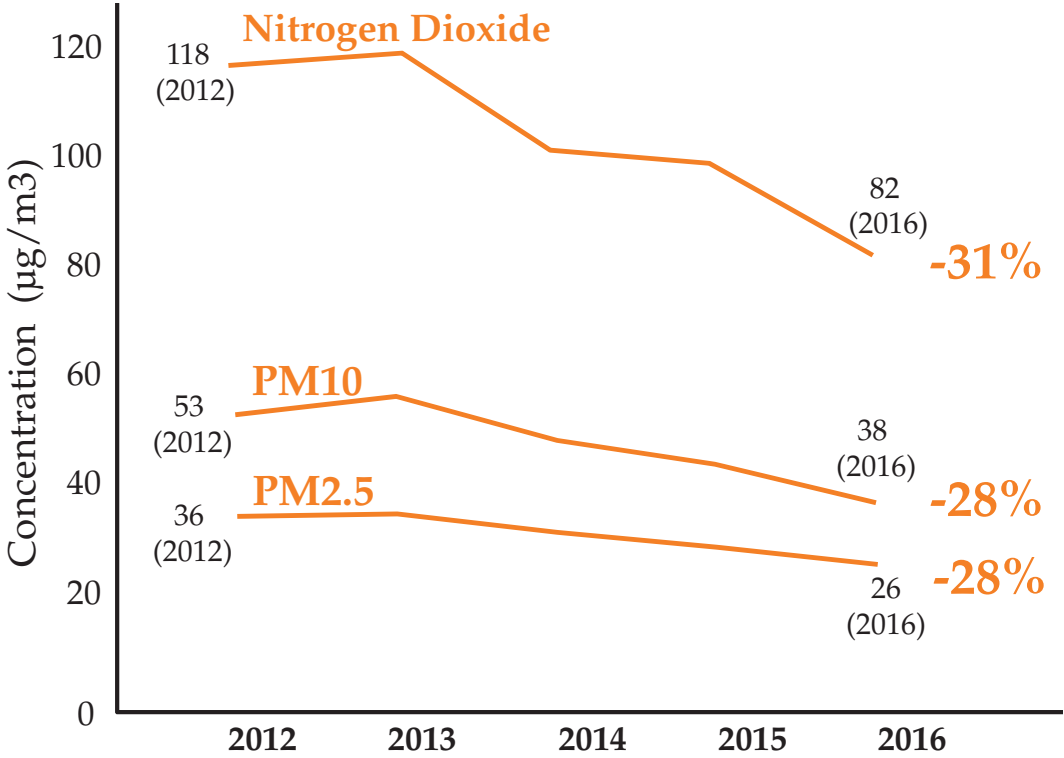
137. The Government will implement the first Biodiversity Strategy and Action Plan for Hong Kong and strengthen conservation of biodiversity by conducting studies, enhancing public awareness, and promoting the mainstreaming of biodiversity issues and values.

Air Quality

138. In recent years, the Government has made strenuous efforts to improve air quality, including allocating \$11.4 billion to phase out 82 000 diesel commercial vehicles of pre-Euro IV emission standard by 2020, strengthening emission control on vehicles, and making Hong Kong the first Asian city to mandate ocean-going vessels at berth to switch to low-sulphur fuel. Notable results have been achieved. In the past few years, air pollutants (including nitrogen dioxide and PM 2.5 which are more difficult to tackle) have been reduced by up to about 30%. Last month, the HKSAR Government signed an agreement with the Mainland to jointly promote the establishment of an emission control area in the Pearl River Delta waters to regulate emissions from marine vessels. Furthermore, the Government is exploring technologies that can improve the fuel efficiency and environmental effectiveness of local ferries.

Chart 2

Roadside Air Quality



Water Quality of Victoria Harbour

139. The waters of Hong Kong not only have great visual and ecological values, but are also ideal for recreational and sports activities. With the completion of the Harbour Area Treatment Scheme Stage 2A a year ago, the water quality of Victoria Harbour has significantly improved. We will maintain our efforts and construct dry weather flow interceptors and rehabilitate trunk sewers in Kowloon and Tsuen Wan to reduce the discharge of residual pollutants into Victoria Harbour and ameliorate the odour problem of the inshore water. A consultancy study to further upgrade inshore water quality and the general environment of Victoria Harbour will be completed next year.

Marine Cleanliness

140. We have strengthened collaboration with Guangdong in examining ways to reduce marine refuse and set up a notification system. Relevant departments will allocate additional resources to enhance their capacity in handling marine refuse.

Waste Management

141. The Government is pressing ahead with preparations to implement quantity-based municipal solid waste charging in accordance with the “Hong Kong: Blueprint for Sustainable Use of Resources”. Community involvement projects funded by the Environment and Conservation Fund have also commenced to prepare the community for waste charging. The Government plans to introduce the bill for implementing waste charging in the current legislative year. Meanwhile, the new construction waste charges will take effect in April this year. The Government is also preparing the legislation required to mandate the use of a Global Positioning System on construction waste collection vehicles to combat illegal depositing of construction waste.

142. Two producer responsibility schemes (PRSs) targeting five types of waste electrical and electronic equipment and glass beverage containers have entered the final stage of preparation for phased implementation in the coming two years. We will also commission a feasibility study on how to implement a PRS targeting suitable plastic containers, mainly those carrying beverages or personal care products.

143. Phase 1 of the Organic Waste Treatment Facilities (OWTF) will be completed this year to further waste-to-energy efforts. Tendering for phase 2 of the OWTF has commenced.

144. To encourage the commercial and industrial sectors to recycle and handle food waste properly, the Government will implement a pilot project to source separate food waste from wet markets and cooked food centres managed by the Food and Environmental Hygiene Department, as well as wet markets and

shopping malls managed by the Hong Kong Housing Authority, for delivery to the upcoming OWTF for treatment.

145. The Government will provide tertiary institutions and primary and secondary schools with suitable support for on-site treatment of food waste, with a view to enhancing student and teacher awareness of the “food wise” culture.

VII. Transport

Roads and Bridges

146. For the long-term development of Northwest New Territories, and to enhance the road network connecting to the airport and cope with the long-term development of Lantau, we will commence a feasibility study on Route 11 as soon as possible.

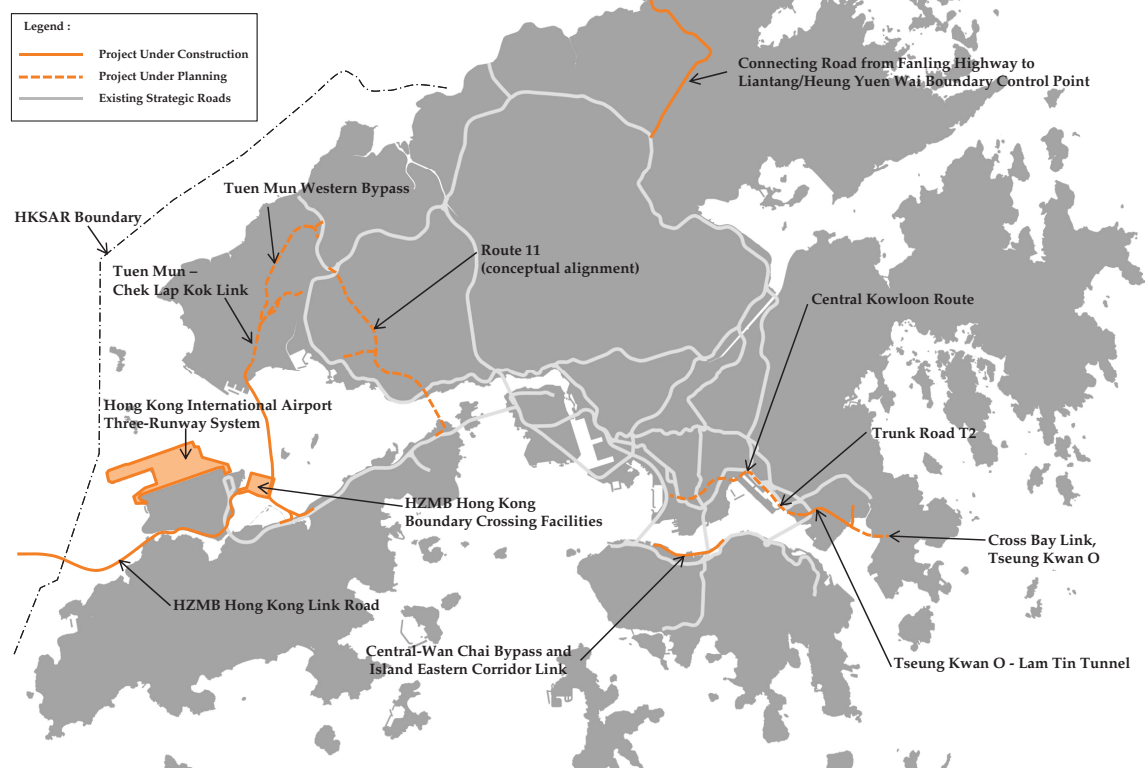
147. The Government will construct the Central Kowloon Route, which will link Yau Ma Tei with Kowloon Bay and the Kai Tak Development Area. Upon commissioning, the journey time between West Kowloon and Kowloon Bay will be reduced from 30 minutes to 5 minutes during rush hours.

148. Spanning Lingdingyang, the HZMB will be the longest bridge-cum-tunnel sea crossing in the world. It will provide a direct land link between Hong Kong and the west coast of the Pearl River Delta, and bring significant impact on the development of the logistics, commerce, trade, tourism and other industries. We are pressing ahead with the works of the Hong Kong Boundary Crossing Facilities and the Hong Kong Link Road which will connect with the HZMB, as well as the discussion with the Mainland and Macao authorities on various cross-boundary transport arrangements, so as to dovetail with the commissioning of the whole bridge.

149. Other large-scale road projects, such as the Tuen Mun-Chek Lap Kok Link, the Central-Wan Chai Bypass and Island Eastern Corridor Link, the Tseung Kwan O-Lam Tin Tunnel, the widening of Fanling Highway and the Hiram's Highway improvement works, are being taken forward at full speed.

Map 6

Major Infrastructure Projects under Construction and Planning



Strategic Studies beyond 2030

150. The Government will take forward strategic studies on railways and major roads beyond 2030 based on “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030”, so that the planning of major transport infrastructure can support the long-term land use strategy of Hong Kong.

Rail Links

151. Connecting with the national high-speed rail network, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link will greatly shorten the travelling time between Hong Kong and major cities in the Mainland, and consolidate Hong Kong’s position as a regional transport hub. The project will generate enormous economic and social benefits. We will continue to oversee the works and take forward various

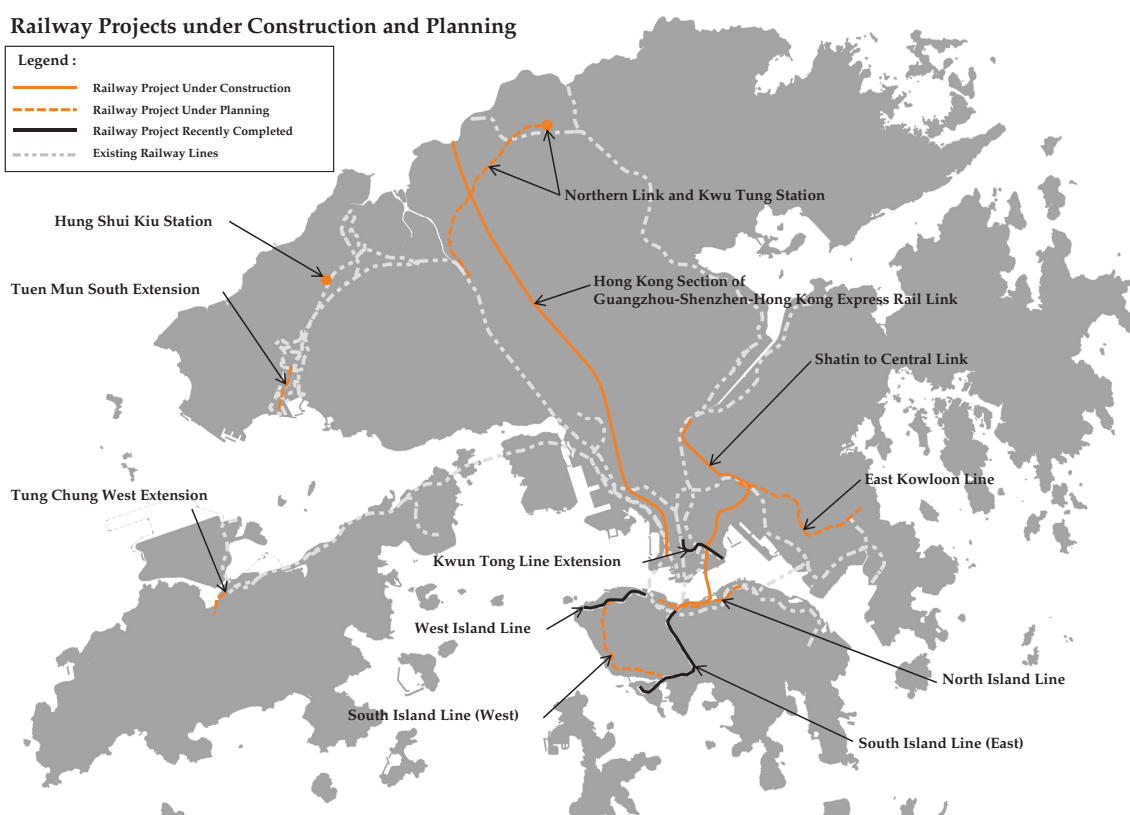
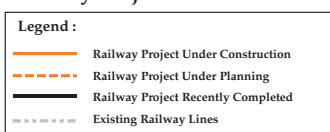
preparations with a view to accomplishing the targeted commissioning of service in the third quarter of next year.

152. The Government will continue to develop a passenger transport system centred on public transport with railway as the backbone. We will take forward detailed planning work for the Northern Link (and Kwu Tung Station), the Tuen Mun South Extension and the East Kowloon Line as the first batch, pursuant to the indicative implementation window recommended in the Railway Development Strategy 2014. We will then commence the detailed planning work progressively for the other projects.

153. The Government is conducting a review with the MTRCL on the Fare Adjustment Mechanism to see how its operation can better respond to, among others, public concern about fares, the MTRCL's profitability and the public's affordability, while respecting the financial prudence required of the MTRCL as a listed company, on the premise that a transparent mechanism based on open and objective data and a direct-drive formula will be retained. The review is expected to be completed in the first half of this year, after which the fares will be adjusted according to the new mechanism.

Map 7

Railway Projects under Construction and Planning



Other Public Transport Services

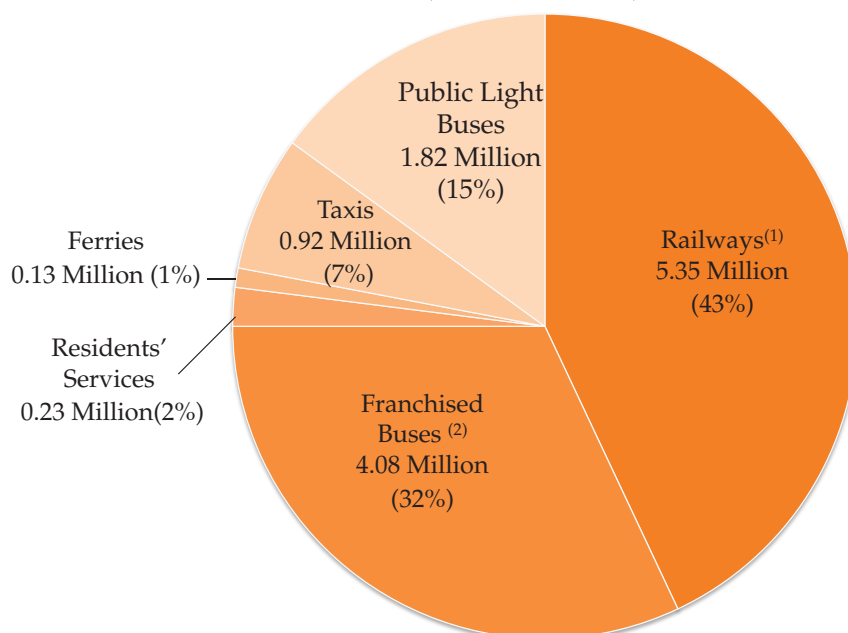
Public Transport Strategy Study

154. The Government will release a report in the middle of this year on the Public Transport Strategy Study which examines the positioning of public transport services other than railway. The aim is to enhance the existing strategic arrangements of our public transport services in tandem with the further development of the heavy rail network to ensure the long-term, balanced, efficient, multi-model and sustainable development of public transport services. We have completed the priority study on public light bus service and recommended increasing the maximum seating capacity of public light buses. We will also explore ways to enhance personalised and point-to-point transport services to meet the needs of different passenger

groups. Moreover, the Government has completed all the eight specified Topical Studies over the past two years. These include the service level of franchised bus, school bus service, seating capacity of public light buses, supply of taxis, taxi fuel surcharge, statutory cap on the number of public light buses, review of ferry service, and accessible public transport services for people with disabilities.

Chart 3

Distribution of Average Daily Public Transport Passenger Journeys by Mode (October 2016)



Notes:

⁽¹⁾ Railways include MTR Lines, Airport Express Line, Light Rail and HK Tramways.

⁽²⁾ Franchised Buses include KMB, Citybus, NWFB, LWB and NLB. For this purpose, MTR buses, for Northwest New Territories, are also covered.

Trial Scheme for Low-floor Light Buses

155. To improve accessibility for wheelchair users, it is expected that green minibus operators will introduce low-floor light buses for trials on some hospital routes in the second half of this year.

Tram

156. In order to reduce the traffic impact caused by tram track replacement works and to provide more comfortable service for passengers, the Government will subsidise, on a matching basis, the replacement of about 2.4 kilometres of tram tracks with the use of new technology.

Ferry Services for Outlying Islands

157. The Government will continue to provide Special Helping Measures (SHM) for the six major outlying island ferry routes. Separately, we will, in the first half of 2019, examine in the mid-term review of the next three-year licence period (2017-20) whether the SHM are the most desirable long-term operation model to maintain the financial viability of ferry services. The review will cover, inter alia, extension of licence duration and a study of the pros and cons of possible options such as letting the Government own the ferry fleet and outsource its operation. The objective is to ensure enhanced service quality, financial viability and reasonable fare level of ferry services.

Improving Ancillary Facilities for Public Transport

158. The Government will improve a number of remote public piers to facilitate public access to outing destinations and natural heritage. The first phase will cover about 10 public piers in the New Territories and the Islands District.

Fostering a Pedestrian and Bicycle-friendly Environment

159. Under the Universal Accessibility Programme, the Government has completed more than 40 projects to install barrier-free access facilities at public walkways, and will continue to implement some 160 remaining projects.

160. Walking is an integral part of Hong Kong as a sustainable city. The Government will encourage people to walk more and rely less on motorised transport. We will consolidate past efforts

to foster a pedestrian-friendly environment and promote “Walk in HK”. The Transport and Housing Bureau will implement new measures along four themes:

- (i) “Make it smart” by providing user-friendly information on walking routes;
- (ii) “Make it connected” by enhancing pedestrian networks;
- (iii) “Make it enjoyable” by making walking a pleasant experience; and
- (iv) “Make it safe” by providing a safe and quality pedestrian environment.

161. We will select two areas for pilot study to test innovative measures for a comfortable walking environment, and to explore relaxing the requirements for adding covers to public walkways as stipulated in the Transport Planning and Design Manual, etc. We will work with stakeholders such as the MTRCL to promote “Walk in HK”. We will continue to implement hillside escalator links and elevator systems (HEL) projects. We will conduct a study at the end of this year to review and improve the assessment mechanism established by the Government in 2009, and on this basis carry out screening, traffic assessments and preliminary technical feasibility assessments for the HEL proposals received in the past years so as to draw up a timetable for implementing HEL proposals in future.

162. To foster a green community, we will continue to create a “bicycle-friendly” environment in new towns and NDAs. Measures will include providing comprehensive cycle track networks in NDAs under planning, including Hung Shui Kiu and Yuen Long South, to facilitate commuting by bicycles within the districts, as well as extending the cycle track network within the open spaces of the Kai Tak Development Area (KTDA) to about 13 kilometres to link up major attractions. We will also explore the option of extending the network at the KTDA to the Mass Transit Railway station of the Shatin to Central Link under

construction. Besides, we are linking up the existing scattered sections of cycle tracks in the New Territories to provide a cycle track of about 82 kilometres connecting the eastern and western New Territories. We will also study how to assist organisations in operating self-financing community bicycle rental services on a non-profit making basis for providing first and last mile short-distance connection.

Alleviating Road Traffic Congestion

163. Road traffic congestion is getting worse and affecting our economy, our environment and the public's quality of life. To tackle road traffic congestion, we have adopted a multi-pronged approach, and are taking forward progressively the short, medium and long-term measures recommended by the Transport Advisory Committee earlier. Those recommendations include carrying out an in-depth feasibility study on an Electronic Road Pricing Pilot Scheme in Central and its adjacent areas, commencing a parking space policy review to accord priority to meeting the parking needs of commercial vehicles, exploring measures to control vehicle growth, and conducting a study on the overall strategy for the rationalisation of traffic distribution among the three road harbour crossings to formulate toll adjustment options for timely discussion in the LegCo. To combat illegal parking, apart from the Police's continued effort to strengthen enforcement actions against congestion-related traffic offences, we plan to introduce into the LegCo, during the first quarter of this year, legislative amendments to raise the fixed penalty charges for congestion-related traffic offences.

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

Progress and Vision

164. Poverty alleviation, elderly care and support for the disadvantaged are at the top of the current-term Government's agenda. Poverty alleviation initiatives implemented in the past four years have shown a clear vision and direction and proven effective. The current-term Government's philosophy in poverty alleviation is to encourage and support people capable of working to achieve self-reliance through employment, and put in place a reasonable and sustainable social welfare system.

165. After taking office, the current-term Government immediately re-established the Commission on Poverty and announced the first official "poverty line" to provide objective data on the poverty problem and to serve as a foundation for building consensus. The data is updated on a yearly basis, so the effectiveness of poverty alleviation measures can be reviewed with the community.

166. Over the past four years or so, our poverty alleviation work has been geared towards two major objectives, namely enhancing the social security programmes and encouraging self-reliance through employment. While according priority to tackling elderly poverty and working poverty, the Government has also attached importance to the upward mobility of young people with grassroots background and the issue of social integration facing persons with disabilities, ethnic minority groups and others. To address elderly poverty and working poverty, the Government has introduced two new support programmes — the Old Age Living Allowance (OALA) and the Low-income Working Family Allowance, over the short span of four years. While offering economic assistance, the Government also attaches great importance to the provision of appropriate services for the disadvantaged.

167. Mastering the Chinese language is essential for ethnic minorities to integrate into the community. Two years ago, the Government started to implement the Chinese Language Curriculum Second Language Learning Framework in primary and secondary schools. From the next school year, the Government will provide additional resources for eligible kindergartens admitting eight or more non-Chinese speaking students, with a view to helping these students build a good foundation of Chinese language skills.

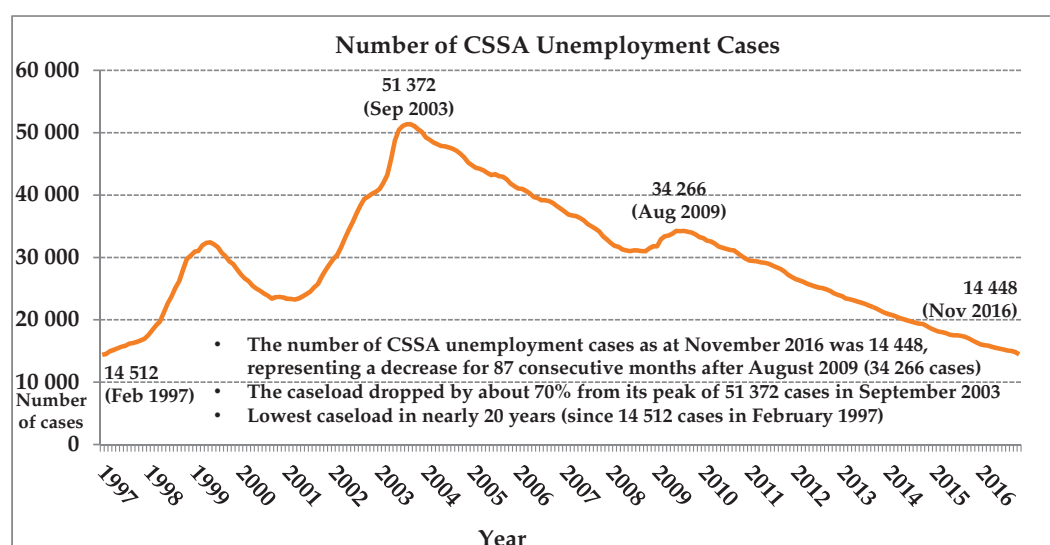
168. The Government has been actively promoting the employment of persons with disabilities for the past few years. Apart from encouraging employers to employ more persons with disabilities, the Government has procured services from a non-governmental welfare organisation to strengthen counselling support for job seekers with disabilities. We have also made use of the Community Care Fund (CCF) to encourage persons with disabilities to work and enhance support to the carers of persons with disabilities. The review of the Disability Allowance (DA) has been completed and the relevant improvement measures are being implemented progressively.

169. In late 2015, the Government rolled out a two-year pilot scheme on On-site Pre-school Rehabilitation Services. The scheme provides training for about 2 900 children with special needs at the kindergartens or kindergartens-cum-child care centres they attend. The Government has earmarked an annual recurrent expenditure of \$460 million to convert the scheme into a regular government subsidy programme after its conclusion. The programme will provide 7 000 places in phases with the ultimate aim of reducing the waiting time.

170. The earnest efforts of the current-term Government on poverty alleviation, elderly care and support for the disadvantaged are reflected in the rise in expenditure. This year, estimated recurrent government expenditure on social welfare is \$66.2 billion, a 55% increase over the level four years ago. Our on-going efforts have borne fruit. The poor population in 2015 stood at 970 000, i.e. below 1 million for the third consecutive

year, with the poverty rate of working households hitting a record low since statistics were compiled in 2009. The self-reliance spirit of our people is encouraging: the number of unemployment cases under the CSSA Scheme has decreased for 87 consecutive months to a 20-year low, with a drop of about 70% from its peak.

Chart 4



171. Since its establishment in 2011, the CCF has launched 36 assistance programmes with a total commitment of over \$7 billion and benefiting about 1.47 million people. In the coming year, we will invite the CCF to implement various new programmes.

172. I believe the current-term Government has laid the foundation for future poverty alleviation work. Poverty alleviation is a long-term commitment in which the community must persevere.

Elderly Services

173. The Elderly Commission is conducting the third-stage public engagement exercise of the Elderly Services Programme Plan. Preliminary observations show that the public and

stakeholders generally support the policy of “ageing in place as the core, institutional care as back-up”, reckoning that community care services should be strengthened. The report on the Elderly Services Programme Plan is expected to be completed in the second quarter of this year.

174. Before completion of the report, we will seize each and every opportunity to improve elderly services, particularly community care services, by inviting the CCF to consider implementing two pilot schemes to support elderly persons discharged from public hospitals after treatment and elderly persons with mild impairment. Moreover, the Government continues to implement the Second Phase of the Pilot Scheme on Community Care Service Voucher for the Elderly financed by the Lotteries Fund, with the quota increased to 3 000 vouchers in October last year. The Government will provide an additional 2 000 vouchers under the scheme to support ageing in place for elderly persons with moderate or severe impairment.

175. The Government will continue to increase the number of subsidised residential care places for the elderly. From the first quarter of this year, we will implement the Pilot Scheme on Residential Care Service Voucher for the Elderly by adopting a “money-following-the-user” approach, with a view to offering elderly persons in need of residential care service with an additional choice. Under the pilot scheme, a total of 3 000 service vouchers will be issued from 2017 to 2019.

176. The Government will increase funding for the Infirmary Care Supplement and the Dementia Supplement and implement a pilot scheme under the Lotteries Fund to provide specialised residential care services for elderly persons with special needs at designated residential care homes for the elderly.

177. The Government will extend the Pilot Residential Care Services Scheme in Guangdong for three years to provide elderly persons waiting for subsidised care-and-attention places with an option to live in the two elderly homes located respectively in Shenzhen and Zhaoqing which are run by Hong Kong NGOs. Under the Guangdong Scheme, we will once again exempt, on a

one-off basis for a one-year period, eligible elderly persons already residing in Guangdong from the requirement of having resided in Hong Kong continuously for at least one year immediately before the date of application. We will also introduce the Fujian Scheme to provide monthly Old Age Allowance (OAA) for eligible elderly persons who choose to reside in Fujian.

Support for the Disadvantaged

Persons with Disabilities

178. The Government will bolster support for persons with disabilities. Measures include continuing to provide additional places of various rehabilitation services and strengthening outreach services to enhance support for ageing persons with disabilities in the community, stepping up support for ex-mentally ill persons through integrated community centres for mental wellness, injecting additional funding of \$100 million for the Enhancing Employment of People with Disabilities through Small Enterprises Project for directly creating more employment opportunities for persons with disabilities, and inviting the CCF to consider implementing a pilot scheme to provide a special subsidy for persons with permanent stoma from low-income families to purchase medical consumables.

179. After the Elderly Commission completes the formulation of the Elderly Services Programme Plan, the Government will start formulating a new Hong Kong Rehabilitation Programme Plan by making reference to the relevant experience, to ensure that rehabilitation services will keep abreast with the times.

Children with Special Needs

180. To support children with special needs and their parents, the Government will waive the service fees of special child care centres and provide a non-means-tested training subsidy for children on the waiting list of these centres.

181. In the coming school year, the Government will continue to develop a support model applicable to senior secondary students with average to high functioning autism.

182. We will provide an additional grant for schools for children with severe intellectual disability, schools for children with physical disability and schools for children with visual impairment-cum-intellectual disability to enhance the care for 24-hour ventilator-dependent students.

Family Services

183. The Government will increase the level of various foster care allowances, provide 240 additional foster care places in phases and recruit more foster parents. The Government will also offer additional resources for units of day/residential child care services and pre-school rehabilitation services for enhancing the remuneration for qualified staff.

184. The Government will, through the Lotteries Fund, inject \$300 million into the Community Investment and Inclusion Fund. This will enable the fund to continue to support social capital development projects and build mutual help networks in the community through cross-sector collaboration.

IX. Retirement Protection and Population Policy

Retirement Protection

185. Elderly persons have diverse retirement needs. Some have to rely on social security; others may only require some living allowances; the rest are self-sufficient. Hence, for retirement protection, there is no one-size-fits-all approach. A flat-rate payment by the Government to all elderly persons irrespective of financial means will only dilute the support available to those in need.

Reinforcing the Multi-pillar System

186. In 20 years, one-third of Hong Kong's population will be aged 65 or above. Moreover, with longer life expectancies, Hong Kong people's retirement life can be as long as 20 to 30 years. As such, the community needs to be well prepared for retirement protection. After consulting the public, we consider the existing multi-pillar retirement protection system should continue. At the same time, we should enhance the effectiveness of each pillar while maintaining the sustainability and financial viability of the system.

187. First, the pillar of the Mandatory Provident Fund (MPF) should be enhanced to maximise the protection for employees. Second, the pillar of social security should be strengthened to perform well the function of a safety net. Third, assistance should be rendered to the elderly to meet their medical expenses. Fourth, financial products should be developed to help the elderly make good use of their assets to increase the stability of their post-retirement investment income.

Enhancing the Mandatory Provident Fund System

188. The Government proposes to progressively abolish the "offsetting" of severance payments (SP) or long service payments (LSP) with MPF contributions. The proposal contains three key

elements. First, the abolition will have no retrospective effect. In other words, employers' MPF contributions before the implementation date of the proposal will be "grandfathered".

189. Second, as some SP and LSP functions overlap with those of the MPF system, we propose that the amount of SP or LSP payable for an employment period from the implementation date be adjusted downwards from the existing entitlement of two-thirds of one month's wages to half a month's wages as compensation for each year of service. Third, the Government will share part of the expenses on SP or LSP of employers in the 10 years after the implementation date of the abolition to help employers, especially SMEs.

190. The above arrangement will only apply to employees covered by the Mandatory Provident Fund Schemes Ordinance or other statutory retirement schemes.

191. Apart from obtaining a certain sum as compensation upon dismissal, dismissed employees will have their MPF fully protected upon the implementation of the proposal. Although expenditure by employers will increase, the "grandfathering" arrangement and the government subsidy will help mitigate the impact.

192. Following the launch of the Default Investment Strategy in April this year to address the concerns of "high fees" and "difficulty in making investment choices", the next objective of the MPF Schemes Authority is to put in place an eMPF, a centralised electronic platform, to facilitate the standardisation, streamlining and automation of the MPF scheme administration, thereby further reducing costs and paving the way for "full portability" so employees will have full control over the investment strategy. This will promote market competition among trustees, and increase the prospect of fee reductions. The Government's vision is "one member, one account", so that each employee will pool all MPF accrued benefits into a single MPF account for more effective management of his/her retirement savings. The Government will render full support to these efforts.

Optimising the Multi-tiered Social Security Pillar

193. The OALA was implemented shortly after I assumed office. It now benefits more than 440 000 elderly persons, or around 37% of the elderly population. To strengthen the support of this social security pillar for elderly persons, the Government will enhance the OALA through two measures. First, we will add a higher tier of assistance by providing a higher monthly allowance of \$3,435 per person, or about one-third higher than the existing rate, for elderly persons with more financial needs who are eligible for the allowance, i.e. elderly singletons with assets not exceeding \$144,000 or elderly couples with assets not more than \$218,000. Second, we will relax the asset limits for the existing allowance, from \$225,000 (with effect from 1 February 2017) to \$329,000 for elderly singletons and from \$341,000 (with effect from 1 February 2017) to \$499,000 for elderly couples, to benefit more elderly persons with financial needs. Around 500 000 elderly persons will benefit from the two measures in the first year, and the coverage of OALA will increase to 47%. Counting in the CSSA as well as the non-means-tested OAA and DA, the social security pillar will in the first year cover nearly 910 000 or 74% of elderly persons.

194. While maintaining the requirement that applicants under the CSSA Scheme must apply on a household basis, we will abolish the arrangement for the relatives concerned to make a declaration on whether they provide the elderly persons who apply for CSSA on their own (e.g. an elderly person who does not live with his/her children) with financial support (the so-called “bad son statement”). Only the elderly applicants will be required to submit information. Moreover, the eligible age for elderly CSSA will be raised from 60 to 65 to align with the direction of our population policy to extend retirement age. Elderly persons aged between 60 and 64 who are receiving CSSA before the new policy takes effect will not be affected.

Improving Healthcare for the Elderly

195. To alleviate the burden of medical expenses on elderly persons and their families and to enhance health promotion and primary care services, the Government proposes to lower the eligibility age for the Elderly Health Care Vouchers from 70 to 65, so that about 400 000 more elderly persons will receive \$2,000 a year to purchase private primary care services. In addition, we will extend the fee waiver for public hospital and clinic services to cover the older OALA recipients with more financial needs, i.e. those aged 75 or above with assets not exceeding \$144,000 for elderly singletons or \$218,000 for elderly couples, benefiting 140 000 elderly persons. We will also provide free or subsidised 13-valent pneumococcal conjugate vaccine under the Government Vaccination Programme and the Vaccination Subsidy Scheme respectively.

196. We will increase the recurrent provision for the Hospital Authority (HA) by \$2 billion annually from the next financial year onwards to continue to strengthen healthcare services for the elderly and other patients, such as chronic disease management, rehabilitation support and service enhancement by HA's Community Geriatric Assessment Teams for terminally ill patients living in residential care homes for the elderly.

Supporting the Elderly in Investment Management

197. The Government will study the feasibility of a public annuity scheme and explore whether we can have life annuity plans run by the public sector, so as to help elderly persons turn their one-off assets into a stable monthly retirement income to reduce uncertainty. The Government will also consider issuing larger volumes of Silver Bonds, which have been popular among the elderly, and setting a longer term. In addition, we will encourage the financial sector to develop more retirement-related investment products.

The Way Forward

198. This is the first systematic territory-wide discussion on retirement protection by the Government since our return to the Motherland. It is both pragmatic and resolute for the Government to put forward a series of measures to optimise the existing multi-pillar system, in particular the three pillars of social security, the MPF and public services, which involve an additional annual recurrent government expenditure of over \$9 billion on average in the coming 10 years and one-off expenditure of \$6 billion. Besides, as employers may need to make provisions for LSPs, the tax revenue of the Government may also be affected. It is difficult to precisely predict the actual impact at this stage, but tax revenue forgone in the coming 10 years may amount to \$18 billion. When the Government no longer subsidises employers in the 11th year, it may forgo up to \$2.6 billion in tax revenue per annum and such loss will continue. In the face of the challenges posed by an ageing population, these substantial public finance commitments not only demonstrate the determination and sincerity of the Government, but also take into account the affordability of the Government and employers, as well as maintain a balance between the interests of employers and employees.

199. On measures to enhance the OALA and healthcare services, the Government will implement them as soon as possible subject to funding approval by the LegCo. As for the proposal to abolish the “offsetting” arrangement, we will discuss in detail with the business and labour sectors, MPF trustees and relevant advisory bodies in the coming three months, and finalise our proposal by the end of June. We hope all parties can properly resolve this thorny problem in a spirit of mutual respect and understanding, and foster a constructive interaction between employers and employees in the future.

Labour

200. Subject to approval by the LegCo, the Statutory Minimum Wage (SMW) rate will be increased with effect from 1 May this

year. This is the third time for the current-term Government to increase the SMW rate, which will benefit tens of thousands of low-income employees.

201. The Standard Working Hours Committee will submit its report to the Government by the end of this month before its term expires. The Government will take full account of the report of the Committee and the views of various sectors of the community, and strive to map out within the term of the current Government the working hours policy direction that suits Hong Kong's socio-economic situation.

202. Currently, there are over 350 000 foreign domestic helpers in Hong Kong, assisting over 280 000 households with housework and taking care of the elderly and children in their families. The Labour Department plans to introduce an amendment bill in the second quarter of this year to provide the legal basis for the newly promulgated Code of Practice for Employment Agencies, and to impose heavier penalties on employment agencies overcharging job seekers or operating without a licence so as to achieve a stronger deterrent effect.

Population Policy

203. The Labour and Welfare Bureau has commenced a consultancy study on the feasibility of drawing up a talent list to attract high-quality talent in a more effective manner to support Hong Kong's development as a high value-added and diversified economy. The study is expected to be completed this year. Besides, the Government will inject an additional \$1.5 billion into the Continuing Education Fund to encourage the public to pursue continuing education.

X. Education and Youth Development

Kindergarten Education

204. The Government will implement the free quality kindergarten education policy from the next school year. Eligible local non-profit-making kindergartens will be provided with a direct subsidy for quality half-day education services. The Government will also provide an additional grant for whole-day and long whole-day kindergartens, and a grant for kindergarten students from needy families to cover their school-related expenses. To help eligible kindergartens implement the new policy, the Government will provide them with a one-off grant in the 2016/17 school year. It is estimated that the Government's recurrent expenditure on kindergarten education will increase by around \$2.7 billion, and approximately 70% to 80% of subsidised half-day kindergarten places will be free-of-charge.

205. The Government will invite the Standing Committee on Language Education and Research (SCOLAR) to consider making use of the Language Fund to provide Chinese and English enhancement programmes for kindergarten teachers, including training on skills in teaching Chinese to non-Chinese speaking students.

Primary and Secondary Education

206. Last November, the Committee on Prevention of Student Suicides submitted its final report and put forward recommendations on preventing student suicides and improving the mental health of students. The Government has launched the Student Mental Health Support Scheme on a pilot basis in the current school year to enhance communication and collaboration among healthcare, education and social welfare professionals. Multi-disciplinary professional teams comprising psychiatrists, educational psychologists, school social workers, psychiatric nurses, clinical psychologists and occupational therapists are assisting schools in supporting students with mental health needs. In addition, the Learning Support Grant for public sector

ordinary primary and secondary schools will cover students with mental illness starting from the next school year.

207. The Government will introduce a paid non-local study leave scheme on a pilot basis for serving secondary school teachers to broaden their perspectives and enrich their experience by allowing them to take part in specific courses or on-site experiential learning attachment programmes for about one to three months. The 3-year scheme is expected to benefit some 150 teachers.

208. As regards language education, the Government will invite SCOLAR to consider implementing the following two programmes:

- (i) a grant for primary schools to enrich the language environment on campus and refine the school-based English Language curriculum. The grant should enhance support for English learning in primary schools, in particular for the transition from kindergarten to junior primary, as well as to cater for both more able and less able students; and
- (ii) a vocational English programme for senior secondary students who are interested in pursuing vocational and professional education and training or are prepared to work, so as to enhance their English proficiency and provide them with relevant recognition for further studies and employment.

209. There are currently about 900 public sector schools in Hong Kong. The school premises were built in different periods and provide various facilities. Having regard to the unique design feature, the Government will allocate additional resources to improve the facilities of 26 “matchbox-style school premises”.

210. Last October, the Education Bureau (EDB) commenced consultation on revising the curriculum of the junior secondary Chinese History subject, recommending that Chinese history education be fine-tuned by attaching equal weight to the ancient

and modern times, with both political and cultural dimensions incorporated into the curriculum, so that our students may have a comprehensive understanding of Chinese history. To promote Chinese history and traditional Chinese culture, the EDB will strengthen teachers' professional development and provide a one-off grant of about \$125 million to support teaching efforts in this respect.

211. The EDB will strengthen Basic Law education and further promote the Basic Law through continuously developing learning and teaching materials, organising relevant learning activities, providing teacher training and conducting exchange programmes with Mainland students and teachers.

212. The EDB strives to promote Science, Technology, Engineering and Mathematics (STEM) education. Following the provision of additional resources for primary schools at the beginning of last year, the EDB is prepared to provide each public sector secondary school with an additional one-off subsidy of \$200,000 to facilitate the implementation of school-based programmes related to STEM education.

Post-secondary Education

213. In order to nurture talent to meet our social and economic needs, the Government has decided to regularise the Study Subsidy Scheme for Designated Professions/Sectors from the 2018/19 academic year to subsidise students to undertake designated self-financing undergraduate programmes. The number of subsidised places will be increased from about 1 000 per cohort to 3 000. Current students of the designated programmes will also receive the subsidy from the 2018/19 academic year. It is expected that about 13 000 students will benefit from the scheme each academic year.

214. To help self-financing post-secondary institutions tap more funding sources, the Government will launch the seventh Matching Grant Scheme, providing a maximum grant of \$500

million for application by qualified local self-financing degree-awarding institutions.

215. The Hong Kong Scholarship for Excellence Scheme will continue to support up to 100 outstanding local students in their pursuit of studies in world renowned universities outside Hong Kong in the 2017/18 academic year. While there is no restriction on the disciplines of study, priority will be given to programmes conducive to boosting Hong Kong's long-term competitiveness, in particular disciplines related to innovation and technology.

Vocational and Professional Education

216. The Government has identified a site in Cha Kwo Ling for development of a Vocational Training Council (VTC) campus with adequate capacity and state-of-the-art facilities. Planning work is being carried out. The Government also supports the VTC in principle to construct the Aviation and Marine Engineering Centre on the site of the Hong Kong Institute of Vocational Education (Tsing Yi).

Youth Development

217. In the past few years, the Government has invested significant resources to promote youth development. For better delivery of youth development work, the Government will invite the Commission on Youth to put forward proposals on the future direction of youth development policy and strengthen co-ordination with various government departments in youth development.

XI. Sports and Culture

Sports Development


218. In recent years, the Government has allocated substantial additional resources to promote sports in the community, support elite sports and maintain Hong Kong as a centre for major international sports events. Over the past 10 years, the number of elite sports supported by the Hong Kong Sports Institute (HKSI) has increased from 13 to 17. The number of athletes trained by the Institute has risen from about 650 to over 1 200, with full-time athletes increasing from about 180 to over 330 within five years. Hong Kong athletes have excelled in major international sports events and our squad as a whole has grown stronger. Hong Kong athletes have also done really well in world level competitions of non-Olympic sports, such as tenpin bowling, billiards and squash. We need to step up our efforts in terms of provision of financial resources and venues, as well as elite sports development so as to support Hong Kong athletes in achieving better results.

219. I have decided to significantly increase the provision of sports facilities, and will spend a total of \$20 billion in the coming five years to launch 26 projects to develop new or improve existing sports and recreation facilities amounting to a total of 54, including two sports grounds, nine football pitches, one sports centre, four swimming pool complexes, two lawn bowling greens, one cycling ground, four tennis courts, 11 outdoor basketball courts and 20 open spaces. The Government will conduct technical feasibility study for another 15 sports and recreation facility projects to prepare for their implementation. Besides, pre-construction works for the Kai Tak Sports Park, the largest sports project to be built in Hong Kong, are close to completion.

Map 8

Five-Year Plan for Sports and Recreation Facilities



 Projects to be launched in coming five years

 Projects for conducting Technical Feasibility Study

Projects to be launched in the coming five years

	Kai Tak Sports Park
1.	Avenue Park at Kai Tak (including one outdoor basketball court and open space)
2.	Football-cum-Rugby Pitch in Area 33, Tai Po (including one 11-a-side football pitch cum rugby pitch)
3.	Hoi Sham Park Extension, To Kwa Wan (including four tennis courts and open space)
4.	Improvement of Hoi Bun Road Park and Adjacent Area, Kwun Tong (including one 5-a-side football pitch and open space)
5.	Improvement of Lam Wah Street Playground and Adjacent Area, Kwun Tong (including one 5-a-side football pitch and open space)
6.	Kwai Chung Park (open space)
7.	Open Space at Hoi Fai Road, Tai Kok Tsui (open space)
8.	Open Space at Hoi Fan Road, Tai Kok Tsui (including one 7-a-side football pitch, two outdoor basketball courts and open space)
9.	Open Space at Hung Hom Waterfront (including one outdoor basketball court and open space)

10.	Open Space at Sze Mei Street, San Po Kong (including one 7-a-side football pitch, four outdoor basketball courts and open space)
11.	Open Space in Area 6, Tai Po (including two outdoor basketball courts and open space)
12.	Open Space in Area 6, Tuen Mun (including one 7-a-side football pitch and open space)
13.	Open Space in Area 27, Tuen Mun (open space)
14.	Open Space in Area 47 and 48, North District (open space)
15.	Town Park in Area 66 and 68, Tseung Kwan O (open space)
16.	Open Space in Area 17, Tuen Mun (including one 11-a-side football pitch and open space)
17.	Provision of Heated Pool at the Morse Park Swimming Pool Complex, Wong Tai Sin (redevelopment of an outdoor swimming pool into a heated pool)
18.	Provision of Heated Pool at the Pao Yue Kong Swimming Pool Complex in the Southern District (redevelopment of an outdoor swimming pool into a heated pool)
19.	Redevelopment of Kowloon Tsai Swimming Pool Complex (redevelopment of an outdoor swimming pool into a heated pool)
20.	Redevelopment of Tung Tau Industrial Area Playground, Yuen Long (including one 11-a-side football pitch, one outdoor basketball court and open space)
21.	Redevelopment of Yuen Long Stadium (including one sports ground)
22.	Sports Centre in Area 103, Ma On Shan (including one sports centre)
23.	Sports Ground and Open Space in Area 16, Tuen Mun (including one sports ground, one 11-a-side football pitch and open space)
24.	Station Square at Kai Tak (including two lawn bowling greens, one cycling ground and open space)
25.	Swimming Pool Complex and Open Space in Area 107, Tin Shui Wai (including one swimming pool complex and open space)
26.	Waterfront Promenade adjacent to the Hong Kong Children's Hospital (open space)

Projects for conducting Technical Feasibility Study

27.	Ha Hang Village Playground in Area 31, Tai Po
28.	Improvement of Tsuen Wan Riviera Park and Tsuen Wan Park
29.	Waterfront Promenade at Eastern Street North in the Central and Western District
30.	Redevelopment of Aberdeen Sports Ground
31.	Redevelopment of Hong Kong Stadium
32.	Sports Centre and Open Space at Aldrich Bay
33.	Sports Centre and Town Plaza at Sai Kung
34.	Sports Centre at Kam Tin Pak Heung
35.	Sports Centre at Lai Chi Kok
36.	Sports Centre in Area 6, Tai Po
37.	Sports Centre in Area 12, Yuen Long
38.	Sports Centre in Area 39, Tung Chung
39.	Sports Complex at Whitehead
40.	Sung Wong Toi Park
41.	Water Sports Centre in Area 77, Tseung Kwan O

220. The Government proposes to use the Wan Chai Sports Ground for comprehensive development in 2019 at the earliest. Apart from convention and exhibition venues, the development proposal will comprise trendy and novel recreation and sports facilities as well as other necessary community facilities for the district, with a view to optimising land use. The TDC will conduct a feasibility study on this proposal. The Government will consult the Wan Chai District Council and other stakeholders timely.

221. Sports and recreation facilities at schools can complement those provided by the Government for the public in various districts. The EDB and the Home Affairs Bureau (HAB) will encourage public sector schools to further open up their facilities and review the promotion of sports development in schools to encourage students to develop a healthy sporting habit.

222. On the use of sports and recreation venues provided by the Government and the public's participation in the related activities, the Leisure and Cultural Services Department (LCSD) will develop a new intelligent booking system for more efficient booking and enrolment services.

223. The Government has decided to inject \$1 billion into the Elite Athletes Development Fund to further enhance the HKSI's efforts in nurturing elite athletes for Hong Kong. The new career programme for retired athletes announced in last year's Policy Address was formally launched at the end of last year.

224. I announced in 2015 the commissioning of a consultancy study on how to support disabled athletes and promote sports participation by people with disabilities in a more comprehensive manner. Public consultation on the study report has recently been completed, and follow-up work is in progress.

225. Major international sports events held in Hong Kong have grown significantly both in scale and level of participation. Apart from the Hong Kong Marathon and the Hong Kong Sevens, the Formula E motor race, a first for our city, and the

second Hong Kong Cyclothon held last year were all well received.

Culture and Arts

226. As regards arts and culture, the Government has continued to allocate resources to implement a series of measures to promote cultural development in the past few years. Our vision is to develop Hong Kong into an international cultural city.

227. The HAB and LCSD implemented a number of measures in recent years in support of art groups and artists. These include setting aside \$150 million to strengthen the training of art administrators, and increasing the recurrent provision since 2014-15 to \$60 million a year for the Hong Kong Arts Development Council and nine major performing art groups, so as to enhance the subsidies for local artists and art groups of different sizes. In addition, the Art Development Matching Grants Pilot Scheme was introduced last year to encourage the community and the private sector to sponsor art and cultural activities.

228. As for venues, apart from the expansion of the Hong Kong Museum of Art, the foundation for the building of the East Kowloon Cultural Centre was laid last December. The Government also strives to provide creative space for local artists and emerging art groups, such as art space in Aberdeen and Tai Po.

229. An important part of the Hong Kong's cultural infrastructure, the West Kowloon Cultural District (WKCD) is currently being developed into a world-class integrated arts and cultural district comprising local, traditional as well as international elements. Its first permanent facility, the M+ Pavilion, commenced operation last year. Other art and cultural facilities, including the Xiqu Centre, Art Park, Freespace and M+ Museum, will be completed one after another over the next few years. Last December, the WKCD Authority signed a Memorandum of Understanding with the Palace Museum of our

country to take forward the development of the Hong Kong Palace Museum in the WKCD. The new museum will enhance the diversity of the WKCD's facilities and its attractiveness to both locals and visitors from the Mainland and overseas.

230. To ensure the WKCD can fully attain its vision of meeting the long-term infrastructural and development needs of Hong Kong's arts and culture, and to foster the organic growth of cultural and creative industries, the Government has decided to provide the WKCD Authority with an enhanced financial arrangement by granting it the government-owned development rights of the hotel/office/residential portion of the WKCD. The Authority may develop the hotel/office/residential facilities jointly with the private sector through open tender and a Build-Operate-Transfer arrangement, and share rental revenue from such facilities to sustain the operation of the WKCD. This will dovetail with the financing arrangement for the development of the third batch of art and cultural and related facilities, particularly a world-class Music Centre, to offer opportunities for local as well as Mainland and overseas music troupes and musicians to showcase their talent in the WKCD.

XII. Healthcare

Healthcare System

231. To meet the challenge of an ageing population and the public's rising expectations, we must plan ahead for our healthcare services. The Government will continue to take forward the dual-track system of public and private healthcare sectors, and provide sufficient resources and enhance the supporting infrastructure so our public healthcare services can continue to provide a safety net for the public, while their counterparts in the private sector can offer more choices for those who can afford them.

Healthcare Manpower Planning and Professional Development

232. The first territory-wide Strategic Review of Healthcare Manpower Planning and Professional Development will be completed early this year. The review aims to make recommendations on ensuring a stable supply of healthcare professionals in the long run and charting the course of development with regard to the standards and regulation of the healthcare professions.

233. The Government has increased the number of medical student places in local universities three times since 2009, and will consider further increases having regard to the supply of and demand for doctors. Looking ahead, the growth in healthcare services will be able to absorb new medical graduates. The Government will adjust the provision of baseline funding for the HA, taking into account population growth and other factors, to meet its financial needs for service expansion. We will continue to engage, on a need basis, non-locally trained doctors under limited registration to serve in the public healthcare sector.

Improving the Operation of the Medical Council of Hong Kong

234. The restrictions imposed by current legislation on the handling of complaints by the Medical Council of Hong Kong (MCHK) have resulted in mounting backlog of cases and protracted complaint handling process. The Government will seek to re-introduce a Medical Registration (Amendment) Bill as early as possible into the LegCo in the first half of this year to address the concerns of the public by improving the MCHK's complaint handling mechanism, increasing lay participation and extending the validity period of limited registration of non-locally trained doctors from one year to three years.

Development of Public and Private Hospitals

235. We have commenced a number of projects under the 10-year Hospital Development Plan, for which a sum of \$200 billion was earmarked last year. As regards private healthcare services, a new private hospital will be commissioned early this year and the construction of the Chinese University of Hong Kong Medical Centre has started. The Government will continue to facilitate the further development of private hospitals.

Regulation of Private Healthcare Institutions

236. The Government will introduce a bill into the LegCo in the first half of this year to enhance the regulation of private healthcare institutions.

Voluntary Health Insurance Scheme

237. To encourage the use of private healthcare services by the public, the Government will implement the specific arrangements for the Voluntary Health Insurance Scheme to enhance the quality and transparency of individual hospital insurance products, and examine the details of providing tax deduction for the purchase of regulated health insurance products.

Electronic Health Record Sharing

238. The Electronic Health Record Sharing System was launched successfully last March to promote co-operation between the public and private sectors. It has been met with active support and participation of patients and healthcare personnel. The Government will commence work on the second stage, mainly including enhancement of the system's core functions, stepping up security and privacy protection measures and further expansion of the scope of data sharing.

People-oriented Healthcare Services

239. In 2017-18, the Government will provide an additional \$2 billion to the HA in total recurrent expenditure. The additional provision will enable the HA to meet service demand by increasing the number of public hospital beds and operating theatre sessions; enhancing the provision of emergency surgical services; and increasing the quotas for endoscopy examination, diagnostic radiological service, general out-patient and specialist out-patient consultation.

Promoting a Healthy Lifestyle

240. The Government will continue to promote a healthy lifestyle through measures including promoting and supporting breastfeeding, as well as implementing the "Hong Kong Code of Marketing of Formula Milk and Related Products, and Food Products for Infants & Young Children" to prevent inappropriate marketing practices.

241. To safeguard public health, the Government will launch a pilot public-private partnership programme to test a new mode of smoking cessation service supported by family physicians, actively study the proposal to regulate electronic cigarettes through legislation, and step up patrol and enforcement actions in statutory no smoking areas.

Disease Prevention

242. As the Pilot Study on Newborn Screening for Inborn Errors of Metabolism implemented in two public hospitals since October 2015 has proven effective, the Department of Health (DH) and the HA plan to extend the screening service to all public hospitals with maternity wards in phases from the second half of 2017-18.

243. To prevent communicable diseases, the scope of the Government Vaccination Programme and Vaccination Subsidy Scheme has been expanded this year on a pilot basis. These measures will turn into regular programmes from 2017-18 onwards.

Mental Health

244. The Government will set up a standing advisory committee to review and follow up the development of mental health services in light of the recommendations of the Review Committee on Mental Health.

Development of Chinese Medical Professionals and Chinese Medicines

245. The Government has decided to finance the construction of a Chinese medicine hospital on a reserved site in Tseung Kwan O, and invite the HA to assist in identifying a suitable non-profit-making organisation by tender to take forward the project and operate the hospital.

246. The practice of Chinese medicine in Hong Kong has a solid foundation and is well positioned for further development. The current-term Government has been actively promoting the development of Chinese medical professionals and Chinese medicines with a multi-pronged approach, which includes establishing a regulatory regime, encouraging local tertiary institutions to nurture Chinese medicine professionals, supporting scientific research and innovation for Chinese

medicines, enhancing Chinese medicine primary care services based on the concept of “evidence-based medicine”, and promoting the development of the Chinese medicines industry.

247. For the development of Chinese medicines, the Innovation and Technology Commission will continue to support scientific research and development in this area and encourage the use of scientific evidence in establishing the clinical efficacy of traditional Chinese medicines in line with the concept of “evidence-based medicine”. It also supports the industry’s efforts in development and innovation, and modernisation of their production and quality control. Moreover, the DH will continue to compile the Hong Kong Chinese Materia Medica Standards. So far, the DH has set reference standards for some 230 Chinese materia medica commonly used in Hong Kong, and commenced in 2015-16 a pilot study on the reference standards for Chinese medicines decoction pieces.

248. The Government is actively planning the establishment of the Government Chinese Medicines Testing Institute to be managed by the DH. The Institute will employ state-of-the-art technology and scientific research to develop a set of internationally-recognised reference standards for Chinese medicines and related products. It will help empower the industry through transfer of technology to strengthen quality control of products, establish the brand image of Hong Kong in Chinese medicines, and develop Hong Kong into an international hub for scientific research on Chinese medicines testing and quality control.

249. Pending the establishment of the permanent Government Chinese Medicines Testing Institute, a temporary one will be set up in the Science Park and commence operation in phases from the first quarter of this year. The temporary institute will start some of the work as soon as possible, including the continued development of reference standards for Chinese materia medica and decoction pieces, research on high-end biological and chemical technologies applicable to Chinese materia medica and

medicines, and preparation for the establishment of a digitalised herbarium on Chinese medicines of international standard.

250. In respect of the development of Chinese medicine service, the Government will continue the provision of “evidence-based” Chinese medicine primary care services for the public at the Chinese Medicine Centres for Training and Research (CMCs). In addition, the Government will allocate provisions for the HA to continue to implement and expand the Integrated Chinese-Western Medicine Pilot Project to gather more experience in the operation of integrated Chinese-Western medicine and Chinese medicine in-patient services.

251. To promote the development of Chinese medical professionals and Chinese medicines, the Government has requested the HA to review the salary level of Chinese medicine practitioners employed at the CMCs.

252. In the future, the Government and the Chinese Medicine Development Committee will continue to explore more policies and initiatives to promote the development of Chinese medical professionals and Chinese medicines.

Food Safety

253. Safeguarding food safety has always been a priority of the Government. Globalisation and trade liberalisation help diversify our food sources. However, this also poses challenges to food safety control. To strengthen the gate-keeping function of our food safety system, the Centre for Food Safety will continue to improve existing food import control and food surveillance efforts through such measures as increasing manpower and enhancing information technology management systems.

Safety of Drinking Water

254. The Government is actively following up the recommendations of the Commission of Inquiry into Excess Lead Found in Drinking Water. We will formulate a holistic plan to safeguard drinking water quality and put forward proposals on

introducing legislation on drinking water safety. We will propose amendments to the Waterworks Ordinance and its Regulations, involving a review of the roles and responsibilities of all persons engaged in the design and construction of the inside service, and the systems for their registration. We will also step up efforts to monitor the materials used in the inside service and, by drawing on overseas experience, implement a water safety plan applicable to Hong Kong.

XIII. Municipal Services, District Administration and Governance

Municipal Services

Public Markets

255. The Government will build sizable public markets in NDAs and has initially identified suitable sites in the Tung Chung New Town Extension Area and Hung Shui Kiu NDA. The Government will continue to identify suitable sites in other NDAs. In addition, we will continue to enhance the hardware of a number of existing public markets, including reprovisioning, reconfiguration and upgrading of facilities, etc. We will also take forward progressively the installation of air-conditioning in public markets which have obtained overwhelming support from tenants (totalling 10 markets at present). We will endeavour to deliver hardware and management enhancement in parallel with a view to revitalising and modernising the operation and management of markets, so as to ensure that the enhancement measures are sustainable.

Environmental Hygiene

256. Through the 2015 Keep Clean Campaign and the subsequent regular meeting mechanism between the Secretary for Food and Health and the Chairmen and Vice-Chairmen of the relevant Committees on Environmental Hygiene under the District Councils (DCs), our work on environmental hygiene has borne fruit. The Government will allocate an additional \$119 million a year to enhance environmental hygiene and strengthen the related enforcement and prosecution work.

Funeral Services

257. The Government re-introduced the Private Columbaria Bill to the LegCo last November. The columbarium development projects supported by the DCs in the past few years will provide a total of about 589 000 new niches, about two-thirds of the

overall planned number of new niches. We will consult the DCs on the remaining nine projects. To meet long-term demand, the Government will promote green burials.

District Administration

District Councils

258. The 18 districts are pressing ahead with the District-led Actions Scheme which helps address long-standing problems and capitalise on opportunities in the districts. A total of 39 projects are being rolled out in the 18 districts this year. Furthermore, from the next financial year, we will provide an additional \$100 million to the Community Involvement Programme, bringing its annual funding to some \$461 million, so as to enable the 18 DCs to further enhance the implementation or sponsorship of community involvement projects.

259. Funding approval has been given to most of the projects proposed by the 18 DCs under the Signature Project Scheme. The Government will follow up with the DCs.

Building Management

260. The Government will launch Phase 3 of the Building Management Professional Advisory Service Scheme to enhance support for owners of old buildings, and assist owners of “three nil” buildings in forming owners’ corporations (OCs), and support OCs in discharging their responsibilities.

Law and Order

Non-refoulement Claims

261. Last year, I proposed a comprehensive review of the strategy for handling non-refoulement claims. The revised strategy is delivering results. Compared with 2015, the number of non-ethnic Chinese illegal immigrants in 2016 dropped by 40%, while the number of non-refoulement claimants dropped by nearly a quarter. The Immigration Department will expedite the

screening of claims. The Security Bureau is exploring amendments to the Immigration Ordinance to improve the screening procedures.

Strengthening the Legislation on Anti-terrorism and Emergency Response Measures

262. In recent years, terrorist activities have gone rampant around the globe. We must be vigilant and stay alert. The Government will work with the international community to further improve our anti-terrorism regime, and enhance our emergency training efforts and handling capability. We will amend the legislation to further reduce the risks of money laundering and terrorist financing.

Governance

Twentieth Anniversary of Return to the Motherland

263. This year marks the 20th anniversary of Hong Kong's return to the motherland. The Government is organising a series of large-scale celebration activities under the theme of "Together • Progress • Opportunity". Our Mainland and overseas offices will also organise celebration events in over 80 cities worldwide.

Successful Implementation of the Basic Law

264. Since Hong Kong's return to the motherland, the principle of "one country, two systems" has been implemented in accordance with the Basic Law. The Basic Law ensures Hong Kong's prosperity and stability, and allows us to ride on the dual advantages of "one country" and "two systems" to accomplish new achievements and make further progress in social and economic developments. CEPA, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, and the major cross-boundary infrastructure projects nearing completion exemplify the fruitful co-operation between Hong Kong and the Mainland.

265. Hong Kong has been contributing to the country's internationalisation and connection with the world. Hong Kong serves not only as the offshore RMB centre of our country, but also the special administrative region for early and pilot implementation of liberalisation of trade in services through CEPA. As the most open international city of the country, Hong Kong plays the role of a "super-connector", helping our country go global and attract foreign investment.

266. The Government attaches great importance to Basic Law promotion and education. The Basic Law Promotion Steering Committee has been co-ordinating and overseeing the work in this area. Besides targeting the general public, the committee particularly focuses its attention on schools, major sectors and groups such as the industrial, commercial and professional sectors and civil service bodies, as well as overseas promotion.

267. The current-term Government has strengthened its efforts to promote the principle of "one country, two systems" and the Basic Law by organising seminars, talks and thematic exhibitions. Such activities enable people from different walks of life to gain a correct, comprehensive and in-depth understanding of the complete concept of "one country, two systems", and deepen their understanding of the relationship between the Central Authorities and the HKSAR under the Basic Law. In addition, the current-term Government has stepped up efforts on Basic Law promotion and education for students and young people, providing a wide variety of learning packages for schools and organising extra-curricular activities.

Rule of Law and Judicial Independence

268. The rule of law is the cornerstone of Hong Kong's success and has for many years earned us international acclaim. We must work together to preserve it. Judicial independence is the foundation of the rule of law and fully protected by the Basic Law. The Government has full respect for judicial independence and will spare no efforts in maintaining the rule of law in Hong Kong.

Maintaining a Clean Society

269. A clean society is a core value of Hong Kong and one of the key elements in ensuring Hong Kong's competitiveness. Our anti-corruption mechanism is fair, vigorous and effective. The Independent Commission Against Corruption has been enforcing the laws impartially regardless of the background, identity or status of the accused. The Government is committed to combating corruption and joins hands with all sectors of the community to keep our public and private sectors clean.

Enhancing the Voter Registration System

270. The Government published the Consultation Report on Enhancement of Voter Registration System early last year, proposing enhancement of the system. Some proposed measures were implemented last year. We are now drawing up proposals to follow up on the longer-term measures which involve amendments to various electoral legislation as recommended in the consultation report.

The Civil Service

271. The success of the Government in implementing initiatives and rolling out public services is due in no small measure to a united, efficient, distinguished and professional civil service. Caring for the welfare and remuneration for civil servants at all levels, the Government carries out reviews as appropriate from time to time.

272. To continuously improve the medical and dental benefits for the civil service, the Government will strengthen the clinical psychology service for civil servants, and set up additional specialised dental surgeries.

XIV. Conclusion

273. Mr President, Honourable Members and fellow citizens, this year marks the 20th anniversary of Hong Kong's return to the Motherland. Over the past two decades, our country has made remarkable achievements, playing an increasingly important role in international affairs. Under the arrangement of "one country, two systems", Hong Kong has benefited from the strength of "one country" and the convenience of "two systems". With the rapid growth in the Mainland and the favourable initiatives offered by our country, the current-term Government and the Hong Kong community shall make good use of the unique dual advantages of "one country, two systems", leverage our economic development for improving people's livelihood, and at the same time contribute to our country's development.

274. As we benefit from the opportunities brought by the development of our country and the national policies in our favour, we must clearly recognise that Hong Kong is an inalienable part of our country. This is both a legal fact and an internationally recognised political reality, leaving no room whatsoever for Hong Kong to become independent or separate from the Motherland in any manner. The high degree of autonomy that Hong Kong enjoys shall be in accordance with the provisions of the Basic Law. The autonomy is not absolute or arbitrary. Nor can it take any other form or be exercised to any other degree. Amidst international relations of great complexity, it is the obligation of each and every Hong Kong citizen to safeguard our country's sovereignty, security and territorial integrity.

275. The current-term Government will continue to implement "one country, two systems" strictly in accordance with the Basic Law, uphold Hong Kong's core values, including human rights, liberty, democracy, the rule of law and integrity, and build a stable and harmonious society.

276. This last Policy Address in my term of office reviews the achievements of the current-term Government and reports the

preparations I have made for the medium and long-term development of Hong Kong. Five years ago, I said that we should “rise to the challenges ahead”. The phrase epitomises not only my aspiration at that time, but also what we Hong Kong people have experienced in the course of building this place that we call home. “Challenges” speaks of our understanding of the problems, and “rise” embodies our determination and action. Five years ago, I put forward a holistic and concrete Election Manifesto. Throughout these five years, I published a work report every year to update the public on the progress of implementing the Manifesto. Today, all commitments in my Election Manifesto have basically been implemented. I would like to extend my gratitude to all politically appointed officials and civil servants for their dedication. My thanks also go to the Executive Council, the LegCo, the statutory bodies as well as members of the public for your support and co-operation.

277. The front and back covers of this year’s Policy Address feature photos of Victoria Harbour. Magnificent at day and radiant at night, the view of Victoria Harbour symbolises the achievements due to the endeavours of generations of pragmatic and enterprising Hong Kong people. Hong Kong is a blessed land. We must cherish the blessing and treasure our hard-earned achievements, advantages and cross-strata harmony. We must also value our opportunities and waste no time. Let us work with one heart and one vision to create a promising future.

278. Building on our previous success to strive for an even better future, we, Hong Kong people of this generation, shoulder an important and epic responsibility. In the coming half year, I and the HKSAR Government will continue to work with full dedication for the overall long-term interests of Hong Kong. Hong Kong is my home. With my great affection and commitment for this place, I shall continue to join hands with all 7 million Hong Kong people to make contributions to Hong Kong and our country.

279. Thank you.