**OFFICIAL RECORD OF PROCEEDINGS**

**Wednesday, 8 November 2017**

**The Council met at Eleven o'clock**

**MEMBERS PRESENT:**

THE PRESIDENT

THE HONOURABLE Andrew LEUNG Kwan-yuen, G.B.S., J.P.

THE HONOURABLE James TO Kun-sun

THE HONOURABLE LEUNG Yiu-chung

THE HONOURABLE Abraham SHEK Lai-him, G.B.S., J.P.

THE HONOURABLE Tommy CHEUNG Yu-yan, G.B.S., J.P.

Prof THE HONOURABLE Joseph LEE Kok-long, S.B.S., J.P.

THE HONOURABLE Jeffrey LAM Kin-fung, G.B.S., J.P.

THE HONOURABLE WONG Ting-kwong, G.B.S., J.P.

THE HONOURABLE Starry LEE Wai-king, S.B.S., J.P.

THE HONOURABLE CHAN Hak-kan, B.B.S., J.P.

THE HONOURABLE CHAN Kin-por, G.B.S., J.P.

Dr THE HONOURABLE Priscilla LEUNG Mei-fun, S.B.S., J.P.

THE HONOURABLE WONG Kwok-kin, S.B.S., J.P.

THE HONOURABLE Mrs Regina IP LAU Suk-yee, G.B.S., J.P.

THE HONOURABLE Paul TSE Wai-chun, J.P.

THE HONOURABLE Claudia MO

THE HONOURABLE Michael TIEN Puk-sun, B.B.S., J.P.

THE HONOURABLE Steven HO Chun-yin, B.B.S.

THE HONOURABLE Frankie YICK Chi-ming, S.B.S., J.P.

THE HONOURABLE WU Chi-wai, M.H.

THE HONOURABLE YIU Si-wing, B.B.S.

THE HONOURABLE MA Fung-kwok, S.B.S., J.P.

THE HONOURABLE Charles Peter MOK, J.P.

THE HONOURABLE CHAN Chi-chuen

THE HONOURABLE CHAN Han-pan, J.P.

THE HONOURABLE LEUNG Che-cheung, S.B.S., M.H., J.P.

THE HONOURABLE Kenneth LEUNG

THE HONOURABLE Alice MAK Mei-kuen, B.B.S., J.P.

Dr THE HONOURABLE KWOK Ka-ki

THE HONOURABLE KWOK Wai-keung, J.P.

THE HONOURABLE Dennis KWOK Wing-hang

THE HONOURABLE Christopher CHEUNG Wah-fung, S.B.S., J.P.

Dr THE HONOURABLE Fernando CHEUNG Chiu-hung

Dr THE HONOURABLE Helena WONG Pik-wan

THE HONOURABLE IP Kin-yuen

Dr THE HONOURABLE Elizabeth QUAT, B.B.S., J.P.

THE HONOURABLE Martin LIAO Cheung-kong, S.B.S., J.P.

THE HONOURABLE POON Siu-ping, B.B.S., M.H.

Dr THE HONOURABLE CHIANG Lai-wan, J.P.

Ir Dr THE HONOURABLE LO Wai-kwok, S.B.S., M.H., J.P.

THE HONOURABLE CHUNG Kwok-pan

THE HONOURABLE Alvin YEUNG

THE HONOURABLE Andrew WAN Siu-kin

THE HONOURABLE Jimmy NG Wing-ka, J.P.

DR THE HONOURABLE Junius HO Kwan-yiu, J.P.

THE HONOURABLE HO Kai-ming

THE HONOURABLE LAM Cheuk-ting

THE HONOURABLE Holden CHOW Ho-ding

THE HONOURABLE SHIU Ka-fai

THE HONOURABLE SHIU Ka-chun

THE HONOURABLE Wilson OR Chong-shing, M.H.

THE HONOURABLE YUNG Hoi-yan

Dr THE HONOURABLE Pierre CHAN

THE HONOURABLE CHAN Chun-ying

THE HONOURABLE CHEUNG Kwok-kwan, J.P.

THE HONOURABLE HUI Chi-fung

THE HONOURABLE LUK Chung-hung

THE HONOURABLE LAU Kwok-fan, M.H.

THE HONOURABLE Kenneth LAU Ip-keung, B.B.S., M.H., J.P.

Dr THE HONOURABLE CHENG Chung-tai

THE HONOURABLE Jeremy TAM Man-ho

**MEMBERS ABSENT:**

THE HONOURABLE CHU Hoi-dick

THE HONOURABLE Tanya CHAN

THE HONOURABLE KWONG Chun-yu

**PUBLIC OFFICERS ATTENDING:**

The Honourable Matthew CHEUNG Kin-chung, G.B.M., G.B.S., J.P.

CHIEF SECRETARY FOR ADMINISTRATION

The Honourable Paul CHAN Mo-po, G.B.M., G.B.S., M.H., J.P.

FINANCIAL SECRETARY

The Honourable NICHOLAS W. YANG, G.B.S., J.P.

SECRETARY FOR INNOVATION AND TECHNOLOGY

THE HONOURABLE LAU Kong-wah, J.P.

SECRETARY FOR HOME AFFAIRS

THE HONOURABLE James Henry LAU Jr., J.P.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

DR THE HONOURABLE LAW Chi-kwong, G.B.S., J.P.

Secretary for Labour and Welfare

The Honourable Frank CHAN Fan, J.P.

SECRETARY FOR TRANSPORT AND HOUSING

Dr Bernard CHAN Pak-li, J.P.

Under SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT, AND

Secretary for Commerce and Economic Development

The Honourable Kevin YEUNG Yun-hung, J.P.

SECRETARY FOR EDUCATION

THE HONOURABLE Patrick NIP Tak-kuen, J.P.

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

dr david chung wai-keung, J.P.

Under Secretary FOR INNOVATION AND TECHNOLOGY

Mr Andy CHAN Shui-fu, J.P.

Under Secretary for Constitutional and Mainland Affairs

Mr Joseph CHAN Ho-lim, J.P.

Under Secretary for Financial Services and the Treasury

Dr Raymond SO Wai-man, B.B.S., J.P.

Under Secretary for Transport and Housing

**CLERKS IN ATTENDANCE:**

MR KENNETH CHEN WEI-ON, S.B.S., SECRETARY GENERAL

MISS ODELIA LEUNG HING-YEE, DEPUTY SECRETARY GENERAL

MS ANITA SIT, ASSISTANT SECRETARY GENERAL

MS DORA WAI, ASSISTANT SECRETARY GENERAL

MR MATTHEW LOO, ASSISTANT SECRETARY GENERAL

**PRESIDENT** (in Cantonese):Will the Clerk please ring the bell to summon Members to the Chamber.

(After the summoning bell had been rung, a number of Members entered the Chamber)

**TABLING OF PAPERS**

The following papers were laid on the table under Rule 21(2) of the Rules of Procedure:

|  |  |  |
| --- | --- | --- |
| No. 19 | ― | Hong Kong Council on Smoking and Health  Annual Report 2016-2017 |
|  |  |  |
| Report No. 3/17-18 of the House Committee on Consideration of Subsidiary Legislation and Other Instruments | | |

**WRITTEN ANSWERS TO QUESTIONS**

**Technology Voucher Programme**

1. **MR JIMMY NG** (in Chinese): *President, in November last year, the Innovation and Technology Commission launched, on a pilot basis, the Technology Voucher Programme with a commitment of $500 million to subsidize local small and medium enterprises ("SMEs") in using technological services and solutions to enhance productivity, or upgrade or transform their business processes. As at the end of September this year, 184 funding applications were approved under the Programme; the average amount of funding for each approved application was about $130,000, involving a total funding of about $23.8 million (which accounted for only 4.76% of the commitment for the Programme). Some SMEs have indicated that the modus operandi of the Programme has failed to meet their needs. In this connection, will the Government inform this Council:*

*(1) as the authorities pointed out in reply to a question raised by a Member of this Council on the Estimates of Expenditure 2017-2018 that they would review the effectiveness and modus operandi (such as funding scope, funding amount and vetting procedures) of the aforesaid Programme two years after its launch, or when the commitment was forecast to reach $500 million, whichever was the earlier, whether the authorities will conduct the relevant review earlier in the light of the lukewarm response to the Programme so far; if so, of the details; if not, the reasons for that;*

*(2) whether the authorities will consider extending the funding scope of the Programme, so that SMEs receiving a grant may apply for funding again when they update the information technology facilities or systems of the relevant projects in future, with a view to enhancing the attractiveness of the Programme; if so, of the details; if not, the reasons for that; and*

*(3) whether the authorities will consider revising the funding mode of the Programme by setting different funding ceilings for different industries, such as maintaining the cumulative funding ceiling for services sectors at $200,000 while raising that for non-services sectors (including manufacturing and industrial sectors) to $400,000, so as to assist the latter in accelerating their digitalization and automation, and enhancing their productivity and competitiveness; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR INNOVATION AND TECHNOLOGY** (in Chinese): President, we launched the $500 million Technology Voucher Programme ("TVP") in November last year as a pilot to subsidize local small and medium enterprises ("SMEs") in using technological services and solutions to improve productivity, or upgrade or transform their business processes. TVP provides cumulative funding of up to $200,000 for each eligible SME on a 2:1 matching basis to carry out a maximum of three approved projects.

Our reply to the three parts of the question is as follows:

(1) About 670 enterprises submitted applications under TVP since its launch. Of these, 223 applications have been assessed by the TVP Committee ("the Committee"), with 207 of them (i.e. 93%) supported for funding. Separately, around 130 applications could not be processed and need to be re-submitted due to missing key documents (e.g. company incorporation documents or business registration certificates of the applicant enterprises). Another 100 applications were still awaiting supplementary information, and the remaining 220 applications were under eligibility checking and preliminary screening by the Committee Secretariat.

Since the launch of TVP, the Innovation and Technology Commission has from time to time fine-tuned the implementation details in the light of its operation experience, and provided clear and concrete guidelines to applicants through briefing sessions and the programme website.

As at end October 2017, over 2 500 SMEs have registered on the programme website and some 1 500 applications are under preparation. Furthermore, the 41 briefing sessions have attracted around 4 000 participants. These show that TVP was well received by SMEs.

We will continue to monitor closely the implementation of TVP and collect the relevant data. We aim to conduct a comprehensive review of its effectiveness and modus operandi in the second half of 2018. We consider that the review would be more comprehensive and meaningful when TVP has been in operation for some time so that sufficient data and experience can be accumulated.

(2) Currently, TVP has an extensive funding scope. There is no restriction on the types of technological services and the funding can be used for relevant consultancies, equipment, software and hardware, etc. Compared with similar overseas schemes, TVP offers greater flexibility for SMEs to choose providers and solutions that meet their needs, and provides a higher funding amount. Also, the approved funding amount in the first year of implementation is similar to that of overseas schemes.

The Committee will, based on the information provided by the applicants, assess whether the proposed technological services and solutions could achieve the objective of helping enterprises improve productivity or upgrade or transform their business processes. Under this premise, SMEs that have received funding support under TVP may submit funding applications again if they wish to further upgrade the equipment or system of their projects in the future, subject to the ceiling of a cumulative funding of $200,000 and a maximum of three projects.

(3) Since the launch of TVP, the average funding amount requested is around $130,000, and the amount requested by manufacturing and that by non-manufacturing enterprises are roughly the same.

We will continue to monitor the implementation of the programme and carefully consider whether the funding ceiling should be adjusted when reviewing TVP.

**Statistics on and policy review for private recreational leases**

2. **MR ANDREW WAN** (in Chinese): *President, regarding the statistics on and policy review for private recreational leases, will the Government inform this Council:*

*(1) of the number of existing leases and the total area of land involved, with a tabulated breakdown by the following items:*

*(i) type of lessee (i.e. private sports club, uniformed group, social and welfare organization, national sports association, community sports club and civil servants' association);*

*(ii) lease term (i.e. 15 years, 21 years and others (please specify)); and*

*(iii) the District Council district in which the land is located;*

*(2) of the amounts of (i) government rent and (ii) rates actually paid by the lessee of each lease in the last financial year (set out in a table), and the method by which such amounts were arrived at;*

*(3) whether it knows, in respect of each lease in the last financial year, (i) the membership size of the lessee and (ii) the attendance at the venue concerned (set out in a table); and*

*(4) whether the Home Affairs Bureau can complete the policy review for such leases within this year on schedule, and of the details and the timetable of its work to consult this Council and relevant stakeholders on the outcome of the review?*

**SECRETARY FOR HOME AFFAIRS** (in Chinese): President, in the past, owing to the limited provision of recreational and sports facilities in Hong Kong, people interested in promoting sports development and providing recreational and sports facilities established private sports clubs and applied to the Government for grant of land to develop such facilities. In addition to private sports clubs, non-profit-making organizations such as social and welfare organizations, uniformed groups, national sports associations, district sports associations and civil service organizations were granted land by the Government to develop recreational and sports facilities under Private Recreational Leases ("PRLs") at nil or nominal premium.

Having consolidated the information from the Lands Department and the Rating and Valuation Department ("RVD"), I reply to the four parts of the question as follows:

(1) There are altogether 67 existing PRLs, through which a total of 4 082 137 sq m of land was granted. The statistics on PRLs by type of lessee, lease term and District Council district are at Annex 1.

(2) The Government rent and rates payable by the lessee of each lease in 2016-2017 financial year are at Annex II. RVD assesses and collects Government rent in accordance with the provisions of the Government Rent (Assessment and Collection) Ordinance (Cap. 515). In general, Government rent is charged at 3% of the rateable value of the property. As for rates payable, RVD assesses and collects them in accordance with the provisions of the Rating Ordinance (Cap. 116). For the 2016-2017 financial year, the rates payable are determined by deducting the applicable rates concession from 5% of the rateable value of the property.

(3) The membership size of the lessee of each lease is at Annex 2. Since the Government does not keep a record of the attendance rates of the venues concerned, the relevant information cannot be provided.

(4) The Home Affairs Bureau has set up an inter-departmental working group to review the PRL policy. Given that the review involves the work of various bureaux and departments and that the issues in question are complex, we need to study them in detail so as to work out a reasonably practicable recommendation package. Based on the current work progress, we expect to report the findings of the review to the Panel on Home Affairs of the Legislative Council as soon as practicable before conducting a public and stakeholder consultation.

Annex 1

Statistics on number of leases of Private Recreational Leases ("PRL")

and area of land involved

(i) By type of lessee

| *Type of lessee* | *Number of leases* | *Area of land involved (sq m)* |
| --- | --- | --- |
| Private sports club | 31 | 3 540 368 |
| Uniformed group | 14 | 95 993 |
| Community organization | 15 | 423 001 |
| National Sports Association | 2 | 10 835 |
| District Sports Association | 3 | 4 448 |
| Civil service organization | 2 | 7 492 |
| Total | 67 | 4 082 137 |

(ii) By lease term

| *Lease term* | *Number of leases* | *Area of land involved (sq m)* |
| --- | --- | --- |
| 15 years | 52 | 2 037 486 |
| 21 years | 4 | 1 772 424 |
| Over 21 years | 4 | 224 785 |
| Under holding-over arrangement\* | 7 | 47 442 |
| Total | 67 | 4 082 137 |

Note:

\* Holding-over letter is issued as a transitional arrangement to cover the period from the expiry of a PRL to the completion of renewal procedures. These leases include one which is being held over on a quarterly basis in anticipation of redevelopment.

(iii) By District Council District

| *District Council District* | *Number of leases* | *Area of land involved (sq m)* |
| --- | --- | --- |
| Eastern | 1 | 471 |
| Southern | 4 | 92 807 |
| Wan Chai | 11 | 253 389 |
| Kowloon City | 4 | 23 382 |
| Sham Shui Po | 1 | 5 917 |
| Yau Tsim Mong | 12 | 84 555 |
| Wong Tai Sin | 1 | 2 462 |
| Islands | 5 | 44 684 |
| Kwai Tsing | 1 | 690 |
| North | 2 | 1 708 937 |
| Sai Kung | 11 | 1 430 755 |
| Sha Tin | 4 | 159 905 |
| Tai Po | 4 | 41 451 |
| Tsuen Wan | 1 | 64 900 |
| Yuen Long | 5 | 167 832 |
| Total | 67 | 4 082 137 |

Annex 2

Government rent and rates payable and membership size of

lessees of PRL

|  | *Name of Lessee* | *Lot no. and Location* | *2016-2017 Government Rent Payable (HK$)* | *2016-2017 Rates Payable (HK$)(1)* | *Latest membership size(2)* |
| --- | --- | --- | --- | --- | --- |
| 1 | Area Committee of the Hong Kong Sea Cadet Corps | NKIL 6535, Fung Shing Street, Diamond Hill | 45,360 | 71,600 | 3 040 |
| 2 | Area Committee of the Hong Kong Sea Cadet Corps | Lot 719 in DD 256, Tsam Chuk Wan, Sai Kung | 3,380 | 5,240 | 3 040 |
| 3 | Aberdeen Boat Club Limited | AIL 454, Shum Wan Road, Brick Hill | 149,400 | 245,000 | 1 300 |
| 4 | Boys' and Girls' Clubs Association of Hong Kong | Lot 676 in DD 257, Wong Yi Chau, Sai Kung | 43,751 | 70,400 | 43 080 |
| 5 | Catholic Diocese of Hong Kong | Lot 1870 in DD, Cheung Chau | 64,627 | 123,200 | N/A(3) |
| 6 | Chinese Recreation Club, Hong Kong | IL 9040, Tung Lo Wan Road | 997,200 | 1,658,000 | 3 560 |
| 7 | Clearwater Bay Golf and Country Club | Lot 269 in DD 241, Po Toi O, Sai Kung | 1,607,400 | 2,671,000 | 3 340 |
| 8 | Club de Recreio | KIL 11221 | 297,120 | 491,200 | 540 |
| 9 | Craigengower Cricket Club | IL 9031, No. 188 Wong Nai Chung Road | 756,000 | 1,256,000 | 3 100 |
| 10 | Directors of the Chinese Young Men's Christian Association of Hong Kong | Lot 195 SD5, Mau Wu Tsai, Hang Hau | 29,160 | 44,600 | 76 440 |
| 11 | Directors of the Chinese Young Men's Christian Association of Hong Kong | Lot 76 in DD 254, Wong Yi Chau, Sai Kung | 24,509 | 40,400 | 76 440 |
| 12 | Directors of the Chinese Young Men's Christian Association of Hong Kong | STTL 366, No. 2 On Chun Street, Sha Tin | 632,135 | 1,118,000 | 76 440 |
| 13 | Directors of the Young Men's Christian Association of Hong Kong | KIL 11219, Off Gascoigne Road, King's Park | 237,600 | 392,000 | 19 750 |
| 14 | Filipino Club | KIL 11222, Wylie Road | 67,320 | 108,200 | 140 |
| 15 | Hebe Haven Yacht Club Limited | Lot 1208 in DD 217, Pak Sha Wan | 136,800 | 224,000 | 1 330 |
| 16 | Hong Kong Award for Young People | TPTL 220, Hang Ha Po, Tai Po | 36,720 | 57,200 | 50 020 |
| 17 | Hong Kong Buddhist Association | Lot 175 in DD 4, Cheung Tung Road, Tung Chung, Lantau Island | 6,840 | 7,400 | 19 960 |
| 18 | Hong Kong, China Rowing Association | STTL 573, Yuen Wo Road, Sha Tin | 38,880 | 60,800 | 1 220 |
| 19 | Hong Kong Chinese Civil Servants' Association | KIL 11224, No. 8 Wylie Road | 57,600 | 92,000 | 53 680 |
| 20 | Hong Kong Country Club | RBL 1195, No. 188 Wong Chuk Hang Road | 504,000 | 836,000 | 2 250 |
| 21 | Hong Kong Cricket Club | IL 9019, No. 137 Wong Nai Chung Gap Road | 572,400 | 950,000 | 2 570 |
| 22 | Hong Kong Football Club | IL 9033, No. 3 Sports Road, Happy Valley | 1,278,000 | 2,126,000 | 3 460 |
| 23 | Hong Kong Girl Guides Association | IL 9034, No. 141 Wong Nai Chung Gap Road | 36,000 | 56,000 | 35 780 |
| 24 | Hong Kong Girl Guides Association | Lot 1754 in DD 122, Ping Shan, Yuen Long | 32,760 | 50,600 | 35 780 |
| 25 | Hong Kong Girl Guides Association | Lot 2544 in DD 92, Hang Tau Road, Kwu Tung South, Sheung Shui | 65,880 | 105,800 | 35 780 |
| 26 | Hong Kong Girl Guides Association | KIL 10734, Junction of Gascoigne Road and Wylie Road | 1,000(4) | 233,000 | 35 780 |
| 27 | Hong Kong Golf Club | RBL 1194, Deep Water Bay | 504,000 | 836,000 | 2 610 |
| 28 | Hong Kong Golf Club | Lot 942 RP in DD 94, Sheung Shui | 2,397,600 | 3,992,000 | 2 610 |
| 29 | Hong Kong Gun Club | TWTL 419, Chuen Lung, Tsuen Wan | 50,760 | 80,600 | 400 |
| 30 | Hong Kong Jockey Club | IL 8847, No. 1 Sports Road and Wong Nai Chung Road | 11,206,800 | 19,358,000 | 24 210 |
| 31 | Hong Kong Model Engineering Club Limited | Lot 2416 in DD 118, Tai Tong, Yuen Long | 11,412 | 12,167 | 240 |
| 32 | Hong Kong Playground Association | Lot 739 in DD 2, Mui Wo, Lantau Island | 14,220 | 19,700 | 16 380 |
| 33 | Hong Kong Softball Association | KIL 11226, Tin Kwong Road | 50,760 | 80,600 | 1 810 |
| 34 | Hong Kong Young Women's Christian Association | Lot 752 in DD 332, Cheung Sha, Lantau Island | 62,640 | 100,400 | 35 590 |
| 35 | Hong Kong Youth Hostels Association | Lot 240 in DD Ngong Ping, Ngong Ping | 1,152 | 0 | 33 720 |
| 36 | Hong Kong Youth Hostels Association | TPTL 133, Tai Mei Tuk | 18,000 | 26,000 | 33 720 |
| 37 | India Club, Kowloon | KIL 11223, Gascoigne Road | 82,800 | 134,000 | 330 |
| 38 | Indian Recreation Club | IL 9039, No. 63 Caroline Hill Road, So Kon Po | 151,200 | 248,000 | 560 |
| 39 | Jardine's Lookout Residents' Association | IL 8895, No. 2 Creasy Road, Jardine's Lookout | 124,200 | 203,000 | 3 150 |
| 40 | Kowloon Bowling Green Club | KIL 11217, Austin Road | 133,200 | 218,000 | 720 |
| 41 | Kowloon Cricket Club | KIL 11216, Cox's Road | 475,200 | 788,000 | 2 340 |
| 42 | Kowloon Tong Club | NKIL 6528, No. 113A Waterloo Road, Kowloon Tong | 230,400 | 380,000 | 2 300 |
| 43 | Kowloon Tsai Home Owners Association | NKIL 6529, No. 10A Cambridge Road | 136,800 | 224,000 | 1 100 |
| 44 | Mong Kok District Cultural, Recreational and Sports Association Limited | KIL 11165, J/O Ivy Street and Beech Street | 80,280 | 129,800 | 1 390 |
| 45 | Municipal Services Staff Recreation Club Limited | KIL 11225, Wylie Path, King's Park | 46,800 | 74,000 | 19 740 |
| 46 | Outward Bound Trust of Hong Kong Limited | Lot 718 in DD 256, Tai Mong Tsai, Sai Kung | 120,600 | 197,000 | N/A(5) |
| 47 | Pakistan Association of Hong Kong, Limited | KIL 11220, Princess Margaret Road | 39,960 | 62,600 | 1 220 |
| 48 | Po Leung Kuk | Lot 2419 DD 118, Tai Tong, Yuen Long | 295,200 | 488,000 | N/A(6) |
| 49 | Po Leung Kuk | Lot 675 in DD 257, Pak Tam Chung, Sai Kung | 224,280 | 416,000 | N/A(7) |
| 50 | Royal Hong Kong Yacht Club | ML 709, Kellett Island | 1,000(8) | 680,000 | 13 140 |
| 51 | Royal Hong Kong Yacht Club | RBL 1181, Middle Island | 33,480 | 77,000 | 13 140 |
| 52 | Royal Hong Kong Yacht Club | Lot 341 and Extension in DD 212, Che Keng Tuk | 91,800 | 149,000 | 13 140 |
| 53 | Scout Association of Hong Kong | NKIL 6530, No. 11 Rutland Quadrant | 10,080 | 12,800 | 98 190 |
| 54 | Scout Association of Hong Kong | Lot 1207 in DD 217, Pak Sha Wan, Sai Kung | 30,370 | 62,600 | 98 190 |
| 55 | Scout Association of Hong Kong | STTL 592, Sha Tin | 4,104 | 1,814 | 98 190 |
| 56 | Scout Association of Hong Kong | IL 8961, Mansion Street, North Point | 7,272 | 8,120 | 98 190 |
| 57 | Scout Association of Hong Kong | Lot 131 in DD 60, Au Tau, Yuen Long | 6,516 | 6,860 | 98 190 |
| 58 | Scout Association of Hong Kong | TPTL 190, Tung Tsz, Tai Po | 48,600 | 77,000 | 98 190 |
| 59 | Scout Association of Hong Kong and Hong Kong Girl Guides Association | KCTL 511, No. 308 Wo Yi Hop Road, Kwai Chung | 93,600 | 152,000 | 133 970 (Scout Association of Hong Kong: 98 190 Hong Kong Girl Guides Association: 35 780) |
| 60 | Scout Association of Hong Kong and Hong Kong Girl Guides Association | STTL 591, Shui Chuen Au Street, Sha Tin | 51,300 | 77,500 | 133 970 (Scout Association of Hong Kong: 98 190 Hong Kong Girl Guides Association: 35 780) |
| 61 | South China Athletic Association | IL 9041, No. 88 Caroline Hill Road, So Kon Po | 1,994,400 | 3,320,000 | 67 490 |
| 62 | South China Athletic Association | KIL 11218, Wylie Path | 95,400 | 155,000 | 67 490 |
| 63 | Tai Po Sports Association Limited | TPTL 216, On Cheung Road, Tai Po | 203,400 | 331,000 | 5 330 |
| 64 | The Post Office and Cable and Wireless Recreation Club Limited | IL 8597 RP, No. 108 Caroline Hill Road, So Kon Po | 61(9) | 170,000 | 21 940 |
| 65 | Victoria Recreation Club | Lot 316 in DD 252, Sai Kung | 29,520 | 52,400 | 1 240 |
| 66 | Yau Yat Chuen Garden City Club Limited | NKIL 6508, No. 7 Cassia Road, Yau Yat Chuen | 482,400 | 800,000 | 1 750 |
| 67 | Yuen Long District Sports Association Limited | YLTL 520, Yuen Long | 173,520 | 281,200 | 7 520 |

Notes:

(1) Rates concession applicable in 2016-2017 and concession for properties where there is no government water supply or where the government water supply is unfiltered have been deducted from the Rates payable.

(2) Figures under this column are rounded to the nearest 10.

(3) The lessee has no membership system in place.

(4) The Government rent payable is spelt out in exact amount in the lease.

(5) The lessee has no membership system in place.

(6) The lessee has no membership system in place.

(7) The lessee has no membership system in place.

(8) The Government rent payable is spelt out in exact amount in the lease.

(9) The Government rent payable is spelt out in exact amount in the lease.

**Inclusion of new drugs in the Hospital Authority Drug Formulary and the safety net of the Samaritan Fund**

3. **DR HELENA WONG** (in Chinese): *President, under the existing requirements, applications for including new drugs in the Hospital Authority Drug Formulary ("HADF") ("applications for new drug inclusion") must be initiated by clinicians, endorsed by the heads of the clinical departments to which such clinicians belong, and reviewed and recommended by the Drug and Therapeutics Committees ("DTCs") of the relevant hospital clusters or hospitals, before they are vetted and approved by the Drug Advisory Committee ("DAC") under the Hospital Authority ("HA"). Upon approval of the applications for new drug inclusion by DAC, the drugs concerned still have to await the decisions of the relevant DTCs for their inclusion in the formularies of the hospitals concerned before they may be used in the hospitals. On the other hand, the Director of Audit pointed out in the Report No. 67 of the Director of Audit ("the Report"), which was published on 31 October last year, that some public hospitals had never made any application for new drug inclusion. Moreover, although 45 non-HADF drugs, which were used by public hospitals and clinics in 2015-2016, had been registered in Hong Kong and some of them were even in regular demand, no application for new drug inclusion in respect of them had ever been made. The Director of Audit also recommended that HA should continue to include appropriate new self-financed drugs in the safety net of the Samaritan Fund ("safety net") to provide subsidy for patients with financial difficulties to purchase drugs which are not covered by the standard fees and charges in public hospitals and clinics. In this connection, will the Government inform this Council if it knows:*

*(1) the number of applications for new drug inclusion received by DAC since the publication of the Report;*

*(2) among the drugs approved by DAC in 2016-2017 for inclusion in HADF, the number of those which are now in use in the hospitals concerned and whether there are drugs which have yet to be approved by the DTCs concerned for use in their hospitals; if so, of the reasons for that; whether HA will consider publishing annually a list of drugs approved by DAC for inclusion in HADF;*

*(3) whether HA will include the aforesaid 45 drugs in HADF as soon as possible, so that patients of various public hospitals may be prescribed with such drugs;*

*(4) whether HA will conduct a study on streamlining the vetting and approval procedure for applications for new drug inclusion so that new drugs will be permitted to be used in public hospitals expeditiously;*

*(5) the number of meetings held by HA in each of the past three years on the inclusion of new self-financed drugs in the safety net; whether HA will hold such meetings more frequently, with a view to expeditiously increasing the categories of subsidized drugs covered by the safety net; and*

*(6) the respective budgets and expenditures of various hospital clusters on drugs in each of the past three years?*

**SECRETARY FOR FOOD AND HEALTH** (in Chinese): President, my reply to the question raised by Dr Helena WONG on the Hospital Authority Drug Formulary ("HADF") is as follows:

(1) In the period from January to October 2017, a total of 71 applications for new drug listing were received and handled by the Drug Advisory Committee ("DAC") under the Hospital Authority ("HA").

(2) There are currently about 1 300 drugs listed on HADF for treating a wide range of diseases and providing adequate drug choices for different types of hospitals to cater for the health care needs of the general public. Taking into account the service provision of different hospitals and medical needs of different patient groups, the Drug and Therapeutics Committees ("DTCs") of individual clusters/hospitals would select appropriate drugs from HADF for inclusion in the drug formularies of their hospitals. At present, non-acute and convalescent hospitals as well as acute public hospitals (including major hospitals providing quaternary services) have in general about 750 to 1 100 drugs in their drug formularies, which are adequate to meet their needs in daily services and operation. Therefore, the drugs listed on HADF have been generally sufficient to satisfy the demands for public medical services. In 2016-2017, 39 new drugs were added to HADF, which have been included in the drug formularies of different hospitals to meet the medical needs of their service groups.

The DAC meetings are held quarterly to evaluate new drug applications for listing on HADF. The HA Head Office updates HADF on its intranet and Internet websites quarterly to include new drugs and revisions to HADF approved under the established mechanisms. Moreover, HA uploads the list of new drugs to be reviewed at each DAC meeting to both its Internet and intranet websites, and sends the agenda of the DAC meetings to the Alliance for Patients' Mutual Help Organizations for further dissemination to its members. After each DAC meeting, the outcome of each individual new drug application and a list of references that have been taken into account in the process of considering each application are uploaded to HA's Internet and intranet websites for the reference of all health care professionals and the public.

(3) HADF drugs are intended for corporate-wide use to meet the health care needs of the general public. However, HA has also put in place a mechanism to allow public hospital doctors to use non-HADF drugs (including drugs that are/are not registered in Hong Kong) to cater for the clinical needs of individual patients in urgent or exceptional circumstances. The 45 non-HADF drugs used by HA in 2015-2016 mentioned in the Audit Report were all intended to cater for the needs of individual patients in urgent or exceptional circumstances. DTCs of individual clusters/hospitals submit applications for new drug listing taking into account the service provision of different hospitals and medical needs of different patient groups. DAC of HA carries out regular appraisal of new drugs under the established mechanism. New drugs fulfilling the criteria and approved by DAC will be included in HADF; and new drugs not fulfilling the criteria before may also be re-appraised and included in HADF after evolving of the drug over time. Some of the 45 drugs mentioned in the Audit Report have already been approved and included in HADF in accordance with the above procedures.

(4) Currently, DAC meetings are held quarterly to appraise all new drug applications for listing. The appraisal of new drugs is an ongoing process and is driven by evolving medical evidence, latest clinical developments and market dynamics. To speed up the appraisal process of new drugs, HA has relaxed the requirements for supporting documents in respect of new drugs that are in the process of applying for registration by accepting the initial approval documents issued by the Department of Health for preliminary evaluation.

(5) Upon receipt of proposals for including self-financed drugs in the safety net of the Samaritan Fund ("SF") and the Community Care Fund ("CCF") Medical Assistance Programmes, the Drug Management Committee ("DMC") under HA will, after deliberation, submit the proposals to the relevant committees for final approval and subsequent implementation. At present, HA has regularized the deliberations of DMC twice a year, in a bid to include suitable self-financed drugs in the SF safety net or the CCF Medical Assistance Programmes as soon as possible. As at October 2017, 29 self-financed drugs were covered by the SF safety net under HA, and 17 self-financed drugs by the CCF Medical Assistance Programmes for use by eligible patients. HA will continue to review the coverage of the safety net as appropriate according to the established mechanisms.

(6) Every year, HA will provide a block allocation to various hospital clusters, which may flexibly deploy the funding and adjust their expenditures having regard to the actual service demands. Hence, hospital clusters do not set their annual budgets for drugs. The expenditures of various hospital clusters on drugs in the past three years (i.e. 2014-2015 to 2016-2017) are set out in the following table(1):

| *Year* | *Hong Kong East Cluster* | *Hong Kong West Cluster* | *Kowloon Central luster* | *Kowloon East Cluster* | *Kowloon West Cluster* | *New Territories East Cluster* | *New Territories West Cluster* |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *($ billion)* | | | | | | |
| 2014-2015 | 0.56 | 0.92 | 0.82 | 0.48 | 1.10 | 0.86 | 0.59 |
| 2015-2016 | 0.57 | 1.00 | 0.87 | 0.51 | 1.16 | 0.95 | 0.65 |
| 2016-2017 | 0.62 | 1.04 | 0.92 | 0.56 | 1.27 | 1.04 | 0.70 |

(1) Drug expenditures include items self-financed by patients.

**Health risks of thermal paper containing Bisphenol A**

4. **DR CHIANG LAI-WAN** (in Chinese): *President, currently, thermal paper is widely used for printing boarding passes, lottery tickets of gambling activities, cash register receipts, etc. It has been reported that the colour-developer coating on most thermal paper contains Bisphenol A ("BPA"). Some studies have found that BPA can be absorbed by the body through skin contact, and excessive intake of BPA may cause endocrine disorder, or may even induce diseases such as breast cancer and ovarian cancer. In this connection, will the Government inform this Council:*

*(1) whether, in the past three years, it conducted laboratory tests on the thermal paper currently used for receipts printed and issued by various government departments and public organizations, to find out if such paper contained BPA; if so, of the results of such tests; if not, the reasons for that;*

*(2) whether it will conduct regular sample tests on the BPA level of the thermal paper available for sale in the market, and publish the results of such tests for public information; if so, of the details; if not, the reasons for that;*

*(3) as it has been reported that both Taiwan and Japan have banned the use of BPA-containing thermal paper, and the European Union has also announced that the sale of thermal paper with a BPA level equal to or greater than 0.02% (by weight) will be banned starting from January 2020, whether the Government will introduce legislation to ban the sale of BPA-containing thermal paper so as to safeguard public health; if so, of the details; if not, the reasons for that;*

*(4) whether it will consider providing incentives to encourage various industries to use BPA-free thermal paper; if so, of the details; if not, the reasons for that; and*

*(5) whether it has measures put in place to raise the awareness of the public (especially people such as cashiers who frequently come into contact with thermal paper) of the health risks posed by BPA, in the hope that they will take measures (such as wearing gloves) to avoid long-time skin contact with BPA-containing thermal paper; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Chinese): President, having consulted the Food and Health Bureau, Department of Health ("DH"), Hong Kong Customs & Excise Department ("C&ED") and Labour Department, my consolidated reply to the five parts of the question is as follows:

Bisphenol A is a chemical that has been widely used in industries for many years, such as in plastics, resins and thermal paper.

According to DH, the acute toxicity of bisphenol A is low, and there is currently no evidence to prove that bisphenol A is carcinogenic to humans. To date, bisphenol A has not been classified by the International Agency for Research on Cancer under the World Health Organization ("WHO"). According to the scientific data of WHO and the European Food Safety Authority ("EFSA"), some recent animal experimental studies have shown that low dose of bisphenol A can adversely affect the nervous system, puberty period behaviour and reproductive system of animals. However, other animal researches have shown no effect. The inconsistency of the results has led to scientific controversy over safety of bisphenol A. Nevertheless, since bisphenol A is rapidly metabolized in human body and excreted through urine, it is believed that exposure to low dose of bisphenol A through thermal paper should not cause similar adverse effects on humans.

In 2015, EFSA set the tentative daily tolerable intake of bisphenol A at 4 microgram per kilogram body weight per day. EFSA also assessed the body's ingestion of bisphenol A from different means (intake of dietary and non-dietary means, including exposure to thermal paper) and the result showed that total bisphenol A intake was low with reference to the tentative daily tolerable intake, and considered the public health risk to be low.

As the actual impact of bisphenol A in thermal paper on human health is uncertain, government departments and agencies did not conduct any test on thermal paper in the past three years. The Labour Department has no occupational safety promotion program related to the use of thermal paper containing bisphenol A. The relevant departments and agencies will continue to keep abreast of the relevant information and take appropriate follow-up actions when necessary.

The safety of thermal paper which is ordinarily supplied for private use or consumption in the Hong Kong market is subject to the regulation of the Consumer Goods Safety Ordinance ("CGSO") and its subsidiary legislation, Consumer Goods Safety Regulation. According to CGSO, consumer goods have to comply with the "general safety requirement", which imposes a duty on manufacturers, importers and suppliers of consumer goods to ensure that the consumer goods are reasonably safe, having regard to all circumstances.

When determining whether a product is reasonably safe, C&ED will conduct tests on products of different categories in accordance with the applicable international safety standards or specifications. C&ED will keep in view the information and reports of relevant international regulatory agencies and conduct risk assessments to identify potentially unsafe product categories. Based on the result of risk assessments, C&ED will initiate appropriate follow-up actions, including spot checks and sample tests on products. As at the end of October this year, C&ED has not received any complaint in relation to the safety of thermal paper. However, C&ED would follow up on thermal paper which is ordinarily supplied for private use or consumption, and, if necessary, conduct product tests and seek the DH's advice on the safety of the products, before considering appropriate follow-up actions.

**Development of green finance**

5. **MR KENNETH LEUNG** (in Chinese): *President, in December 2015, the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change passed the Paris Agreement on the global response to climate change, with the Parties to the Convention agreeing to control the rise of global average temperature within two degrees Celsius (benchmarking against the pre-industrialization level). In May last year, the Financial Services Development Council published a report entitled Hong Kong as a Regional Green Finance Hub, putting forward a number of recommendations on ways to consolidate Hong Kong's leading position in green finance. Such recommendations include the issuance of benchmark green bonds by issuers controlled by the Government and public organizations, and the nurturing of green finance talents leveraging on the resources of universities and professional bodies, so as to ensure that there is a sufficient supply of such talents. On the other hand, the Airport Authority Hong Kong ("AAHK") has announced that it will issue a green bond in Hong Kong. In this connection, will the Government inform this Council:*

*(1) whether the authorities have taken follow up actions on the recommendations put forward in the aforesaid report; if not, of the reasons for that; if so, the details, including whether they have formulated plans to nurture green finance talents;*

*(2) whether it knows if there are, apart from AAHK, other public organizations planning to issue green bonds within the coming two years; if it knows that there are, of the names of the organizations as well as the contents of and the issuance schedules for the bonds; if not, the reasons for that; and*

*(3) whether the authorities have plans to draw up clear definitions, scopes and information disclosure requirements for various products and projects of green finance, and set up an assessment mechanism that meets international standards, so as to prevent anyone from selling deceptively products and projects the nature of which does not conform with environmental principles (commonly known as "greenwashing"); if so, of the details; if not, the reasons for that?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Chinese): President, my consolidated reply to the three parts of the question is as follows:

The Financial Services Development Council released in May 2016 a report entitled "Hong Kong as a regional green finance hub", which makes a number of recommendations for Hong Kong to establish its leading position in green finance. We attach great importance to the opportunities brought by the development of green finance, and have been following up on the related work, including the organization of a thematic workshop on "green economy development" at the Asian Financial Forum 2017 held in January this year. The Government and the regulatory authorities will continue to keep in view the development of green finance in the global market, and to promote our competitive edges in terms of capital markets and green finance at international forums organized in Hong Kong.

To demonstrate our support for sustainable development and determination to protect the environment, and to promote the development of green finance in Hong Kong, we will take the lead in issuing a green bond in the next financial year. Through this initiative, we seek to encourage investors in the Mainland and along the Belt and Road as well as international investors to arrange financing of their green projects through our capital markets.

With a sound legal and regulatory system, well-developed capital markets underpinned by robust market infrastructure, and a wealth of financial intermediaries and talent, Hong Kong is well-equipped to develop green finance. Apart from the Airport Authority Hong Kong's earlier announcement to issue green bonds in Hong Kong, the MTR Corporation Limited ("MTRCL"), following its first issuance of a US dollar green bond in November last year, has issued several green private placement bonds in different currencies and with different tenors this year. MTRCL indicates that it intends to issue additional green bonds in Hong Kong, subject to market conditions and its own funding needs.

Currently, there are different international organizations issuing green bond standards and guidelines, serving as reference for green bond issuers and investors. These include the Green Bond Principles ("GBP") issued by the International Capital Markets Association ("ICMA") and the Climate Bonds Standard issued by the Climate Bonds Initiative. Generally speaking, these organizations establish standards and guidelines on the issuance of green bonds covering such aspects as the use and management of proceeds as well as project selection and reporting. MTRCL's Green Bond Framework aligns with GBP of ICMA. Meanwhile, the Hong Kong Quality Assurance Agency is working on a green finance certification scheme. A Technical Committee has been formed to deliberate technical details of the scheme, with representatives of the Financial Services and the Treasury Bureau and the Environment Bureau attending its meetings as observers. We are glad to see that a local organization is establishing a green finance certification scheme by making reference to international standards. We will look into how we could support the implementation of the scheme.

**Provision of sufficient resources to Radio Television Hong Kong**

6. **MR CHARLES PETER MOK** (in Chinese): *President, it has been reported that the three buildings of Radio Television Hong Kong ("RTHK") at Broadcast Drive have been in use for nearly 40 years and are dilapidated, resulting in severe water seepage occurring during inclement weather. Moreover, the filming and production facilities are also insufficient to meet the demand. Some RTHK staff members have relayed to me that as their workload has increased substantially since RTHK launched the digital terrestrial television broadcasting service in 2014, coupled with a shortage of manpower and hardware, the quality and quantity of RTHK's public broadcasting service have been affected. On the other hand, the funding proposal for the project to construct a New Broadcasting House of RTHK ("the Project") did not obtain the support of the Public Works Subcommittee of this Council in 2014. The RTHK Programme Staff Union last year openly requested the Government to submit afresh to this Council a proposal for the Project, but there has been no progress so far. Moreover, it has been reported that the study on constructing a joint-user building for RTHK and the Government Laboratory was terminated last month, and the Government even downgraded the Project from Category B to Category C. In this connection, will the Government inform this Council:*

*(1) of the reasons why it downgraded the Project to Category C, and whether there is an implementation schedule for the Project at present;*

*(2) whether it has examined if RTHK's manpower and hardware are sufficient to cope with its operational needs; of the measures the Government has in place, before the New Broadcasting House is completed, to assist RTHK in addressing the problems of insufficient space and facilities with a view to mitigating the constraints faced by RTHK in its programme production and operation;*

*(3) of the number and total broadcasting hours of the television programmes produced by RTHK in each of the past five years, as well as the number of staff members and total working hours involved in producing such programmes and their average production cost per hour;*

*(4) as it has been reported that RTHK was granted an additional funding of more than $100 million upon taking up two analogue television channels in April last year, of the (i) dates on which the funds were granted to RTHK and (ii) details of how the funds have been used, including the additional amount of funds allocated to each of the relevant units under RTHK as well as the additional amount of funds and manpower deployed for various uses (set out in a table); and*

*(5) whether it has conducted planning for the long-term development of RTHK; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Chinese): President, the Government has always attached great importance to the development of Radio Television Hong Kong ("RTHK"). In September 2009, the Government decided that RTHK should be tasked to take up the mission to serve as the public service broadcaster for Hong Kong. Since then, additional resources have been allocated to RTHK to implement various new initiatives.

In relation to the New Broadcasting House ("New BH") Project, RTHK and the Architectural Services Department has since 2014 been reviewing the proposal, having regard to the concerns of the Public Works Subcommittee of the Legislative Council over the cost estimate and scope of the New BH Project, with a view to working out the most cost-effective proposal that can address Members' concerns. RTHK has previously discussed the feasibility of constructing a joint-user building with the Government Laboratory. However, as they failed to reach consensus on a number of major technical issues, the Government Laboratory eventually decided not to consider co-using the site reserved by RTHK in Tseung Kwan O. RTHK will continue to explore feasible options and take forward the New BH Project in accordance with the established mechanism. As the option of constructing a joint-user building is more cost-effective than an independent New BH and optimizes site utilization, we will continue to explore along this direction.

My reply to the five-part question is as follows:

(1) Given the current progress, the New BH Project has been adjusted to Category C. This adjustment however would not hinder RTHK from continuing to explore feasible options (including the option of constructing a joint-user building with other departments) and taking forward the project in accordance with the established mechanism. There is no concrete timetable for the time being.

(2) RTHK reviews the deployment of resources (including manpower) from time to time to meet its operational needs. It also continuously explores measures to enhance efficiency (such as through internal redeployment of resources, streamlining and re-engineering of procedures) to ensure more efficient use of existing resources in coping with additional workload. RTHK will seek to secure additional resources in accordance with the existing mechanism where there is such a need.

In addition, in the meantime, RTHK continues to properly maintain and repair its premises on Broadcast Drive and undertake the required measures to improve its facilities and working environment, with a view to maintaining and enhancing the level of public service broadcasting.

For instance, with respect to accommodation, RTHK has over the past few years rented additional office space at the InnoCentre in Kowloon Tong and a commercial building on Mong Kok Road for meeting new service needs and alleviating space shortage. As for broadcasting facilities, RTHK has upgraded its radio continuity studio and production studio, refurbished its Central Control Room and procured a virtual set studio and additional production equipment for developing its digital terrestrial television ("DTT") service over the past few years. In 2017-2018, RTHK will proceed with upgrade works for various facilities/systems, such as the studio at the Educational Television Centre, TV post-production suite, on-air routing system and central on-air telephone routing system and Chinese news video production system.

(3) Details of the funding allocated, total hours of output, number of programmes produced, hours transmitted, number of civil service posts as well as cost per hour of output in respect of RTHK's TV services over the past five years are detailed at Annex.

(4) Starting from 2 April 2016, RTHK commenced simulcasting its DTT programmes on the two analogue television channels vacated by Asia Television Limited.

In 2016-2017, the revised provision for RTHK TV service was $513.8 million, representing an increase of $97.6 million over the actual expenditure in 2015-2016, of which about $59 million was used for the provision of transitional analogue television service while the remainder was used for the programme production of the three DTT channels and other related operation cost.

The expenditure on the provision of transitional analogue television service included expenses related to the associated transmission service, acquisition of related broadcasting equipment and other related expenses. RTHK did not increase its manpower for the provision of such service.

(5) In September 2009, the Government announced the way forward for public service broadcasting in Hong Kong and decided that RTHK would be tasked to take up the mission to serve as the public service broadcaster for Hong Kong. In August 2010, the Government promulgated the Charter of Radio Television Hong Kong ("the Charter"), which specifies the public purposes and mission of RTHK, the key programme areas of activities undertaken by RTHK and the modes of service delivery.

To fulfil its mission as a public service broadcaster, RTHK has been implementing various initiatives, including DTT broadcasting and community involvement broadcasting service. RTHK will continue to provide professional and high-quality radio, television and new media services in accordance with the Charter.

Annex

Statistics relating to RTHK's television services (2012-2018)

|  | *2012-2013 (Actual)* | *2013-2014 (Actual)* | *2014-2015 (Actual)* | *2015-2016 (Actual)* | *2016-2017 (Revised estimate)* | *2017-2018 (Estimate)* |
| --- | --- | --- | --- | --- | --- | --- |
| Funding allocated  ($ million) | 290 | 361.5 | 372.5 | 416.2 | 513.8 | 520.7 |
| Total hours of output of TV programmes | 635 | 764.4 | 1 348.6 | 1 334 | 1 389 | 1 410 |
| Number of programmes produced | 1 362 | 1 522 | 2 347 | 2 400 | 2 440 | 2 461 |
| Hours transmitted | 6 324.9 | 8 364.1 | 18 789.2 | 17 029.4 | 35 593.8 | 35 643\* |
| Number of civil service posts | 269 | 361 | 382 | 384 | 388 | 390 |
| Cost per hour of output ($) | 456,700 | 472,900 | 276,200 | 312,000 | 324,300 | 319,400 |

Notes:

The above statistics do not include educational television programmes for schools.

\* Hours transmitted include those transmitted on RTHK's three DTT channels (RTHK TV 31, 32 and 33) and two analogue television channels (RTHK TV 31A and 33A), with the two analogue channels simulcasting programmes of the respective DTT channels.

**Personal data being used fraudulently by others for loan applications**

7. **MR PAUL TSE** (in Chinese): *President, it has been reported that the personal data of a member of the public had been used fraudulently by others, resulting in his being deemed as a loan referee by finance companies without his knowledge. Subsequently, the victim received within the same period of time telephone calls and short messages from 47 finance companies urging him, in an intimidating manner, to repay loans on behalf of the borrower(s), causing him and his family members to live in a constant state of anxiety. The victim sought assistance from the Police and the Office of the Privacy Commissioner for Personal Data ("OPCPD") but was refused. In this connection, will the Government inform this Council:*

*(1) whether it has gained an understanding of the circumstances leading to the incident in which the aforesaid victim was urged to repay loans by 47 finance companies within the same period of time;*

*(2) as I understand that finance companies have an obligation to verify, before approving loans, that the data subjects are aware of and have given consent to the use of their personal data for loan applications, whether OPCPD has assessed if the finance companies involved in the aforesaid case have contravened the requirements under the Personal Data (Privacy) Ordinance (Cap. 486);*

*(3) of the reasons why the Police and OPCPD refused to accept the victim's complaint; the government department or bureau from which the victim may seek assistance; whether it will review Cap. 486 to see if there are loopholes and, if so, plug such loopholes to prevent the recurrence of incidents in which the personal data of innocent members of the public are used fraudulently by others, resulting in their being deemed by finance companies as loan referees without their knowledge; and*

*(4) given that the debt collection activities of and collection of personal data (including personal data of referees) by licensed money lenders are regulated by the licensing conditions imposed by the licensing court on licensed money lenders pursuant to the Money Lenders Ordinance (Cap. 163), which include prohibiting a money lender and his debt collectors from recovering debts from anyone except the debtor, or from harassing anyone while trying to locate the whereabouts of the debtor, and that if a licensed money lender is in breach of any licensing condition, it may constitute a criminal offence and his licence may be revoked, whether the relevant law enforcement departments have assessed if the aforesaid finance companies have breached the Ordinance and the licensing conditions?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Chinese): President, the Government attaches great importance to protecting the personal data of the public. We note that recently, a member of the public alleged that his personal data had been used fraudulently by others, resulting in his being deemed as a loan referee without his knowledge.

In consultation with the Constitutional and Mainland Affairs Bureau and the Security Bureau, our consolidated reply to the question raised by Mr Paul TSE is set out below:

(1) to (3)

According to the Money Lenders Ordinance (Cap. 163), all licensed money lenders must carry on money lending business in accordance with the conditions imposed by the licensing court on their licences. Since 1 December 2016, the licensing court has imposed an additional licensing condition on all money lender licences in order to enhance protection on personal data. The additional licensing condition states that all money lenders are required to take steps to ensure that when collecting or receiving personal data from another person, the money lender will not take part in any unlawful disclosure or use of personal data. For example, if a money lender wants to use personal data provided by another person for the purpose of the money lending business, the money lender must obtain written confirmation from the data provider that such provision of personal data for the use of the money lender is not in contravention of the provisions in the Personal Data (Privacy) Ordinance (Cap. 486). A money lender is also required to keep records that show his compliance with the relevant licensing condition and the provisions of the Personal Data (Privacy) Ordinance. We are currently conducting a review on the effectiveness of the additional licensing conditions. We will consider the need to introduce more stringent requirements so as to further enhance the protection of personal data.

If a member of the public suspects that his personal data privacy has been infringed upon and can provide prima facie evidence, he may lodge a complaint to the Office of the Privacy Commissioner for Personal Data ("PCPD"). Upon receipt of the complaint, PCPD will contact the complainee for follow-up, and decide on the merits of the case if investigation should be conducted for ascertaining whether the complainant has contravened the requirements of the Personal Data (Privacy) Ordinance. If the incident involves criminal offences (e.g. fraud, access to computer with dishonest intent, repeated nuisance, and even intimidation, etc.), PCPD will refer the case to the Police for criminal investigation.

In general, money lenders should collect the personal data of loan referees in a lawful and fair manner, and for a purpose directly related to their functions or activities. If money lenders collect via borrowers the personal data of loan referees for the purpose of seeking reference in relation to the loan applications, such collection of personal data is related to their functions and activities, and hence is not in breach of the requirements of the Personal Data (Privacy) Ordinance.

According to the Constitutional and Mainland Affairs Bureau, PCPD has not received any complaint or enquiry in relation to a member of the public alleging his/her personal data being used for the purpose of serving as loan referees without his/her consent, and subsequently being requested for loan repayment by 47 money lenders. On the other hand, according to the records of PCPD, from July to September 2017, PCPD received three telephone enquiries in relation to data subjects' personal data being used for the purpose of serving as loan referees without their consent. The subjects involved did not request follow-up action after immediate response was made to their enquiries by PCPD. In October 2017, PCPD received a complaint in relation to a data subject's personal data being used for the purpose of serving as loan referee without his/her consent. PCPD is following-up on this case.

According to the Security Bureau, a member of the public may make a report to the Police if he suspects that his personal data have been used fraudulently to render him/her a loan referee, or if any money lender is suspected to have breached the licensing conditions. The Police will conduct investigation and follow-up having regard to the circumstances of the case.

(4) One of the licensing conditions on money lender licences prohibit the money lender and his debt collectors from attempting to recover debts directly or indirectly from anyone other than the debtor, or harassing anyone while trying to locate the whereabouts of the debtor or adopting illegal or improper debt collection practices.

Upon receipt of a report on any money lending business (including debt collection) suspected to be operating using unscrupulous practices or in breach of licensing conditions, the Police Licensing Office will conduct investigation and consider applying to the licensing court for revoking or suspending the money lender's licence concerned, or consider raising objection to the licensing court when it examines the licence renewal application of the money lender concerned. The licensing court will take into account the information and justifications provided by the Police and decide whether to revoke, suspend or renew the licence after hearing the case.

Should the case involves any act with criminal elements (such as intimidation and criminal damage, etc.), the Police will refer it to the relevant crime formation for rigorous investigation and initiate prosecution against the suspected offenders where there is sufficient evidence. As for other debt collection cases with no criminal elements (such as harassment by telephone calls or visits, etc.), the Police will, depending on the industry involved, communicate and coordinate their efforts with relevant regulatory authorities when necessary. If these cases show signs of worsening, e.g. involvement of criminal elements, the Police will refer them to crime formations for follow-up.

**Medical support for women in relation to child birth**

8. **DR ELIZABETH QUAT** (in Chinese): *President, some women have relayed to me that the assisted-reproduction services, prenatal screening services and postnatal support (e.g. the provision of lactation rooms and babycare rooms) currently provided by public healthcare institutions for women are inadequate and lag behind those in other places. In this connection, will the Government inform this Council:*

*(1) as some women have relayed that in recent years, women in Hong Kong tend to get married at an older age and, as a result, female infertility has become more common, whether it knows the details of the subfertility and assisted-reproduction services currently provided by the Family Planning Association of Hong Kong and public hospitals, including the number of public hospitals providing those services, as well as the quotas, waiting time and charges for those services; in respect of those services in each of the past three years: (i) the average waiting time, (ii) the number of persons waiting for the services, (iii) the age distribution of service users, and (iv) the public expenditure involved;*

*(2) whether it knows if the Hospital Authority ("HA") will provide centralized oocyte cryopreservation service; if HA will, of the details; if not, the reasons for that;*

*(3) whether it knows the methods currently adopted by public hospitals for conducting prenatal screening for Down's syndrome for pregnant women; in respect of each screening method, (i) the service quota for the current year, and (ii) the number of persons currently waiting for the service and their waiting time (set out such information in a table);*

*(4) whether it knows the factors based on which public hospital doctors determine whether the safeT21 test ("T21 test") or amniocentesis should be adopted for conducting prenatal screening for Down's syndrome for pregnant women;*

*(5) whether it knows the current number of public hospitals providing T21 testing service, and the average waiting time of pregnant women for the service in each hospital;*

*(6) whether it knows the unit cost of and the charge for T21 test, as well as the amount of estimated expenditure set by HA for the current financial year for conducting T21 tests;*

*(7) whether it knows if HA will consider completely replacing amniocentesis with T21 tests for conducting prenatal screening for Down's syndrome for pregnant women in future; if HA will, of the details and timetable; if not, the reasons for that;*

*(8) of the number of newborn babies in each of the past two years who had been breastfed after discharge from hospital; among the various government facilities (including office buildings, cultural and recreational facilities under the Leisure and Cultural Services Department such as sports grounds and libraries, as well as public markets), of the number and percentage of those in which lactation rooms and babycare rooms are provided;*

*(9) whether it will introduce legislation or formulate guidelines to require that separate lactation rooms and babycare rooms be provided in newly set up public places; if so, of the details; if not, the reasons for that; and*

*(10) of the new measures in place to encourage or promote the provision of more lactation rooms and babycare rooms in private commercial buildings and public places (e.g. MTR stations, shopping malls)?*

**SECRETARY FOR FOOD AND HEALTH** (in Chinese): President,

(1) Consultation services are available at hospitals of the Hospital Authority ("HA") for women who have difficulties in conception, including body check-ups and necessary tests (e.g. semen analyses and fallopian tube patency tests). Reproductive surgeries and artificial insemination by husband treatments can also be provided where necessary. In-vitro fertilization ("IVF") services are available at the HA's Queen Mary Hospital ("QMH"), Prince of Wales Hospital ("PWH") and Kwong Wah Hospital ("KWH").

KWH provides IVF treatments as a public service, with around 100 cases each year. Private IVF services are not available at KWH. As for the two teaching hospitals (PWH and QMH), IVF is provided as either a public or private service. The total number of cases each year is around 500 for PWH and 800 for QMH.

Currently, the waiting time for IVF is about 5 to 18 months for public patients, and about 2 months for private patients.

On age distribution, the maximum age for public patients to receive the treatment is 40 while no limits are set on the age or treatment cycles for private patients.

Regarding the existing IVF services at public hospitals, public patients are charged at the standard fees and charges of public hospitals, i.e. in respect of inpatient and outpatient fees. Examinations and tests not available at public hospitals and self-financed drugs are charged separately. Service fees for private patients are determined with reference to the cost and market prices.

(2) HA does not provide centralized oocyte cryopreservation service at present. Nevertheless, the two teaching hospitals (i.e. PWH and QMH) will provide, on the basis of medical needs, oocyte cryopreservation service for women who have been clinically assessed to be suitable for receiving IVF, and for private patients suffering from cancer.

(3) Since July 2011, public hospitals have been providing a series of free prenatal services for all local pregnant women with a residential hospital booking, including screening for Down's syndrome carried out before 20 weeks of pregnancy. On average, over 35 000 pregnant women received such service per year. Basic blood test will be provided during the first prenatal check-up, and ultrasound examination will be arranged if there is a clinical need. For suspected cases, which account for around 6% (2 000-odd cases) of the total per year, amniocentesis or chorionic villus sampling will be offered to identify Down's syndrome in foetuses.

(4) to (7)

At present, HA does not provide safeT21 ("T21") testing service and thus there is no statistics on the service and the expenditure involved. HA has earlier discussed the development and effectiveness of T21 tests at the relevant Coordinating Committee. HA is now exploring the facilities required for the introduction of T21 testing in Hong Kong Children's Hospital as a second tier screening test for Down's syndrome and building the human capital in this respect.

(8) The Department of Health ("DH") regularly monitors the local trend of breastfeeding and conducts a breastfeeding survey on a biennial basis. Apart from collecting information of ever breastfeeding rates at hospital discharge from public and private hospitals with maternity wards, DH also conducts breastfeeding surveys in its maternal and child health centres. According to the surveys conducted in 2015 and 2017, the breastfeeding rates of children born in 2014 and 2016 are as set out in the table below:

|  | | *Year of birth* | |
| --- | --- | --- | --- |
| *2014* | *2016* |
| Ever breastfeeding rate(1) at hospital discharge | | 86% | 87% |
| Breastfeeding rate(2) | At 1 month of age | 73% | 78% |
| At 2 months of age | 61% | 67% |
| At 4 months of age | 50% | 56% |
| At 6 months of age | 41% | 47% |
| At 12 months of age | 25% | 28% |
| Exclusive breastfeeding rate(3) | At 1 month of age | 31% | 34% |
| At 2 months of age | 30% | 33% |
| At 4 months of age | 27% | 31% |

Notes:

(1) "Ever breastfeeding rate" refers to the percentage of newborn babies who have ever been breastfed.

(2) "Breastfeeding rate" refers to the percentage of children who are on any form of breastfeeding, including children exclusively breastfed as well as those breastfed children who are supplemented with formula milk and/or solid food feeding.

(3) "Exclusive breastfeeding rate" refers to the percentage of children who are on breastmilk only (either directly from breast or indirectly from expressed breastmilk).

The Government has been proactively promoting the provision of babycare facilities in government premises and public venues. The Food and Health Bureau, together with the Architectural Services Department, DH, Government Property Agency, Buildings Department and Housing Department formulated the "Advisory Guidelines on Babycare Facilities" in August 2008 to encourage incorporation of desirable babycare facilities in public venues managed by the Government. As at June 2017, there were a total of 290 babycare rooms in government premises, as listed in the table below:

| *Government department/*  *organization* | *Venue type* | *Number of babycare room* |
| --- | --- | --- |
| DH | Maternal and child health centres | 31 |
| Health education centres | 1 |
| HA | Hospitals and clinics in HA clusters | 86 |
| General outpatient clinics | 10 |
| Home Affairs Department | Community halls/centres | 6 |
| Housing Department | Shopping centres of the Housing Authority | 10 |
| Immigration Department | Birth registries | 2 |
| Immigration branch offices | 1 |
| Leisure and Cultural Services Department | Performance venues | 5 |
| Libraries | 7 |
| Museums | 5 |
| Music Office | 1 |
| Leisure venues(1) | 73 |
| Airport Authority | Passenger Terminal Buildings at the airport | 39 |
| Others | Others(2) | 13 |
| Total | | 290 |

Notes:

(1) Including sports centres, swimming pools, sports grounds, stadia, tennis courts and parks.

(2) Including the Central Government Complex, departmental headquarters buildings and Wetland Park.

A list of babycare rooms in government premises with location details is available on the website of Family Health Service of the DH at <http://www.fhs.gov.hk/english/breastfeeding/community.html>

(9) and (10)

The Government has all along been promoting and supporting breastfeeding. The "Practice Note on the Provision of Babycare Rooms in Commercial Buildings" was issued in February 2009 to encourage and facilitate the provision of babycare rooms in private commercial premises. To further facilitate the establishment of breastfeeding friendly premises in the private sector, DH formulated the "Guide to Establishing Breastfeeding Friendly Premises" in May 2015 for reference by private organizations interested in promoting breastfeeding friendly environment in their public premises. Due to an increased awareness of the need for promoting breastfeeding friendly environment in recent years, babycare and breastfeeding facilities have been made available in many shopping malls, large department stores, hotels and public transport facilities.

To provide more babycare facilities and lactation rooms for the public, the Government is working to include a mandatory requirement for the provision of lactation rooms and babycare facilities in the sale conditions of government land sale sites for new commercial developments comprising office premises and/or retail outlets, eating places, etc. The Government will also take corresponding measures to mandate the provision of babycare facilities and lactation rooms in certain new government premises.

**Impact of regularization of Green Form Subsidised Home Ownership Scheme on applicants on the Public Rental Housing Waiting List**

9. **MR CHAN HAK-KAN** (in Chinese): *President, the Chief Executive indicated in the Policy Address delivered last month that future public housing developments should include more Green Form Subsidised Home Ownership Scheme ("GSH") units instead of public rental housing ("PRH") units, in order to achieve regularization of GSH. Persons who are eligible for purchasing GSH units include PRH tenants and PRH applicants whose eligibility has been established and who are due for allocation of PRH units in about a year's time. Some members of the public have relayed to me that they have been waiting for PRH for a number of years but their eligibility for allocation of PRH units has not been established. They worry that the regularization of GSH may cause a reduction of the supply of PRH units, thereby lengthening the waiting time for allocation of PRH units. During the period when they are waiting for PRH, their family income may rise beyond the limits, resulting in their losing at the same time the eligibilities for the allocation of PRH units and for purchasing GSH units. In this connection, will the Government inform this Council:*

*(1) among the PRH applicants on the PRH Waiting List, of the respective numbers and percentages, as estimated by the authorities at the time when GSH units of the next phase are available for sale, of those applicants:*

*(i) who are eligible for purchasing GSH units, and*

*(ii) who have been waiting for PRH for more than three years, but are ineligible for purchasing GSH units;*

*(2) whether it will relax the eligibility criteria for purchasing GSH units, so as to cover those PRH applicants who have been waiting for PRH for more than three years; and*

*(3) whether it will allocate more sites for building PRH units, so as to ensure that the supply of PRH units will not be reduced as a result of regularization of GSH?*

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President, the 2017 Policy Address states that the Government will focus on supply and step up our efforts in increasing the supply of housing units based on the Long Term Housing Strategy. As announced in December last year, the total housing supply target for the 10-year period from 2017-2018 to 2026-2027 is 460 000 units. The public housing supply target is 280 000 units, of which 200 000 are public rental housing ("PRH") units. Sites as identified by the Government for public housing development can only provide 236 000 units during this 10-year period, falling short of the target of 280 000 public housing units. To meet the supply target, the Government will continue to strive to identify sites for public housing development.

The Policy Address also proposes regularizing the Green Form Subsidised Home Ownership Scheme ("GSH") and providing more GSH flats, thereby stepping up our efforts to help those relatively better-off Green Formers, including PRH tenants, to move up the housing ladder and vacate their units for allocation to the needy. After purchasing GSH flats, PRH tenants are required to vacate their PRH units. This "one-for-one" arrangement will not reduce the supply of PRH. If Green Form ("GF") buyers of the GSH flats are PRH applicants who have passed the detailed eligibility vetting, their home ownership aspirations will be addressed earlier. This also allows Hong Kong Housing Authority ("HA") to allocate PRH resources to those waiting for PRH with more pressing needs.

HA launched the GSH pilot project King Tai Court in San Po Kong in October 2016. The GHS Pilot Scheme adopted the same definition of GF applicants currently applicable to the Home Ownership Scheme ("HOS"), i.e. PRH tenants and other persons who are eligible for using GF status to buy HOS flats, the latter being primarily PRH applicants who have passed the detailed eligibility vetting and obtained a Green Form Certificate. Such criteria have been in place for many years.

All 857 flats of King Tai Court were sold in February 2017, with over 800 buyers being PRH tenants. Only 16 of them were PRH applicants with Green Form Certificate.

HA will review the effectiveness of the GSH Pilot Scheme. In considering whether to regularize GSH, we believe that HA would study the details of future GSH projects, including the price setting mechanism, eligibility criteria and sales arrangements, etc. In addition, as the number of PRH applications and those applications which have passed the detailed eligibility vetting change from time to time and only represent the situation at a particular point in time, HA is unable to estimate their changes in future.

**Policies concerning and support measures for patients of rare diseases and cancers**

10. **DR ELIZABETH QUAT** (in Chinese): *President, it is learnt that there are more than 7 000 known rare diseases worldwide, and most of them are hereditary diseases, autoimmune diseases and cancers. While the European Union, the United States, Australia, Japan, South Korea and Taiwan have drawn up their official definitions for rare diseases and the relevant medical care policies, Hong Kong has not followed suit. Some concern groups have pointed out that the existing support measures of the Government for patients of rare diseases and cancers also lag behind those of other advanced countries or regions. In this connection, will the Government inform this Council:*

*(1) whether the authorities will expeditiously draw up an official definition for "rare diseases" and the relevant policies on supporting the patients; if so, of the details; if not, the reasons for that;*

*(2) given that the Policy Address just delivered has put forward the provision of more assistance for patients with uncommon diseases, whether the "uncommon diseases" mentioned include: (i) non-infectious non-anterior uveitis, (ii) acute lymphoblastic leukemia, (iii) familial amyloid polyneuropathy, (iv) cortical-basal ganglionic degeneration, (v) hereditary thrombocytopenia and (vi) fabry disease; if so, of the details; if not, the reasons for that;*

*(3) whether the authorities will establish a database on rare diseases for reference by the relevant personnel when making policy decisions on medical care, making clinical decisions and conducting medical researches; if so, of the details; if not, the reasons for that;*

*(4) whether the authorities will set up an one-stop centre for rare diseases at the Hong Kong Children's Hospital to be commissioned shortly, so that tasks such as screening, diagnosis, treatment, rehabilitation, research and training relating to rare diseases can be centrally handled there; if so, of the details and the timetable; if not, the reasons for that;*

*(5) as most rare diseases are hereditary diseases, whether the authorities will make improvements to the existing public prenatal check-up services, including extending the scope of such services to cover more non-invasive genetic tests relating to hereditary diseases, and include genetic tests relating to common hereditary diseases in public premarital or prenatal check-up services, with a view to reducing the incidence of newborn babies suffering from rare diseases; if so, of the details; if not, the reasons for that;*

*(6) of the top 10 deadliest cancers in Hong Kong at present and, in respect of each of them, (i) the number of new confirmed cases and (ii) the number and age distribution of deaths in each of the past 10 years (set out in a table);*

*(7) of the average length of time taken from a public hospital patient being suspected by a doctor of having cancer to that patient receiving first treatment, and the respective numbers of people queuing to receive the relevant treatments (with a tabulated breakdown by type of cancer);*

*(8) of the drugs newly developed for treating rare diseases and cancers which were registered in Hong Kong in the past 10 years, and the average time taken by the authorities to vet and approve the applications for registration of these drugs; whether the authorities will put in place a mechanism for the speedy registration of drugs for treating such diseases; if so, of the details; if not, the reasons for that;*

*(9) whether the authorities will make references to overseas practices and introduce a risk-sharing scheme on drug expenses for the treatment of rare diseases and cancers, under which the Hospital Authority ("HA") is to enter into agreements with pharmaceutical companies on payments for drugs based on the efficacy of drug treatment achieving the target specified, or based on the duration of treatment specified in the agreement concerned, with a view to capping the drug expenses for HA and the patients concerned; if so, of the details; if not, the reasons for that; and*

*(10) whether it knows the existing number of patient groups which provide support services for patients with rare diseases or cancers and their carers; whether the authorities will enhance the cooperation with such patient groups so as to support these patients and their carers more effectively; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR FOOD AND HEALTH** (in Chinese): President, my reply to the question raised by Dr Elizabeth QUAT relating to uncommon disorders and cancers is as follows:

(1) to (3)

Currently, there is no internationally agreed definition of uncommon disorders. The definition varies among countries/regions depending on their own health care system and situation. The Government's policy is to strive to ensure appropriate treatment for all patients, including those with uncommon disorders.

With the advancement of technology, new treatment options (including drugs, surgery and invasive treatment) are being developed. In assessing the treatment options for various disorders, including uncommon disorders, the Hospital Authority ("HA") would take into consideration the following factors:

(i) Newly developed treatment options, having only preliminary medical evidence in safety and efficacy, may vary significantly in terms of treatment responses in different patients.

(ii) Due to the small number of cases or patient groups for conducting scientific research at the initial stage, and the brief duration of research conducted, it is not easy to ensure the completeness of the clinical data.

(iii) The ultra-high cost of such options in the market is unaffordable for average patients.

Under the current health care policy, we strive to ensure that all patients, whether they are patients with uncommon disorders or those suffering from other general illnesses, will not be denied appropriate treatment due to lack of means. The health care support provided by HA covers patients with uncommon disorders and those suffering from other diseases, and the mechanism in place also addresses the needs of all patients, including those with uncommon disorders. HA will continue to review and enhance its existing mechanisms and supporting arrangements to strengthen its services and support. HA maintains data on different types of disorders, which can facilitate research and policy formulation.

(4) The Hong Kong Children's Hospital ("HKCH") is expected to commence operation by phases in late 2018. HKCH will serve as a territory-wide tertiary referral centre for complex, serious and uncommon paediatric cases requiring multidisciplinary management. While providing diagnosis, treatment and rehabilitation of higher quality to sick children from birth to 18 years of age who require such services, HKCH will also pool relevant expertise which will strengthen research and training regarding paediatric and genetic diseases.

Meanwhile, the paediatric departments in the regional hospitals will mainly provide secondary, emergency and community paediatric care. Under this hub-and-spoke model, HKCH and the regional hospitals will form a coordinated and coherent paediatric service network, enhancing the overall health care quality of the public paediatric service.

(5) In examining whether to introduce expanded carrier screening, HA needs to carefully consider various factors, such as the types of genetic or hereditary diseases with testing available in Hong Kong, interfacing between genetic testing services and genetic counselling, as well as the accuracy and safety of the screening tests. HA has discussed the development and effectiveness of T21 tests at the relevant Coordinating Committee. HA is now exploring the facilities required for the introduction of T21 testing in HKCH as a second tier screening test for Down's syndrome and preparing for manpower training in this respect.

(6) In 2015, the top 10 causes of cancer deaths were cancers of the lung, colorectum, liver, pancreas, stomach, breast, prostate, non-Hodgkin lymphoma, leukaemia and nasopharynx. Of these cancers, the number of new cases and registered deaths with a breakdown by age group from 2006 to 2015 recorded by the Hong Kong Cancer Registry of HA are set out at Annex.

(7) As the diagnosis and treatment process of individual cancer patients vary depending on the types of cancer and their clinical symptoms, HA does not have a standardized approach to assess the waiting time for different types of cancer.

HA reviews on a regular basis the waiting time for patients with colorectal cancer, breast cancer and nasopharyngeal cancer to receive their first treatment after diagnosis. In the period between January and December 2016, the waiting time at the 90th percentile[[1]](#footnote-2)(1) for patients with colorectal cancer, breast cancer and nasopharyngeal cancer to receive their first treatment after diagnosis were 76 days, 64 days and 54 days respectively.

(8) According to the Pharmacy and Poisons Ordinance and its subsidiary legislation, "pharmaceutical products" must satisfy the criteria of safety, efficacy and quality, and must be registered with the Pharmacy and Poisons Board ("the Board") before they can be sold in Hong Kong.

In order to facilitate timely registration of new pharmaceutical products for the treatment of patients in Hong Kong, the above legislation was amended in February 2015 to enable legislative amendments relating to new pharmaceutical products could be made via negative vetting procedures to expedite registration in Hong Kong.

In the past 10 years (i.e. between 2007 and 31 October 2017), the Product Registration Committee established under the Board has considered and approved the registration of 171 new pharmaceutical products containing 100 new pharmaceutical substances for the treatment of cancer, or for the treatment of uncommon disorders as defined by the United States or European Union drug regulatory authorities. These 171 new products included 99 new pharmaceutical products (containing 63 new pharmaceutical substances) were approved for registration between 2007 and 2014 before the above legislative amendments, with the average processing time of 5.4 months per application (i.e. between the date upon submission of complete registration documents by the applicant and the date when the Department of Health ("DH") issued the letter to inform the applicant that the Board has approved its application); and 72 new pharmaceutical products (containing 37 new pharmaceutical substances) were approved for registration between 2015 and 31 October 2017 after the above legislative amendments, with the average processing time of 2.7 months per application.

DH conducts regular monthly seminars to explain the registration requirements of pharmaceutical products. If necessary, applicants can contact DH via hotline, and DH will provide assistance to the applicants as appropriate.

(9) HA holds discussions with pharmaceutical companies from time to time on setting up risk sharing or capping programmes for individual expensive drug treatments where both HA and pharmaceutical companies would contribute to the drug costs in specific proportions in a defined period or cap the drug treatment costs to be borne by patients, so as to provide the concerned patients with sustainable, affordable and optimal drug treatments in the long term. Moreover, HA would liaise with pharmaceutical companies on providing special or compassionate drug programmes, having regard to the exceptional circumstances of specific individual patients, so as to facilitate early access to drug treatments.

(10) Promoting partnership with patients is one of the key strategic directions of HA in delivering patient-centred care. HA regularly organizes sharing sessions with patient groups. All patient groups listed on the Smart Patient Website ("SPW") are invited. During these sharing sessions, HA discusses patient-related topics and imminent issues with patient representatives, and updates them on the latest information on health care services, such as HA Drug Formulary, waiting time for new specialist outpatient cases, and Patient Experience and Satisfaction Surveys, etc. Representatives of patient groups may also provide feedback on service enhancement based on patients' needs. As at July 2017, more than 200 patient groups were listed on HA's SPW, including the Hong Kong Alliance for Rare Diseases and relevant organizations, as well as cancer-related patient groups.

In parallel, HA has set up Patient Resource Centres ("PRCs") in every hospital cluster to provide support for patients and their families/carers, including facilitating the connection with patients groups and self-help groups for mutual support. In particular, HA leverages on the patient groups in promoting self-care and sharing of experience among patients. At present, ward or home visits are conducted by many patient groups to show care and concern for patients. Community networks are also established to support patients for early reintegration into community. PRCs will also engage patient groups as volunteers to participate in various projects in hospitals, such as setting up of Patient Support Stations and Information Kiosks, as well as Scheme on Collaborative Projects of Patient Groups and PRCs, etc, to strengthen the psycho-social support to patients. Such partnership can also enhance the mutual trust between patient groups and health care staff.

Annex

Table 1: Number of new cases of in the past decade of the 10 major causes of cancer deaths in 2015

| *Site* | *2006* | *2007* | *2008* | *2009* | *2010* | *2011* | *2012* | *2013* | *2014* | *2015* |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Lung | 4 233 | 4 261 | 4 236 | 4 365 | 4 480 | 4 401 | 4 610 | 4 631 | 4 674 | 4 748 |
| Colorectum | 3 918 | 4 084 | 4 031 | 4 335 | 4 370 | 4 450 | 4 563 | 4 769 | 4 979 | 5 036 |
| Liver | 1 745 | 1 690 | 1 745 | 1 832 | 1 863 | 1 858 | 1 790 | 1 852 | 1 847 | 1 791 |
| Pancreas | 432 | 479 | 448 | 500 | 513 | 548 | 574 | 608 | 655 | 766 |
| Stomach | 1 018 | 1 007 | 1 058 | 1 078 | 1 107 | 1 101 | 1 113 | 1 100 | 1 146 | 1 167 |
| Breast | 2 595 | 2 723 | 2 633 | 2 962 | 3 025 | 3 440 | 3 522 | 3 544 | 3 883 | 3 920 |
| Prostate | 1 068 | 1 205 | 1 369 | 1 484 | 1 492 | 1 644 | 1 631 | 1 655 | 1 709 | 1 831 |
| Non-Hodgkin lymphoma | 677 | 663 | 672 | 730 | 779 | 765 | 804 | 877 | 918 | 976 |
| Leukaemia | 431 | 421 | 421 | 467 | 488 | 487 | 489 | 547 | 540 | 560 |
| Nasopharynx | 959 | 925 | 926 | 914 | 858 | 862 | 819 | 841 | 834 | 876 |

Table 2: Number of deaths by age group in the past decade of the 10 major causes of cancer deaths in 2015

| *Site* | *Age group (years old)* | *2006* | *2007* | *2008* | *2009* | *2010* | *2011* | *2012* | *2013* | *2014* | *2015* |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Lung | 0-19 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| 20-44 | 94 | 75 | 79 | 86 | 59 | 70 | 72 | 64 | 61 | 77 |
| 45-64 | 852 | 872 | 866 | 890 | 967 | 1 022 | 1 048 | 1 001 | 1 031 | 1 037 |
| 65 and above | 2 585 | 2 701 | 2 551 | 2 716 | 2 670 | 2 697 | 2 773 | 2 800 | 2 774 | 2 917 |
| Total\* | 3 531 | 3 648 | 3 497 | 3 692 | 3 696 | 3 789 | 3 893 | 3 867 | 3 866 | 4 031 |
| Colorectum | 0-19 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 20-44 | 39 | 51 | 46 | 40 | 41 | 39 | 48 | 47 | 39 | 50 |
| 45-64 | 386 | 361 | 398 | 415 | 425 | 481 | 433 | 482 | 507 | 488 |
| 65 and above | 1 203 | 1 277 | 1 242 | 1 297 | 1 398 | 1 384 | 1 422 | 1 452 | 1 488 | 1 534 |
| Total | 1 628 | 1 690 | 1 686 | 1 752 | 1 864 | 1 904 | 1 903 | 1 981 | 2 034 | 2 073 |
| Liver | 0-19 | 2 | 3 | 1 | 2 | 0 | 2 | 1 | 4 | 2 | 2 |
| 20-44 | 61 | 64 | 85 | 53 | 50 | 60 | 60 | 51 | 59 | 43 |
| 45-64 | 484 | 532 | 562 | 537 | 563 | 534 | 526 | 519 | 540 | 503 |
| 65 and above | 915 | 850 | 851 | 896 | 917 | 940 | 918 | 950 | 983 | 1 023 |
| Total\* | 1 462 | 1 449 | 1 499 | 1 488 | 1 530 | 1 536 | 1 505 | 1 524 | 1 585 | 1 571 |
| Pancreas | 0-19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20-44 | 18 | 6 | 6 | 7 | 13 | 7 | 16 | 8 | 10 | 13 |
| 45-64 | 107 | 121 | 130 | 130 | 137 | 148 | 183 | 166 | 181 | 220 |
| 65 and above | 272 | 307 | 290 | 312 | 323 | 353 | 339 | 410 | 385 | 458 |
| Total | 397 | 434 | 426 | 449 | 473 | 508 | 538 | 584 | 576 | 691 |
| Stomach | 0-19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20-44 | 38 | 28 | 26 | 31 | 32 | 28 | 25 | 19 | 25 | 27 |
| 45-64 | 145 | 165 | 156 | 173 | 190 | 177 | 165 | 166 | 155 | 179 |
| 65 and above | 452 | 447 | 443 | 451 | 464 | 482 | 467 | 440 | 477 | 463 |
| Total\* | 635 | 640 | 625 | 656 | 686 | 687 | 657 | 625 | 657 | 669 |
| Breast | 0-19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20-44 | 67 | 62 | 62 | 62 | 57 | 39 | 60 | 69 | 41 | 53 |
| 45-64 | 221 | 270 | 255 | 283 | 289 | 306 | 315 | 303 | 323 | 362 |
| 65 and above | 177 | 197 | 198 | 210 | 220 | 209 | 229 | 228 | 246 | 222 |
| Total | 465 | 529 | 515 | 555 | 566 | 554 | 604 | 600 | 610 | 637 |
| Prostate | 0-19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20-44 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 0 |
| 45-64 | 22 | 17 | 21 | 21 | 20 | 22 | 23 | 24 | 32 | 20 |
| 65 and above | 263 | 279 | 261 | 284 | 298 | 277 | 339 | 347 | 365 | 384 |
| Total | 285 | 296 | 282 | 306 | 319 | 299 | 362 | 372 | 398 | 404 |
| Non-Hodgkin lymphoma | 0-19 | 1 | 3 | 2 | 2 | 1 | 4 | 4 | 2 | 0 | 3 |
| 20-44 | 20 | 21 | 20 | 30 | 20 | 14 | 19 | 14 | 18 | 16 |
| 45-64 | 79 | 78 | 67 | 82 | 88 | 87 | 76 | 99 | 83 | 97 |
| 65 and above | 219 | 216 | 207 | 214 | 253 | 204 | 252 | 237 | 251 | 242 |
| Total | 319 | 318 | 296 | 328 | 362 | 309 | 351 | 352 | 352 | 358 |
| Leukaemia | 0-19 | 10 | 17 | 6 | 8 | 14 | 16 | 7 | 11 | 11 | 7 |
| 20-44 | 33 | 30 | 31 | 38 | 34 | 40 | 23 | 25 | 29 | 38 |
| 45-64 | 72 | 62 | 76 | 72 | 66 | 108 | 78 | 80 | 88 | 77 |
| 65 and above | 139 | 172 | 176 | 152 | 174 | 165 | 168 | 186 | 188 | 219 |
| Total | 254 | 281 | 289 | 270 | 288 | 329 | 276 | 302 | 316 | 341 |
| Nasopharynx | 0-19 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| 20-44 | 58 | 39 | 38 | 35 | 28 | 36 | 37 | 43 | 24 | 37 |
| 45-64 | 190 | 186 | 212 | 215 | 201 | 197 | 188 | 161 | 165 | 182 |
| 65 and above | 110 | 111 | 108 | 108 | 91 | 119 | 104 | 108 | 118 | 108 |
| Total | 358 | 337 | 358 | 359 | 320 | 352 | 329 | 312 | 308 | 327 |

Note:

\* Includes cases with age unknown.

New cases and deaths regarding various cancer types in a year might not be contributed by the same pool of patients. Rankings for 10 major causes of cancer deaths were not the same as that of new cases.

**Regulation and hygiene conditions of multi-purpose party venues in industrial buildings**

11. **MR WILSON OR** (in Chinese): *President, it has been reported that in October last year, there was an outbreak of norovirus gastroenteritis, in which 11 adults and 13 children were infected, at a multi-purpose party venue with children play facilities which was located in an industrial building. In October this year, an outbreak of the same infectious disease occurred at a venue of the same type located in another industrial building, in which 11 adults and 10 children were infected. The two cases have caused public concern about the regulation and hygiene conditions of such type of venues. In this connection, will the Government inform this Council:*

*(1) whether it has compiled statistics on the current number of venues of the aforesaid type which are located in industrial buildings across the territory; if so, of the details;*

*(2) whether the operators of such type of venues are required to apply for a licence; if so, whether the operators of the two aforesaid venues have obtained the relevant licences; and*

*(3) whether it has any mechanism put in place at present to monitor the hygiene and operation of such type of venues; if so, whether the mechanism includes regular inspections of such venues by health inspectors; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR FOOD AND HEALTH** (in Chinese): President, in consultation with the bureaux and departments concerned, the consolidated reply is in the ensuing paragraphs.

The multi-purpose party venues mentioned in the question are not places of public entertainment. Hence, no application for permission from government departments is required for carrying out activities in the venues. The Government does not keep statistics on the number of multi-purpose party venues which are located in industrial buildings across the territory at present.

The Centre for Health Protection ("CHP") of the Department of Health is responsible for the investigation and control of communicable disease outbreaks. Generally speaking, CHP will carry out epidemiological investigation immediately upon receipt of notification of communicable disease outbreaks related to play facilities. CHP will also conduct site visits at the play facilities concerned and provide health advice to the persons responsible for the venues on necessary infection control and prevention measures against communicable diseases. Besides, the play facilities and the affected persons will also be put under medical surveillance. CHP will inform the Food and Environmental Hygiene Department of cases for appropriate follow-ups regarding the environmental hygiene conditions of the venues.

In addition, CHP has developed relevant public health advice for play facilities to prevent the spread of communicable diseases in these facilities. Responsible persons of the play facilities and the public may visit the website of CHP for the advice <http://www.chp.gov.hk/files/pdf/health\_advice\_

play\_facilities.pdf>.

CHP has issued press releases on 5 October 2016 and 18‍ October 2017 respectively on the cases concerned (<http://www.info.gov.hk/gia/general/

201610/05/P2016100500666.htm?fontSize=1> and <http://www.info.gov.hk/gia/general/201710/18/P2017101800872.htm?fontSize=1>).

**Information on residential sites**

12. **MR ANDREW WAN** (in Chinese): *President, on 29 September this year, the Secretary for Development indicated that the Government had identified 210 sites that could be allocated for residential use in the short to medium term, and among which 25 sites had been identified recently. In this connection, will the Government set out in a table the (i) location, (ii) site area and (iii) original planned use of each site (and specify which of the sites were identified recently)?*

**SECRETARY FOR DEVELOPMENT** (in Chinese): President, my reply to the question is as follows:

As part of the multi-pronged strategy to increase land supply, the Government has identified through ongoing land use review in the last few years over 210 sites with housing development potential in the short to medium term, capable of providing over 310 000 flats in total (70% for public housing). These include 42 sites under the various initiatives to increase land supply as announced in the 2013 Policy Address (providing about 40 000 flats, over 60% for public housing), about 150 sites announced in the 2014 Policy Address (providing over 210 000 flats, over 70% for public housing), and the additional 26 sites announced in the Policy Address in January 2017 (providing over 60 000 flats, over 80% for public housing). The information of the aforementioned sites are set out at Annex.

As at early November 2017, among the some 210 sites, 103 had been zoned or rezoned for housing development, estimated to provide a total of about 122 200 flats (including about 74 900 public housing flats and about 47 300 private housing flats). Another 41 sites have their statutory rezoning procedures initiated, and subject to completion of the rezoning, these sites are estimated to provide a total of about 74 100 flats (including about 69 100 public housing flats and about 5 000 private housing flats). For the sites already allocated or rezoned for housing development, the relevant information including land area and flat number are set out in the relevant public documents of the Town Planning Board ("TPB") (for details, please visit TPB's website <http://www.info.gov.hk/tpb/index.html>). As for the remaining sites, pending the completion of technical studies, we will consult the District Councils and relevant stakeholders on the rezoning proposals setting out the relevant development details including land area and flat number, in accordance with the established procedures prior to submitting the proposals for TPB's consideration.

Annex

Some 210 potential housing sites

| *District* | *Location(1)* | *Original Zoning* | *Housing Type(2)* | *Rezoning Progress*  *(as at 3.11.2017)* | *Year of Announcement* |
| --- | --- | --- | --- | --- | --- |
| Wan Chai | Lui Kee Education Services Centre and Wan Chai Polyclinic | G/IC | Private | Rezoning in Progress | (3) |
| Total: 1 site | | | | |
| Central and Western | Ka Wai Man Road Phase 1, Sai Wan | U | Public | Rezoning in Progress | (4) |
| Ka Wai Man Road Phase 2, Sai Wan | U | Public | Rezoning in Progress | (4) |
| Total: 2 sites | | | | |
| Eastern | Junction of Chai Wan Road, Wing Ping Street and San Ha Street, Chai Wan | O | Public | Rezoning Completed | (4) |
| Between Cheung Man Road and Chai Wan Park | GB | Public | Rezoning to be Initiated | (4) |
| Java Road, North Point | G/IC | Public | Rezoning Completed | (4) |
| Behind Chai Wan Swimming Pool, Chai Wan | GB, G/IC | Public | Rezoning to be Initiated | (4) |
| Hau Yuen Path, Braemar Hill | G/IC | Private | Rezoning to be Initiated | (4) |
| Braemar Hill Road | G/IC | Private | Rezoning to be Initiated | (4) |
| Next to St. Joan of Arc Secondary School, Braemar Hill | G/IC | Private | Rezoning to be Initiated | (4) |
| Total: 7 sites | | | | |
| Southern | Junction of Shouson Hill Road West and Wong Chuk Hang Path, Shouson Hill | G/IC | Private | Rezoning Completed | (3) |
| West of Wong Ma Kok Road (near Regalia Bay), Stanley | GB | Private | Rezoning Completed | (4) |
| East of Wong Ma Kok Road (near Regalia Bay), Stanley | GB | Private | (6) | (4) |
| Wah Fu North, Pok Fu Lam | O | Public | Rezoning in Progress | (4) |
| Wah King Street, Pok Fu Lam | O, Road | Public | Rezoning in Progress | (4) |
| Wah Lok Path, Pok Fu Lam | G/IC | Public | Rezoning in Progress | (4) |
| Kai Lung Wan, Pok Fu Lam | GB | Public | Rezoning in Progress | (4) |
| Lee Nam Road, Ap Lei Chau | OU | Private | Rezoning Completed | (4) |
| Cape Road, Stanley (Previously known as Near Carmel Road (Cape Road, south to Ma Hang Estate), Stanley) | GB | Private | Rezoning to be Initiated | (4) |
| Near Stanley Village Road (near Ma Hang Prison), Stanley | GB | Private | Rezoning to be Initiated | (4) |
| LCSD Lower Shouson Hill Nursery, San Wan Village, Wong Chuk Hang | O | Private | Rezoning to be Initiated | (4) |
| Red Hill Peninsula, Tai Tam | GB | Private | Rezoning to be Initiated | (4) |
| Site 1, Nam Fung Road, Shouson Hill | GB | Private | Rezoning to be Initiated | (4) |
| Site 2, Nam Fung Road, Shouson Hill | GB | Private | Rezoning to be Initiated | (4) |
| Nam Fung Road (near Aberdeen Tunnel), Shouson Hill | GB | Private | Rezoning to be Initiated | (4) |
| Total: 15 sites | | | | |
| Kowloon City | Sheung Shing Street, Ho Man Tin | O | Private | Rezoning Completed | (4) |
| Junction of Lung Cheung Road and Lion Rock Tunnel Road, Kowloon Tong | GB | Private | Rezoning in Progress | (4) |
| Ko Shan Road, To Kwa Wan | G/IC | Public | Rezoning to be Initiated | (4) |
| Mok Cheong Street, Ma Tau Kok | CDA | Public | Rezoning Completed | (4) |
| Total: 4 sites | | | | |
| Kwun Tong | Junction of Ko Chiu Road and Pik Wan Road, Yau Tong | G/IC | Public | Rezoning Completed | (3) |
| Lei Yue Mun Path, Lei Yue Mun | G/IC | Private | Rezoning Completed | (3) |
| Sau Ming Road, Kwun Tong | G/IC | Public | Rezoning Completed | (3) |
| Choi Hing Road and Choi Hing Lane, Ngau Tau Kok | G/IC, GB, Road | Public | Rezoning in Progress | (4) |
| Choi Wing Road, Ngau Tau Kok | G/IC | Public | Rezoning in Progress | (4) |
| Junction of Shung Shun Street and Yan Yue Wai, Yau Tong | CDA | Private | Rezoning Completed | (4) |
| Hiu Ming Street/Hiu Kwong Street, Kwun Tong | O, GB | Public | Rezoning Completed | (4) |
| Ko Chiu Road, Yau Tong | G/IC | Private | Rezoning Completed | (4) |
| Wang Chiu Road, Kowloon Bay (previously known as Opposite to Richland Gardens) | O | Public | Rezoning in Progress | (4) |
| Yan Wing Street (near Lei Yue Mun Estate), Yau Tong | GB | Public | Rezoning Completed | (4) |
| Po Lam Road (Near Po Tat Estate), Kwun Tong | GB | Public | Rezoning to be Initiated | (4) |
| Ex-Cha Kwo Ling Kaoline Mine Site (private housing) | R(A)4, G/IC, O | Private | Rezoning Completed | (4) |
| Ex-Cha Kwo Ling Kaoline Mine Site (public housing) | R(A)4 | Public | Rezoning Completed | (4) |
| Ting On Street, Ngau Tau Kok | G/IC | Public | Rezoning in Progress | (4) |
| Public Transport Interchange near Kwong Tin Estate, Lam Tin | R(A) | To be confirmed | Rezoning Completed | (5) |
| Public Transport Interchange near Lam Tin Estate, Lam Tin | R(A) | To be confirmed | Rezoning Completed | (5) |
| Total: 16 sites | | | | |
| Yau Tsim Mong | Junction of Soy Street and Shanghai Street, Mong Kok | G/IC | Private | Rezoning in Progress | (3) |
| Reclamation Street/Shanghai Street, Mong Kok | G/IC | Private | Rezoning in Progress | (3) |
| Junction of Anchor Street and Elm Street, Tai Kok Tsui | OU(B) | Private | Rezoning in Progress | (3) |
| Total: 3 sites | | | | |
| Wong Tai Sin | Fung Tak Road, Diamond Hill | GB | Public | Rezoning to be Initiated | (4) |
| Fung Shing Street, Ngau Chi Wan | G/IC, O | Public | Rezoning to be Initiated | (5) |
| Wong Tai Sin Community Centre, Ching Tak Street, Wang Tau Hom | G/IC | Public | Rezoning to be Initiated | (5) |
| Total: 3 sites | | | | |
| Sham Shui Po | Junction of Fuk Wa Street/Fuk Wing Street (East of Camp Street), Sham Shui Po | G/IC, R(A)7 | Private | Rezoning Completed | (3) |
| Junction of Fat Tseung Street West and Sham Mong Road, Sham Shui Po | G/IC, O | Public | Rezoning Completed | (3) |
| North of Yin Ping Road, Tai Wo Ping | GB | Private | Rezoning Completed | (4) |
| Chak On Road Driving Test Centre and its Adjoining Area, Sham Shui Po | G/IC, R(A) | Public | Rezoning to be Initiated | (5) |
| Total: 4 sites | | | | |
| Kwai Tsing | Tai Wo Hau Road Phase 1, Kwai Chung | R(A), O | Public | Rezoning in Progress | (4) |
| Sai Shan Road, Tsing Yi (previously known as Near Mayfair Garden) | GB | Private | Rezoning Completed | (4) |
| Lai Kong Street, Kwai Chung | G/IC | Private | Rezoning in Progress | (4) |
| Tai Wo Hau Road Phase 2, Kwai Chung | G/IC, O | Public | Rezoning in Progress | (4) |
| Near Cheung Wang Estate, Tsing Yi | GB, R(A) | Private | Rezoning Completed | (4) |
| Container Port Road, Kwai Chung | OU (Container Related Uses), I, Road | Public | Rezoning to be Initiated | (4) |
| San Kwai Street, Kwai Chung | V, G/IC | Public | Rezoning to be Initiated | (4) |
| Wah King Hill Road, Kwai Chung (Previously known as Near Wonderland Villas, Kwai Chung) | GB, O | Private | Rezoning to be Initiated | (4) |
| Near Mount Haven, Tsing Yi | GB, G/IC | Public | Rezoning to be Initiated | (4) |
| Site 1, Shek Pai Street, Kwai Chung | GB | Public | Rezoning to be Initiated | (4) |
| Site 2, Shek Pai Street, Kwai Chung | GB | Public | Rezoning to be Initiated | (4) |
| Site 3, Shek Pai Street, Kwai Chung | GB, R(A) | Public | Rezoning to be Initiated | (4) |
| Junction of Tsing Yi Road and Tsing Hung Road, Area 22B , Tsing Yi | O | Public | Rezoning Completed | (4) |
| Public Transport Interchange near Lai Yiu Estate, Kwai Chung | R(A) | To be confirmed | Rezoning Completed | (5) |
| Public Transport Interchange near Cheung Ching Estate, Tsing Yi | R(A) | To be confirmed | Rezoning Completed | (5) |
| Total: 15 sites | | | | |
| Tsuen Wan | Tsing Lung Tau, Sham Tseng, Tsuen Wan | U | Private | Rezoning Completed | (3) |
| Sha Tsui Road, Tsuen Wan | I | Public | Rezoning Completed | (3) |
| Four "CDA" sites between Sha Tsui Road and Yeung Uk Road, Tsuen Wan | I | Private | Rezoning Completed | (3) |
| Near Cheung Shan Estate, Tsuen Wan | O, R(A), G/IC | Public | Rezoning to be Initiated | (4) |
| Po Fung Terrace, Tsuen Wan | GB | Private | Rezoning to be Initiated | (4) |
| Castle Peak Road, Tsing Lung Tau | GB | Private | Rezoning to be Initiated | (4) |
| Site 1, Route Twisk, Tsuen Wan | GB | Private | Rezoning to be Initiated | (4) |
| Site 2, Route Twisk, Tsuen Wan | GB | Private | Rezoning to be Initiated | (4) |
| East of the "V" zone, Lung Yue Road, Tsing Lung Tau | GB | Private | Rezoning to be Initiated | (4) |
| South of Ma Wan | OU (Recreation & Tourism Related Uses) | Private | Rezoning to be Initiated | (5) |
| Total: 13 sites | | | | |
| Islands | Ex-Peng Chau Chi Yan Public School (northern portion), Peng Chau | G/IC | Private | Rezoning Completed | (3) |
| Ngan Kwong Wan Road West, Mui Wo | G/IC | Public | Rezoning Completed | (3) |
| Near Shan Ha, Tung Chung Road, Area 27, Tung Chung | G/IC | Public | Rezoning Completed | (4) |
| Total: 3 sites | | | | |
| Sai Kung | Junction of Pik Sha Road & Clear Water Bay Road | GB | Private | Rezoning Completed | (3) |
| Tui Min Hoi, Hong Kin Road, Sai Kung | G/IC | Private | Rezoning Completed | (3) |
| Hong Tsuen Road, Sai Kung Tuk | G/IC(4) | Private | Rezoning Completed | (3) |
| Anderson Road Quarry | OU (Mining & Quarrying) | Public | Rezoning Completed | (4) |
| Anderson Road Quarry (upper quarry site) | OU (Mining & Quarrying) | Private | Rezoning Completed | (4) |
| South of Chiu Shun Road, Tseung Kwan O | GB, G/IC | Public | Rezoning in Progress | (4) |
| North of TKO Village, Tseung Kwan O | GB | Public | Rezoning in Progress | (4) |
| East of Movie City, Tseung Kwan O | GB | Public | Rezoning in Progress | (4) |
| West of Tsui Lam Estate, Tseung Kwan O | GB | Public | Rezoning to be Initiated | (4) |
| Northwest of Ying Yip Road, Tseung Kwan O | GB | Public | Rezoning in Progress | (4) |
| Bus Terminus South of Hong Sing Garden and North of Mau Wu Tsai, Tseung Kwan O | GB, G/IC | Public | Rezoning to be Initiated | (4) |
| West of Yau Yue Wan Village, Tseung Kwan O | GB | Public | Rezoning in Progress | (4) |
| South of Po Lam Road, Tseung Kwan O | GB | Public | Rezoning to be Initiated | (4) |
| North of Po Lam Road South, Tseung Kwan O | GB | Public | Rezoning to be Initiated | (4) |
| Near Ho Chung New Village, Ho Chung | G/IC | Private | Rezoning to be Initiated | (4) |
| Nam Wai (Eastern Portion), Hebe Haven, Sai Kung | GB | Private | Rezoning to be Initiated | (5) |
| Total: 16 sites | | | | |
| Sha Tin | Pik Tin Street, Area 4D, Sha Tin | R(B) | Public | Rezoning Completed | (3) |
| Mei Tin Estate, Area 4C, Sha Tin | R(A) | Public | Rezoning Completed | (3) |
| Whitehead, Ma On Shan | CDA | Private | Rezoning Completed | (3) |
| Shui Chuen O, Sha Tin | R(B), R(A), G/IC, O, GB, Road | Public | Rezoning Completed | (3) |
| "R(B)3" site at Hang Kwong Street, Ma On Shan | G/IC | Private | Rezoning Completed | (3) |
| Ma Kam Street, Ma On Shan | G/IC | Private | Rezoning Completed | (3) |
| Kwei Tei Street, Fo Tan | I, GB, River Channel | Public | Rezoning Completed | (3) |
| Wo Sheung Tun Street, Fo Tan | I, GB | Public | Rezoning Completed | (3) |
| Lok Wo Sha Lane, Area 111, Ma On Shan | O | Private | Rezoning Completed | (4) |
| Au Pui Wan Street, Area 16B, Fo Tan | I | Public | Rezoning Completed | (4) |
| North of Tai Po Road near Garden Villa, Tai Wai | GB | Private | Rezoning Completed | (4) |
| North of To Shek Service Reservoir, Sha Tin | GB | Private | Rezoning Completed | (4) |
| Whitehead, Ma On Shan | G/IC | Private | Rezoning Completed | (4) |
| Junction of Hang Kin Street and Hang Ming Street, Area 90B, Ma On Shan | O | Public | Rezoning Completed | (4) |
| Ma On Shan Road (Northern Portion) | GB | Public | Rezoning Completed | (4) |
| Ma On Shan Road (Southern Portion) | GB | Public | Rezoning Completed | (4) |
| North of Lai Ping Road near Yung Ping Path, Kau To | GB, R(B) | Private | Rezoning Completed | (4) |
| Shek Mun "O" site near Shek Mun Business Area, Sha Tin | O | Public | (7) | (4) |
| Hang Tai Road, Area 86B, Ma On Shan | G/IC, Road | Public | Rezoning Completed | (4) |
| Lower part of Ma On Shan Tsuen Road, Ma On Shan | GB | Public | Rezoning to be Initiated | (5) |
| Upper part of Ma On Shan Tsuen Road, Ma On Shan | GB | Private | Rezoning to be Initiated | (5) |
| Total: 21 sites | | | | |
| Tai Po | Pak Shek Kok, Tai Po | REC | Private | Rezoning Completed | (3) |
| Site 1A, Junction of Fo Chun Road and Pok Yin Road, Pak Shek Kok, Tai Po | OU (Science Park) | Private | Rezoning Completed | (4) |
| Site 1B, Fo Chun Road, Pak Shek Kok, Tai Po | OU (Science Park) | Private | Rezoning Completed | (4) |
| Site 1C, Chong San Road, Pak Shek Kok, Tai Po | OU (Science Park) | Private | Rezoning Completed | (4) |
| Site 1D, Fo Yin Road, Pak Shek Kok, Tai Po | OU (Science Park) | Private | Rezoning Completed | (4) |
| Lo Fai Road (Eastern Portion) | GB | Private | Rezoning Completed | (4) |
| Lo Fai Road (Western Portion) | GB | Private | Rezoning Completed | (4) |
| Shan Tong Road, Lai Chi Shan, Tai Po | GB | Private | Rezoning Completed | (4) |
| Near Fung Yuen, Ting Kok | GB, G/IC | Private | Rezoning in Progress(8) | (4) |
| West of Nethersole Hospital, Tai Po | GB | Private | (8) | (4) |
| Chung Nga Road East, Tai Po | G/IC | Public | Rezoning Completed | (4) |
| Tai Po Road, Tai Po Kau (previously known as Near Junction of Tai Po Road and Yat Yiu Avenue) | R(C) | Private | Rezoning Completed | (4) |
| Area 9, Tai Po | G/IC, GB | Public | Rezoning Completed | (4) |
| Near Cheung Shue Tan Road, Tai Po Kau | GB | Private | Rezoning Completed | (4) |
| Chung Nga Road West, Tai Po | GB, G/IC | Public | Rezoning Completed | (4) |
| Junction of Yau King Lane and Pok Yin Road, Pak Shek Kok, Tai Po (previously known as Area 39, Tai Po) | G/IC | Private | Rezoning in Progress | (4) |
| Ma Wo Road (near Classical Garden I & Chung Woo Ching Sai), Tai Po | GB | Private | Rezoning in Progress | (4) |
| To Yuen Tung at Ma Wo Road, Tai Po | GB | Public | Rezoning to be Initiated | (4) |
| East of Cheung Muk Tau, Ma On Shan (Cheung Muk Tau Site 1) | GB | Public | Rezoning to be Initiated | (4) |
| South of Symphony Bay, Ma On Shan (Cheung Muk Tau Site 2) | GB | Public | Rezoning to be Initiated | (4) |
| Nam Wa Po, Kau Lung Hang, Tai Po | GB, AGR, OS | Public | Rezoning to be Initiated | (5) |
| Tai Wo, Kau Lung Hang, Tai Po | GB, AGR | Public | Rezoning to be Initiated | (5) |
| Total: 22 sites | | | | |
| North | Ex-Kin Tak Public School, Kwu Tung South | G/IC, AGR | Private | Rezoning Completed | (3) |
| Choi Yuen Road, Fanling Area 27 | G/IC, O | Public | Rezoning Completed | (3) |
| South of Yung Shing Court, Fanling Area 49 | G/IC, GB | Public | Rezoning Completed | (3) |
| Queen's Hill (public housing), Lung Yeuk Tau | G/IC(2) | Public | Rezoning Completed | (4) |
| Queen's Hill (private housing), Lung Yeuk Tau | G/IC | Private | Rezoning Completed | (4) |
| Pak Wo Road, Fanling | G/IC | Public | (9) | (4) |
| Land at Former Fanling Magistracy, Fanling | G/IC | Public | Rezoning to be Initiated | (4) |
| Fanling/Sheung Shui Area 30 near Po Shek Wu Road | I, OU  (Bus Depot) | Public | Rezoning to be Initiated | (4) |
| Ching Hiu Road, Sheung Shui | GB, G/IC | Public | Rezoning to be Initiated | (4) |
| Area 48, Fanling/Sheung Shui | I, GB | Public | Rezoning Completed | (4) |
| Fan Garden Site B1, Fanling | G/IC, R(C)1 | Private | Rezoning to be Initiated | (5) |
| Fan Garden Site B2, Fanling | G/IC, R(C)1 | Private | Rezoning to be Initiated | (5) |
| Fan Garden Site A and its Adjoining Area, Fanling | G/IC, R(C)1 | Public | Rezoning to be Initiated | (5) |
| Po Shek Wu Road, Fanling | O | Public | Rezoning to be Initiated | (5) |
| Junction of Castle Peak Road―Kwu Tung and Fan Kam Road, Near Tai Tau Leng, Fanling | GB, G/IC | Public | Rezoning to be Initiated | (5) |
| Tong Hang, Fanling | GB, G/IC | Public | Rezoning to be Initiated | (5) |
| Total: 16 sites | | | | |
| Tuen Mun | Tseng Choi Street, Area 4, Tuen Mun | R(A) | Private | Rezoning Completed | (3) |
| East of So Kwun Wat Road, Area 56, Tuen Mun | G/IC, O | Private | Rezoning Completed | (3) |
| West of So Kwun Wat Road, Area 56, Tuen Mun | G/IC | Private | Rezoning Completed | (3) |
| Tsun Wen Road, Tuen Mun | I | Private | Rezoning Completed | (3) |
| Ex-Gordon Hard Camp Site, Area 48, Tuen Mun | G/IC, O | Private | Rezoning Completed | (4) |
| Tsing Ha Lane, Area 20, Tuen Mun | R(B)8 | Private | Rezoning Completed | (4) |
| Ex-Perowne Barracks (near Kwun Tsing Road), Castle Peak Road―Castle Peak Bay Section, Area 48, Tuen Mun (Western Portion) | G/IC | Private | Rezoning Completed | (4) |
| Junction of Hang Fu Street and Hoi Wing Road, Area 16, Tuen Mun | G/IC | Private | Rezoning Completed | (4) |
| Hin Fat Lane, Castle Peak Road, Castle Peak Bay, Tuen Mun (Phase 1) (previously known as Ex-Hong Kong Christian Service Pui Oi School (Phase 1), Area 39, Tuen Mun) | G/IC, GB | Public | Rezoning Completed | (4) |
| Hin Fat Lane, Castle Peak Road, Castle Peak Bay, Tuen Mun (Phase 2) (previously known as Ex-Hong Kong Christian Service Pui Oi School (Remaining portion), Area 39, Tuen Mun) | G/IC, GB | Public | Rezoning in Progress | (4) |
| Area 29 West, Tuen Mun | G/IC, R(A) | Public | Rezoning Completed | (4) |
| Area 2, Tuen Mun | G/IC | Public | Rezoning Completed | (4) |
| Ex-Perowne Barracks (near Kwun Tsing Road), Castle Peak Road―Castle Peak Bay Section, Area 48, Tuen Mun (Eastern Portion) | G/IC | Private | Rezoning Completed | (4) |
| North of Jade Cove, So Kwun Wat, Tuen Mun | GB | Private | Rezoning Completed | (4) |
| Area 54 Site 5, Tuen Mun | G/IC, GB, Road | Public | Rezoning Completed | (4) |
| Kei Lun Wei, Area 54, Tuen Mun | G/IC | Public | Rezoning Completed | (4) |
| South of Kwun Chui Road, Area 56, Tuen Mun | GB, R(B) | Private | Rezoning Completed | (4) |
| Tuen Mun Kau Hui and Tin Hau Road, Tuen Mun | O | Public | Rezoning in Progress | (4) |
| Tak Bond Dangerous Godowns and Highways Department Maintenance Depot, Tai Lam Chung, Tuen Mun | G/IC | Public | Rezoning to be Initiated | (4) |
| Tseng Tau Sheung Tsuen South, Tuen Mun (previously known as East of Tuen Hing Road, Area 23, Tuen Mun) | GB, R(B)10 | Public | Rezoning in Progress | (4) |
| Wu Shan Recreational Park at Wu Shan Road and Lung Mun Road, Tuen Mun | GB | Public | Rezoning in Progress | (4) |
| West of Lee Kam STFA Primary School, Tuen Mun | R(B) | Public | Rezoning to be Initiated | (4) |
| Siu Sau (Northern Portion), So Kwun Wat, Tuen Mun | GB | Public | Rezoning to be Initiated | (4) |
| San Hing Road, Tuen Mun (Phase 2) | R(E), GB | Public | Rezoning to be Initiated | (4) |
| San Hing Road, Tuen Mun (Phase 1) (previously known as San Hing Road Extension, Tuen Mun) | GB | Public | Rezoning to be Initiated | (4) |
| Hong Po Road, Tuen Mun | GB | Public | Rezoning to be Initiated | (4) |
| North of The Aegean, So Kwun Wat, Tuen Mun | GB | Private | Rezoning Completed | (4) |
| North of Fiona Garden, So Kwun Wat, Tuen Mun | GB | Private | Rezoning Completed | (4) |
| Hang Fu Street, Area 16, Tuen Mun | G/IC | Public | Rezoning in Progress | (5) |
| South of Tuen Mun Town Lot No. 423, Castle Peak Road, Area 48, Tuen Mun | GB | Private | Rezoning in Progress | (5) |
| Total: 30 sites | | | | |
| Yuen Long | Ex-Au Tau Departmental Quarters at Yau Shin Street, Yuen Long | G/IC, GB | Public | Rezoning Completed | (3) |
| Tak Yip Street, Tung Tau, Yuen Long | OU | Private | Rezoning Completed | (3) |
| Junction of Fu Yip Street and Wang Yip Street West, Yuen Long | OU(B)1 | Public | Rezoning Completed | (3) |
| Two "R(E)1" sites at Wang Yip Street West, Yuen Long | OU, OU(B)1 | Private | Rezoning Completed | (3) |
| Au Tau, Yuen Long (previously known as Ha Ko Po Tsuen, Kam Tin North) | U | Private | Rezoning Completed | (4) |
| Tin Wah Road Phase 1, Lau Fau Shan | R(C) | Public | Rezoning to be Initiated | (4) |
| Chung Yip Road, Nam Sang Wai, Yuen Long (previously known as Shan Pui Ho East Road (Next to Hong Kong School of Motoring), Yuen Long) | R(D)1 | Private | Rezoning to be Initiated | (4) |
| Long Bin Interim Housing Phase 1, Yuen Long | O | Public | Rezoning in Progress | (4) |
| Kam Sheung Road Site 6, Kam Tin South | AGR | Public | Rezoning in Progress | (4) |
| Kam Sheung Road Site 1, Kam Tin South | AGR | Public | Rezoning in Progress | (4) |
| Wang Chau Phase 1, Yuen Long | GB | Public | Rezoning Completed | (4) |
| Tin Wah Road Phase 2, Lau Fau Shan | R(C), GB | Public | Rezoning to be Initiated | (4) |
| Near Tan Kwai Tsuen (Northern Portion), Yuen Long | GB | Public | Rezoning to be Initiated | (4) |
| Near Tan Kwai Tsuen (Southern Portion), Yuen Long | GB | Public | Rezoning in Progress | (4) |
| Long Bin Interim Housing Phase 2, Yuen Long | O, R(B)1 | Public | Rezoning in Progress | (4) |
| Kam Sheung Road Site 4a, Kam Tin South | OU  (Rural Use) | Public | Rezoning in Progress | (4) |
| Kam Sheung Road Site 4b, Kam Tin South | OU  (Rural Use) | Public | Rezoning to be Initiated | (4) |
| Kam Sheung Road Site 5a, Kam Tin South | AGR | Public | Rezoning to be Initiated | (4) |
| Near Junction of Castle Peak Road and Kam Tin Road, Au Tau, Yuen Long | GB | Public | Rezoning to be Initiated | (5) |
| Wang Chau Phases 2 and 3, Yuen Long | GB, OS | Public | Rezoning to be Initiated | (5) |
| Tai Yuk Road, Area 13, Yuen Long | GIC, R(B) | To be confirmed | Rezoning to be Initiated | (5) |
| Tung Shing Lei, Yuen Long | U | Public | Rezoning to be Initiated | (5) |
| "REC" site, Ping Shan, Yuen Long | REC | Public | Rezoning to be Initiated | (5) |
| Total: 24 sites | | | | |
| Total | 215 sites | | | | |

Notes:

Abbreviation:

AGR Agriculture

CDA Comprehensive Development Area

GB Green Belt

G/IC Government, Institution or Community

I Industrial

O Open Space

OS Open Storage

OU Other Specified Uses

OU (Bus Depot) Other Specified Uses annotated Bus Depot

OU (Container Related Uses) Other Specified Uses annotated Container Related Uses

OU (Rural Use) Other Specified Uses annotated Rural Use

OU (Mining & Quarrying) Other Specified Uses annotated Mining & Quarrying

OU (Recreation & Tourism) Other Specified Uses annotated Recreation & Tourism Related Uses

OU (Science Park) Other Specified Uses annotated Science Park

R(A)/R(B)/R(C)/R(D) Residential (Group A)/Residential (Group B)/Residential (Group C)/

Residential (Group D)

REC Recreation

Road Area shown as 'Road' on the OZP

U Undetermined

V Village Type Development

(1) The estimated site and flat numbers are subject to technical and other assessments and changes.

(2) The housing type is for reference only, and may be subject to changes depending on practical considerations.

(3) Short to Medium Term Housing Sites from Various Initiatives to Increase Land Supply announced in the 2013 Policy Address. (42 Sites)

(4) Some 150 Potential Housing Sites to be made available in the Five Years of 2014-2015 to 2018-2019. (Announced in the 2014 Policy Address)

(5) 26 Potential Housing Sites to be Made Available in the Five Years of 2019-2020 to 2023-2024. (Announced in the 2017 Policy Address)

(6) The Town Planning Board ("TPB") decided to retain the "GB" zone of the site east of Wong Ma Kok Road, Stanley on 27 February 2015.

(7) TPB decided to revert back the "O" zone of the site near Shek Mun Business Area, Shatin on 22 September 2017.

(8) Two sites, involving about 1 300 flats, were recommended to be reverted back to "GB"/ "G/IC" zones after TPB's hearing of representations/comments relating to amendments to the Tai Po Outline Zoning Plan on 13 February 2015.

(9) A planning application (No. A/FSS/254) was submitted to TPB for the site zoned "G/IC" at Pak Wo Road, Fanling, under section 16 of the Town Planning Ordinance, for residential development with elderly flat and residential care home for the elderly. The application was approved with conditions by the Rural and New Town Planning Committee of TPB on 3 February 2017.

**Implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement in the Guangdong-Hong Kong-Macao Bay Area**

13. **MR JEFFREY LAM** (in Chinese): *President, the governments of the three places, namely the Hong Kong Special Administrative Region ("HKSAR"), the Macao Special Administrative Region and the Guangdong Province are working on the Development Plan for a City Cluster in the Guangdong-Hong Kong-Macao Bay Area ("the Plan"). On the other hand, the HKSAR Government and the State Ministry of Commerce signed on 28 June this year the Investment Agreement and the Agreement on Economic and Technical Cooperation under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") to further promote economic and trade cooperation between the Mainland and Hong Kong. Some members of the industrial, commercial and professional sectors have expressed concern about how CEPA will be implemented in the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area") in the future. In this connection, will the Government inform this Council:*

*(1) of the details of the CEPA-related work (such as entering into new agreements with the Mainland, monitoring the implementation of market liberalization measures and providing support to the industrial, commercial and professional sectors) carried out by the Government in each of the past five years, and the manpower and public expenditure involved;*

*(2) whether the Government will, in the coming three years, provide additional manpower and financial resources to take forward the two aforesaid Agreements and support the work related to the Plan; if so, of the details; if not, the reasons for that;*

*(3) as quite a number of local enterprises have relayed that when doing businesses on the Mainland, they often encounter the difficulties that "big doors are open, but small doors are not yet open", of the respective numbers of enquiries, complaints and requests for assistance relating to CEPA received by the Trade and Industry Department in each of the past five years, with a tabulated breakdown by nature of the cases and the trade involved; the follow-up actions taken by the Government in respect of such cases; and*

*(4) as the Chief Executive has indicated in the Policy Address recently delivered by her that the Government will set up a Guangdong-Hong Kong-Macao Bay Area Development Office to co-ordinate efforts related to the implementation of the Plan and undertake research and publicity work in relation to the Bay Area development, of the relevant details; whether the Office will explore ways to assist Hong Kong people and enterprises in discovering more new opportunities in the Bay Area through CEPA?*

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Chinese): President, the country will soon promulgate the Development Plan for a City Cluster in the Guangdong-Hong Kong-Macao Bay Area ("the Development Plan"). The HKSAR Government will actively participate in taking forward the development of the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area"), grasp the historic opportunities to be brought about by this important national development strategy, so as to open up potential new areas of economic growth for Hong Kong. The signing of the Mainland/Hong Kong Closer Economic Partnership Arrangement ("CEPA") in 2003 provides for progressive liberalization of the Mainland market through a building block approach, allowing Hong Kong traders to enjoy the most preferential treatment in accessing the Mainland market. The Investment Agreement and Agreement on Economic and Technical Cooperation ("Ecotech Agreement") signed under the framework of CEPA in June this year further expanded the coverage of CEPA and added new cooperation initiatives. Provisions on investment protection and investment facilitation were added. The Mainland also committed to accord national treatment to investments and investors of Hong Kong in all non-services sectors (covering manufacturing sectors, mining sectors and investment in assets)[[2]](#footnote-3)(1) (except for the 26 measures on the Mainland's negative list). At the same time, both sides are committed to enhancing economic and technical cooperation in 22 areas, including major sectors such as financial services, innovation and technology, etc., to better cater for the development needs of the two places. The Ecotech Agreement was implemented on the date of signing, whereas the Investment Agreement shall be implemented as from 1 January 2018. The HKSAR Government will ensure effective implementation of CEPA through the established mechanisms with the Ministry of Commerce.

Having consulted the Constitutional and Mainland Affairs Bureau, our reply to different parts of the question is as follows:

(1) The work on CEPA involves various bureaux and departments in the HKSAR Government: the Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch) is responsible for the overall policy on CEPA; the Trade and Industry Department ("TID") oversees discussions on further new measures and implementation of liberalization measures under CEPA with the Ministry of Commerce; individual bureaux and departments deal with new measures and specific implementation issues in the relevant trade sectors; and offices of the Government in the Mainland and in other economies assist in promoting CEPA and handling implementation problems encountered by Hong Kong traders in the Mainland. The expenditure of the above work has been subsumed under the overall estimated expenditure of the bureaux and departments concerned respectively. It is difficult to quantify separately. The work is being taken up by the existing manpower of relevant bureaux and departments. That said, as the above mentioned work continues, and as we further our work related to the Belt and Road Initiative ("B&RI") at the same time, the overall workload of various departments under the Commerce and Economic Development Bureau would increase. We are currently examining the manpower and resources situation. In particular, consideration will be given to improving the arrangement so as to address those needs arising from new areas of work related to B&RI and external trade and economic relations. Agreement on provision of additional manpower and resources will be appropriately sought from the Legislative Council for meeting work requirements.

(2) On the Development Plan, the Constitutional and Mainland Affairs Bureau is responsible for coordinating efforts of the HKSAR Government in taking forward the development of the Bay Area. In this regard, the Constitutional and Mainland Affairs Bureau will set up a Guangdong-Hong Kong-Macao Bay Area Development Office ("the Office"), which will operate for five years to cope with the substantial workload arising from implementing the Development Plan during the initial stage. The Office will be led by a Director, who will be an officer at point 3 of the Directorate Pay Scale. The Director will be underpinned by several staff at non-directorate level. Apart from the increase in manpower, the Office will also have an average annual budget of about $3 million for conducting relevant research studies, organizing seminars and conferences, as well as publicity and promotion events, etc.

On CEPA, as mentioned in part (1) above, the CEPA implementation work, including the implementation of the Investment Agreement and the Ecotech Agreement, will be undertaken by the existing manpower and resources of the relevant bureaux and departments.

(3) In the past five years, TID received around 10 000 enquiries per annum relating to CEPA (see Table 1). Most of them were enquiries about application for Hong Kong Service Supplier Certificate and application for Certificate of Hong Kong Origin. With regard to problems encountered by the trade in utilizing CEPA in the Mainland, the relevant bureaux and departments of the respective sectors and Hong Kong Economic and Trade Offices in the Mainland would report and follow up on the cases with the relevant Mainland authorities. TID would follow up on unresolved issues with the Ministry of Commerce at Joint Working Group meetings through the established mechanisms. Relevant bureaux and departments and Mainland authorities would be invited to the meetings on a need basis for detailed discussion. The last two meetings were held in December last year and September this year. Cases handled included confirming that Hong Kong airlines are allowed to sell air tickets and hotel packages in their offices in the Mainland or through their official websites without the need to apply for a change in their scope of business, and assisting a Hong Kong organization interested in establishing non-academic tertiary vocational training institutions on a wholly-owned basis in Qianhai in lining up with the relevant Mainland authority to follow up on its application.

The Joint Working Group followed up on 24 cases involving CEPA implementation in the past five years. The service sectors covered included securities, insurance, accounting, construction, medical, banking, air transport, property management, education, film, cultural and entertainment, printing and trademark agencies. The relevant bureaux and departments explained the implementation measures in the Mainland to the trade in detail after each meeting.

To facilitate the trade to familiarize themselves with and utilize the CEPA measures, the HKSAR Government jointly organize CEPA forums with Mainland authorities at central and provincial levels from time to time to brief the trade about the latest CEPA implementation issues and details. The HKSAR Government co-organized the 2017 CEPA Business Forum with the Ministry of Commerce on 27 September this year to introduce the Investment Agreement and the Ecotech Agreement to the trade. The Forum also included breakout sessions dedicated to individual sectors[[3]](#footnote-4)(2). About 30 representatives from various Central ministries and the HKSAR Government were present to introduce CEPA measures and implementation arrangements of individual sectors to the Hong Kong trade and answered questions from them. On 28 June this year, the date of signing of the Investment Agreement and the Ecotech Agreement, TID also co-chaired a CEPA briefing session with the Ministry of Commerce to introduce the two new agreements to the trade, and brief them on the latest CEPA development and gauge the trade's views.

The HKSAR Government will continue to work closely with the Mainland authorities at central, provincial and municipal levels in promoting the effective implementation of CEPA.

Table 1: Enquiries relating to CEPA in the past five years (by subject of enquires)

| *Year* | *2017 (Q1-Q3)* | *2016* | *2015* | *2014* | *2013* |
| --- | --- | --- | --- | --- | --- |
| Hong Kong Service Supplier Certificate | 6 415 | 9 711 | 7 536 | 7 332 | 7 446 |
| Rules of origin, Certificate of Hong Kong Origin, factory registration | 1 973 | 2 654 | 2 543 | 3 125 | 3 202 |
| Market access commitments of individual sectors | 147 | 226 | 275 | 298 | 453 |
| Individually owned stores | 72 | 14 | 18 | 17 | 30 |
| List of products enjoying zero tariffs | 5 | 4 | 47 | 79 | 137 |
| Investment Agreement and Ecotech Agreement | 12 | N.A. | N.A. | N.A. | N.A. |
| Other enquiries | 108 | 168 | 183 | 178 | 243 |
| Total | 8 732 | 12 777 | 10 602 | 11 029 | 11 511 |

(4) The Office will be tasked to coordinate efforts to implement the Development Plan by liaising with the National Development and Reform Commission, relevant central ministries/departments, the Guangdong Provincial Government and the Macao SAR Government, as well as the relevant bureaux and departments of the HKSAR Government. The Office will also proactively approach trade associations, professional bodies and relevant stakeholders, publicize and promote the opportunities for Hong Kong enterprises and talents to be brought about by the development of the Bay Area and gauge their views on implementation of the Development Plan, so that the relevant measures can better meet the needs of the industries. As regards research studies, the Office will engage academic and research institutions, etc. to conduct theme-based researches and analyses on various key cooperation areas under the Bay Area development, so that Hong Kong people and enterprises can grasp relevant information and latest development, thereby facilitating them to explore more development opportunities in the Bay Area.

**Statistics on employees and self-employed persons**

14. **MR LEUNG YIU-CHUNG** (in Chinese): *President, the Employment Ordinance (Cap. 57) stipulates that where at any time an employee has been employed under a contract of employment during the period of four or more weeks (no week shall count unless the employee has worked for 18 hours or more in that week) next preceding such time, he shall be deemed to have been in continuous employment during that period. Employees not in continuous employment are transient workers in general. Regarding the statistics on these two types of employees and self-employed persons, will the Government inform this Council of:*

*(1) the respective numbers of (i) employees in continuous employment, (ii) employees not in continuous employment and (iii) self-employed persons, in each of the past three years, together with a tabulated breakdown by industry and average number of hours worked per week (i.e. below 18 hours, 18 to 29 hours, 30 to 39 hours, 40 to 44 hours and over 44 hours); and*

*(2) the respective numbers of employees and self-employed persons (i) who were employed for less than three months each time, and (ii) who worked for less than 18 hours per week, in each of the past three years, together with a tabulated breakdown by their characteristics as follows:*

*(a) the trade in which they were engaged,*

*(b) job position,*

*(c) the main capacity apart from the employment (e.g. a family carer or a student),*

*(d) physical condition (i.e. able-bodied or with disabilities),*

*(e) status on receipt of social welfare (e.g. currently receiving Disability Allowance, Comprehensive Social Security Assistance, Old Age Living Allowance or Old Age Allowance, or not receiving any social welfare allowances);*

*(f) type of accommodation (i.e. public housing, private rental accommodation, self-owned property, etc.);*

*(g) education level (i.e. primary, junior secondary, senior secondary, post-secondary or university graduate or above); and*

*(h) age group to which they belonged (i.e. 15 to 18, 19 to 24, 25 to 44, 45 to 64, 65 or above)?*

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President, the consolidated reply to Member's question is as follows:

The Labour Department commissioned the Census and Statistics Department to complete and publish the Special Topics Report No. 55 in 2011. The Report was based on a special enquiry conducted, via the General Household Survey in the fourth quarter of 2009 on employees engaged under employment contracts with short duration or short working hours. The Report came up with numbers and characteristics of employees engaged under continuous contracts and non-continuous contracts, such as information on their distribution and proportion in the labour market, as well as the industries and occupations to which they belonged. Since the publication of the Report in 2011, the Labour Department has not conducted follow-up enquiry in the series and hence is unable to provide updated information for 2014 to 2016. Nevertheless, the Labour Department will actively consider working with the Census and Statistics Department to arrange another round of special enquiry of the series soon so as to obtain updated information on employees engaged under continuous contracts and non-continuous contracts.

Based on the Special Topics Report No. 55 published in 2011, the numbers of employees by industry employed under a continuous contract and with "short duration or working hours" are shown in Table 1.

In respect of self-employed persons, according to the information collected under the General Household Survey, figures on the number of self-employed persons by industry and weekly hours of work from 2014 to 2016 are shown in Table 2. Their number by industry, occupation, whether studying, type of housing, education level and age group from 2014 to 2016 are shown in Table 3. Figures on the number of self-employed persons by physical condition and status on receipt of social welfare are not available.

Table 1: Employees in the non-government sector by industry and type of Employees

| *Industry* | *Number of "Continuous contract" employees*  *('000)* | *Number of "Short duration or working hours"(1) employees*  *('000)* |
| --- | --- | --- |
| Manufacturing | 117.6 | 3.7 |
| Construction | 187.4 | 37.9 |
| Import/export trade and wholesale | 444.1 | 11.3 |
| Retail, accommodation and food services | 469.3 | 33.3 |
| Transportation, storage, postal and courier services, information and communications | 308.8 | 9.4 |
| Financing, insurance, real estate, professional and business services | 526.2 | 16.0 |
| Public administration, social and personal services | 658.9 | 36.2 |
| Others | 12.6 | \*(2) |
| Overall | 2 724.9 | 148.3 |

Notes:

There may be a slight discrepancy between the sum of individual items and the total as shown in the table owing to rounding.

(1) "Short duration or working hours" employees refer to those employees in the non-government sector who worked for less than four weeks continuously for their employers at the time of enumeration and/or did not work at least 18 hours per week. They also include those who have worked continuously for their employers for four weeks or more and usually worked at least 18 hours per week (but not continuously) in their present job at the time of enumeration. It should be noted that these "short duration or working hours" employees are classified as such according to the length of service with their employers and hours of work per week in their present jobs at the time of enumeration. Some of them might subsequently have continued to work for their employers and become "continuous contract" employees afterwards. In that particular survey, there were 50 200 employees who usually worked 18 hours or more per week but for less than four weeks in the present job at the time of enumeration, and they expected that they would work continuously for four weeks or more in the present job. Despite this, these 50 200 employees were not classified as "continuous contract" employees in this enquiry as they had not worked in the present job for at least four weeks at the time of enumeration. These 50 200 employees would become "continuous contract" employees if they have completed four weeks' service with at least 18 hours per week in their present jobs.

(2) Estimates less than 1 000 (including zero figures) and related statistics derived based on such estimates (e.g. percentages and rates) are not released due to very large sampling errors.

Source: Special Topics Report No. 55, Census and Statistics Department

Table 2: Number of self-employed persons(1) by industry(2) and weekly hours of work(3)

| *Industry* | *Weekly hours of work* | *2014* | *2015* | *2016* |
| --- | --- | --- | --- | --- |
| Manufacturing | <18 hours | \* | \* | \* |
| 18 hours to <30 hours | \* | \* | \* |
| 30 hours to <40 hours | 600 | 600 | 600 |
| 40 hours to <45 hours | 800 | 900 | \* |
| ≥45 hours | 1 500 | 1 500 | 2 000 |
| Overall | 3 500 | 3 600 | 3 500 |
| Construction | <18 hours | 1 900 | 1 400 | 1 700 |
| 18 hours to <30 hours | 1 800 | 1 200 | 1 100 |
| 30 hours to <40 hours | 2 600 | 1 800 | 2 100 |
| 40 hours to <45 hours | 4 300 | 3 600 | 3 900 |
| ≥45 hours | 6 900 | 6 700 | 6 200 |
| Overall | 17 400 | 14 800 | 15 000 |
| Import/export trade and wholesale | <18 hours | 1 600 | 2 400 | 2 100 |
| 18 hours to <30 hours | 1 700 | 1 600 | 1 300 |
| 30 hours to <40 hours | 3 300 | 2 400 | 3 900 |
| 40 hours to <45 hours | 6 900 | 7 800 | 7 200 |
| ≥45 hours | 7 600 | 7 600 | 7 300 |
| Overall | 21 200 | 21 800 | 21 900 |
| Retail, accommodation(4) and food services | <18 hours | 1 400 | 1 600 | 1 800 |
| 18 hours to <30 hours | 1 400 | 1 200 | 1 500 |
| 30 hours to <40 hours | 2 900 | 2 600 | 2 400 |
| 40 hours to <45 hours | 2 600 | 2 600 | 3 000 |
| ≥45 hours | 18 000 | 17 000 | 16 600 |
| Overall | 26 200 | 25 000 | 25 300 |
| Transportation, storage, postal and courier services, information and communications | <18 hours | 3 500 | 3 700 | 3 500 |
| 18 hours to <30 hours | 5 400 | 4 700 | 5 000 |
| 30 hours to <40 hours | 6 700 | 7 200 | 7 000 |
| 40 hours to <45 hours | 8 600 | 8 600 | 6 800 |
| ≥45 hours | 32 500 | 31 100 | 28 900 |
| Overall | 56 700 | 55 400 | 51 200 |
| Financing, insurance, real estate, professional and business services | <18 hours | 4 700 | 5 400 | 5 300 |
| 18 hours to <30 hours | 3 500 | 3 000 | 3 100 |
| 30 hours to <40 hours | 7 800 | 6 800 | 8 600 |
| 40 hours to <45 hours | 11 100 | 11 000 | 12 600 |
| ≥45 hours | 12 200 | 13 100 | 11 100 |
| Overall | 39 300 | 39 300 | 40 700 |
| Public administration, social and personal services | <18 hours | 20 600 | 22 000 | 23 300 |
| 18 hours to <30 hours | 4 700 | 5 700 | 5 800 |
| 30 hours to <40 hours | 6 300 | 7 500 | 6 600 |
| 40 hours to <45 hours | 5 300 | 5 600 | 5 100 |
| ≥45 hours | 13 700 | 11 500 | 12 400 |
| Overall | 50 600 | 52 200 | 53 300 |
| Other industries | <18 hours | \* | \* | \* |
| 18 hours to <30 hours | \* | \* | \* |
| 30 hours to <40 hours | \* | \* | \* |
| 40 hours to <45 hours | \* | \* | 500 |
| ≥45 hours | 700 | 700 | 900 |
| Overall | 1 600 | 1 400 | 1 700 |
| All industries | <18 hours | 34 100 | 37 400 | 38 000 |
| 18 hours to <30 hours | 18 900 | 17 500 | 18 100 |
| 30 hours to <40 hours | 30 400 | 29 100 | 31 600 |
| 40 hours to <45 hours | 39 900 | 40 300 | 39 300 |
| ≥45 hours | 93 200 | 89 200 | 85 500 |
| Overall | 216 500 | 213 400 | 212 600 |

Notes:

There may be a slight discrepancy between the sum of individual items and the total as shown in the table owing to rounding.

Figures less than 3 000 persons are compiled based on a small number of observations and have relatively large sampling errors. They should be interpreted with care.

(1) Refers to those working for profit or fees in his/her own business/profession, neither employed by someone nor employing others.

(2) Refers to the activity of the establishment in which the respondent worked during the seven days before enumeration.

(3) Refers to the number of hours which the respondent actually worked in all employment during the seven days before enumeration. All paid and unpaid hours worked at the place of work are included, but meal breaks are excluded.

(4) Covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

\* Estimates are not released due to relatively large sampling error. However, the respective figures have been included in the overall figures on individual industries and all industries.

Source: General Household Survey, Census and Statistics Department

Table 3: Number of self-employed persons(1) by industry,(2) occupation,(3) whether studying, type of housing, education level and age group

(i) By industry

| *Industry* | *2014* | *2015* | *2016* |
| --- | --- | --- | --- |
| Manufacturing | 3 500 | 3 600 | 3 500 |
| Construction | 17 400 | 14 800 | 15 000 |
| Import/export trade and wholesale | 21 200 | 21 800 | 21 900 |
| Retail, accommodation(4) and food services | 26 200 | 25 000 | 25 300 |
| Transportation, storage, postal and courier services, information and communications | 56 700 | 55 400 | 51 200 |
| Financing, insurance, real estate, professional and business services | 39 300 | 39 300 | 40 700 |
| Public administration, social and personal services | 50 600 | 52 200 | 53 300 |
| Other industries | 1 600 | 1 400 | 1 700 |
| All industries | 216 500 | 213 400 | 212 600 |

(ii) By occupation

| *Occupation* | *2014* | *2015* | *2016* |
| --- | --- | --- | --- |
| Managers and administrators | \* | \* | \* |
| Professionals | 12 800 | 13 700 | 12 100 |
| Associate professionals | 79 500 | 83 400 | 86 600 |
| Clerical support workers | 700 | 700 | 700 |
| Service and sales workers | 41 900 | 39 700 | 40 900 |
| Craft and related workers | 21 400 | 18 000 | 17 500 |
| Plant and machine operators and assemblers | 50 700 | 49 500 | 45 400 |
| Elementary occupations | 7 900 | 7 300 | 7 900 |
| Other occupations | 1 400 | 1 200 | 1 500 |
| All occupations | 216 500 | 213 400 | 212 600 |

(iii) By whether studying

| *Whether studying* | *2014* | *2015* | *2016* |
| --- | --- | --- | --- |
| Yes | 11 200 | 12 000 | 12 200 |
| No | 205 300 | 201 400 | 200 400 |
| Overall | 216 500 | 213 400 | 212 600 |

(iv) By type of housing

| *Type of housing* | *2014* | *2015* | *2016* |
| --- | --- | --- | --- |
| Public rental housing | 49 800 | 49 100 | 48 400 |
| Subsidized home ownership housing(5) | 38 900 | 37 400 | 34 200 |
| Private housing(6) | 123 800 | 121 400 | 124 000 |
| Owner-occupiers(7) | 83 100 | 83 100 | 83 200 |
| Non owner-occupiers | 40 700 | 38 400 | 40 700 |
| Overall(8) | 212 500 | 208 000 | 206 500 |

(v) By education level

| *Education level* | *2014* | *2015* | *2016* |
| --- | --- | --- | --- |
| Primary and below | 28 300 | 26 500 | 24 500 |
| Secondary One to Three | 43 800 | 37 000 | 40 200 |
| Secondary Four to Seven(9) | 78 300 | 82 200 | 78 700 |
| Post-secondary | 66 100 | 67 800 | 69 200 |
| Overall | 216 500 | 213 400 | 212 600 |

(vi) By age group

| *Age group* | *2014* | *2015* | *2016* |
| --- | --- | --- | --- |
| 15 to 18 | 1 500 | 1 500 | 2 000 |
| 19 to 24 | 13 100 | 14 000 | 13 900 |
| 25 to 44 | 70 500 | 68 000 | 68 600 |
| 45 to 64 | 117 900 | 114 600 | 112 600 |
| 65 and above | 13 500 | 15 300 | 15 500 |
| Overall | 216 500 | 213 400 | 212 600 |

Notes:

There may be a slight discrepancy between the sum of individual items and the total as shown in the table owing to rounding.

Figures less than 3 000 persons are compiled based on a small number of observations and have relatively large sampling errors. They should be interpreted with care.

(1) Refers to those working for profit or fees in his/her own business/profession, neither employed by someone nor employing others.

(2) Refers to the activity of the establishment in which the respondent worked during the seven days before enumeration.

(3) Refers to the kind of work, nature of duties and main task performed by the respondent in his/her main job during the seven days before enumeration.

(4) Covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(5) Includes flats built under the Home Ownership Scheme, Middle Income Housing Scheme, Private Sector Participation Scheme, Buy or Rent Option Scheme and Mortgage Subsidy Scheme, and flats sold under the Tenants Purchase Scheme of the Hong Kong Housing Authority. Also includes flats built under the Flat for Sale Scheme, Sandwich Class Housing Scheme and Subsidized Sale Flats Projects of the Hong Kong Housing Society; and flats in Urban Renewal Authority Subsidized Sale Flats Scheme. As from Q1 2002, subsidized sale flats that can be traded in open market are excluded.

(6) Includes private permanent housing and private temporary housing. Private permanent housing includes private housing blocks, flats built under the Urban Improvement Scheme of the Hong Kong Housing Society, villas/bungalows/modern village houses, simple stone structures and quarters in non-residential buildings. As from Q1 2002, subsidized sale flats that can be traded in open market are also put under this category.

(7) Refers to a domestic household which owns the quarters it occupies. Domestic household consists of a group of persons who live together and make common provision for essentials for living. These persons need not be related. If a person makes provision for essentials for living without sharing with other persons, he/she is also regarded as a household. In this case, the household is a one-person household.

(8) Excludes self-employed persons not living in domestic households (e.g. those living in student dormitory or households with mobile residents only).

(9) Includes Project Yi Jin/Yi Jin Diploma and craft level.

\* Estimates are not released due to relatively large sampling error. However, the respective figures have been included in the overall figures on all occupations.

Source: General Household Survey, Census and Statistics Department

**Regulation of the offering and trading of digital tokens**

15. **MR CHAN CHUN-YING** (in Chinese): *President, in recent years, there has been an increase in activities in Hong Kong and elsewhere of raising funds in the name of initial coin offerings ("ICOs"). Earlier on, a relevant platform even advertised extensively in Hong Kong its ICO fundraising activities. On 4 September this year, the People's Bank of China, in collaboration with six other regulatory bodies, promulgated the Announcement on Guarding against the Risks of Financing by Initial Coin Offerings, under which financing by ICOs is regarded as "a form of unapproved and illegal public fund-raising", and such financing activities will be eradicated on the Mainland. On the following day, the Securities and Futures Commission of Hong Kong published a statement on ICOs, elucidating that digital tokens offered or sold by individual ICOs may be regarded as the "securities" defined in the Securities and Futures Ordinance (Cap. 571) and, therefore, the conduct of the ICOs concerned in Hong Kong is subject to the regulation of the securities laws of Hong Kong. On the other hand, in September this year, the Chief Executive Officer of JPMorgan Chase & Co. publicly slammed Bitcoin, a virtual currency, as a fraud. In this connection, will the Government inform this Council:*

*(1) whether it has studied the legality and risks of various kinds of digital token financing activities; if so, of the details; if not, the reasons for that;*

*(2) of the policy bureau or statutory body responsible for monitoring ICOs that are conducted in Hong Kong and do not fall within the ambit of securities offerings; and*

*(3) given that the price of Bitcoin has risen by over five times since early this year, whether it has evaluated the impact of trading activities of virtual currencies becoming increasingly vigorous on the financial market in Hong Kong; if so, of the details; if not, the reasons for that?*

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Chinese): President, firstly, we would like to point out that digital tokens are not currencies. They are a type of virtual commodities. In addition, we note an increase in the use of Initial Coin Offerings ("ICOs") to raise funds in the market. Depending on the development of individual markets, the regulatory approaches over ICOs vary across jurisdictions. Some regulators impose a ban on ICOs, while other regulators leverage on existing regimes to regulate such activities. Our consolidated reply to the three parts of the question is as follows:

In the light of the development of ICOs in the Hong Kong market, the Securities and Futures Commission ("SFC") published a statement on 5 September this year. The statement points out that depending on the facts and circumstances of an ICO, digital tokens that are offered or sold may be "securities" as defined in the Securities and Futures Ordinance, and accordingly subject to the securities laws of Hong Kong. Where digital tokens offered in an ICO represent equity or ownership interests in a corporation, these tokens may be regarded as "shares". For example, token holders may be given shareholders' rights, such as the right to receive dividends and the right to participate in the distribution of the corporation's surplus assets upon winding up. Where digital tokens are used to create or to acknowledge a debt or liability owed by the issuer, they may be considered as a "debenture". For example, an issuer may repay token holders the principal of their investment on a fixed date or upon redemption, with interest paid to token holders. If token proceeds are managed collectively by the ICO scheme operator to invest in projects with an aim to enable token holders to participate in a share of the returns provided by the project, the digital tokens may be regarded as an interest in a "collective investment scheme" ("CIS"). "Shares", "debentures" and interests in a "CIS" are all regarded as "securities". Where the digital tokens involved in an ICO fall under the definition of "securities", dealing in or advising on the digital tokens, or managing or marketing a fund investing in such digital tokens, may constitute a "regulated activity". Parties engaging in a "regulated activity" are required to be licensed by or registered with SFC irrespective of whether the parties involved are located in Hong Kong, so long as such business activities target the Hong Kong public.

In addition, we also note that the anonymous nature of virtual commodities poses potential money laundering or terrorist financing risks in their transactions. Financial regulators have required financial institutions to assess carefully the money laundering and terrorist financing risks associated with virtual commodities and comply continuously with the statutory customer due diligence and record keeping requirements under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance when establishing or maintaining business relationships with customers who are operators of any schemes or businesses relating to virtual commodities.

Under the Organized and Serious Crimes Ordinance, the Drug Trafficking (Recovery of Proceeds) Ordinance or the United Nations (Anti-Terrorism Measures) Ordinance, any individuals (including financial institutions, virtual commodity dealers or operators), shall, on any occasion, report any suspicious activities in relation to money laundering or terrorist financing to the Joint Financial Intelligence Unit ("JFIU") set up by the Police and the Customs and Excise Department. A failure to disclose such suspicious transactions to the JFIU may amount to an offence.

The Government and financial regulators have, for years, been reminding the public that virtual commodities do not have any backing whether in physical form or from the issuer. Such virtual commodities are highly volatile in price and do not qualify as a medium of payment or electronic currencies. SFC also urges investors to be mindful of potential scams as well as the investment risks associated with ICOs. As ICOs operate online and may not have a physical presence in Hong Kong, investors may be exposed to heightened risks of fraud.

Apart from those digital tokens falling within the definition of "securities" under the Securities and Futures Ordinance, Hong Kong does not have any targeted regulatory measures on virtual commodities in respect of their safety or soundness, as well as the trading platforms or operators of such commodities. That said, our existing laws provide sanctions against money laundering, terrorist financing, fraud and cyber-crimes, whether or not virtual commodities are involved. We will keep a close watch on the development of ICOs and virtual commodities in Hong Kong, and maintain contacts with regulators in other jurisdictions through active participation in meetings of relevant international organization's (such as the Financial Action Task Force).

According to our understanding, virtual commodities have yet to be widely

accepted as a medium of payment in Hong Kong as compared with other places, and their circulation as a medium of exchange in daily life or business transactions is insignificant. There are only very few vendors claiming that they would accept virtual commodities as a medium of payment. Having regard to their nature and the current circulation in Hong Kong, as well as the fact that regulators have already required financial institutions to assess stringently and continuously when maintaining business relationships with virtual commodities operators, it is unlikely that virtual commodities will have a systemic impact on Hong Kong's financial system at this moment. That said, the Government and regulators will continue to closely monitor the market development.

**Information on the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the West Kowloon Station**

16. **MS TANYA CHAN** (in Chinese): *President, the Government will start the "Three-step Process" shortly to implement the arrangement of Hong Kong and Mainland customs, immigration and quarantine procedures being carried out at the West Kowloon Station ("WKS") of the Hong Kong Section ("HKS") of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") (the "co-location arrangement"). However, the Government has not yet given this Council an account of the operating arrangements for XRL such as train schedules, as well as the details of the Mainland Port Area in WKS. In this connection, will the Government inform this Council:*

*(1) of a projection of the (i) number of trains with intermediate stops or terminal stops at the stations listed in Table 1, (ii) number of trains terminating at such stations, and (iii) number of direct trains running to and from such stations with no immediate stops (set out in Table 1 by name of station), among the daily number of XRL trains running to and from WKS during the initial operation of HKS of XRL;*

*Table 1: Number of XRL trains*

| *Station* | *(i)* | *(ii)* | *(iii)* |
| --- | --- | --- | --- |
| *Futian* |  |  |  |
| *Shenzhen North* |  |  |  |
| *Humen* |  |  |  |
| *Guangzhou South* |  |  |  |
| *Changsha South* |  |  |  |
| *Wuhan* |  |  |  |
| *Zhengzhou/Zhengzhou East* |  |  |  |
| *Beijing (all stations)* |  |  |  |
| *Xiamen North/Xiamen* |  |  |  |
| *Fuzhou South/Fuzhou* |  |  |  |
| *Hangzhou East/Hangzhou* |  |  |  |
| *Shanghai (all stations)* |  |  |  |
| *Nanchang West/Nanchang* |  |  |  |
| *Guilin North/Guilin* |  |  |  |
| *Nanning East/Nanning* |  |  |  |
| *Guiyang North/Guiyang* |  |  |  |

*(2) given that the Government is discussing the service concession agreement for HKS of XRL with the MTR Corporation Limited ("MTRCL"), whether the agreement will include clauses vesting in MTRCL the revenues to be brought by the business facilities in WKS and the property development rights on top of the station;*

*(3) given that the Government has decided to vest the land or interests or other rights in respect of the land of HKS of XRL in its wholly owned Kowloon-Canton Railway Corporation ("KCRC"), which will in turn grant the service concession for the operation of HKS of XRL to MTRCL, of the Government's justifications for making such an arrangement; whether the revenues from XRL in future will be vested in KCRC and how the Government will make use of such revenues;*

*(4) whether the Government will immediately publish the (i) detailed plans (including the locations and floor areas of various facilities on each floor, annotated with the specific area in which mainland laws will be enforced) and (ii) Master Layout Plan (including the comprehensive development plan for the properties on top of the station and the open space plan) of WKS;*

*(5) whether the Government, when it estimated in 2015 the revenues from XRL, took into account the impacts of the other soon-to-be-completed cross-boundary infrastructure (e.g. the Hong Kong-Zhuhai-Macao Bridge and the Liantang/Heung Yuen Wai Boundary Control Point) on XRL's patronage; if so, of the details;*

*(6) of the progress to date of the discussion between the Government and the China Railway on the operational details (including fare revenue sharing and fare level) of HKS of XRL; apart from mileage, whether the future fare revenues will be shared according to the contribution ratios of both parties in the construction of the XRL network;*

*(7) of the latest estimated floor areas of (i) the comprehensive property developments on top of WKS and (ii) the commercial facilities in WKS; whether the Government has taken into account the revenues to be brought by such property developments and commercial facilities when it estimated the financial viability of XRL;*

*(8) whether the Government has discussed with MTRCL how the operating losses of HKS of XRL will be shared by the two parties in the event that the operating revenues from XRL fall far below expectation; if it has and the Government needs to bear part of the losses, of the Government's plans for raising the funding required, including whether it will seek funding approval from this Council, and whether it will tap the revenues from the property developments on top of WKS to make the payment; and*

*(9) given that the Government submitted in December 2015 a patronage forecast for XRL to a committee under this Council, whether the Government will set out the relevant data in Tables 2 to 9?*

*Table 2: Daily patronage of the trains of HKS of XRL running to and from the following stations in 2018*

|  | *Forecast in 2015* | *Latest forecast (specify the year)* |
| --- | --- | --- |
| *Futian* |  |  |
| *Shenzhen North* |  |  |
| *Humen* |  |  |
| *Guangzhou South* |  |  |
| *Total short-haul services* |  |  |
| *Within Guangdong Province (excluding short-haul services)* |  |  |
| *Hunan* |  |  |
| *Hubei* |  |  |
| *Henan* |  |  |
| *Hebei* |  |  |
| *Beijing* |  |  |
| *Fujian* |  |  |
| *Zhejiang* |  |  |
| *Shanghai* |  |  |
| *Jiangxi* |  |  |
| *Guangxi* |  |  |
| *Guizhou* |  |  |
| *Other provinces/municipalities* |  |  |
| *Total long-haul services* |  |  |

*Table 3: Daily patronage of various modes of cross-boundary transport*

|  | *Actual figure in 2015* | *Forecast in 2015 for 2018* | *Latest actual figure* |
| --- | --- | --- | --- |
| *XRL* |  |  |  |
| *Through train* |  |  |  |
| *Boundary train* |  |  |  |
| *Cross-boundary coach* |  |  |  |
| *Cross-boundary ferry* |  |  |  |
| *Aeroplane* |  |  |  |
| *Others* |  |  |  |
| *Total* |  |  |  |

*Table 4: Percentages of various types of passengers with various trip purposes in the (i) overall cross-boundary passengers and (ii) HKS of XRL passengers, in 2018 as forecasted in 2015*

| *Passenger Type* | *Trip Purpose* | *(i)* | *(ii)* |
| --- | --- | --- | --- |
| *Hong Kong residents* | *Business* |  |  |
| *Non-business* |  |  |
| *Total* |  |  |
| *Non-Hong Kong residents* | *Business* |  |  |
| *Non-business* |  |  |
| *Total* |  |  |

*Table 5: Single trip fares for the following destinations in 2015*

| *Destination* | *XRL assumed fares* | *Actual fares of existing train services* | *Actual coach fares* |
| --- | --- | --- | --- |
| *Futian* |  |  |  |
| *Shenzhen North* |  |  |  |
| *Humen* |  |  |  |
| *Guangzhou South* |  |  |  |

*Table 6: Forecasted fare revenue receivable by HKS of XRL for each trip (specify the year)*

| *Destination* | *Fare revenue receivable by HKS of XRL for each trip* |
| --- | --- |
| *Futian* |  |
| *Shenzhen North* |  |
| *Humen* |  |
| *Guangzhou South* |  |

*Table 7: Estimates of revenue and expenditure of HKS of XRL during its initial operation as forecasted in 2015 and the latest forecast*

| *Estimates* | *Forecast in 2015* | *Latest forecast (specify the year)* |
| --- | --- | --- |
| *Operating revenues* |  |  |
| *Fare revenue* |  |  |
| *Non-fare revenue* |  |  |
| *Operating costs* |  |  |
| *Energy* |  |  |
| *Repair and maintenance* |  |  |
| *Staff costs* |  |  |
| *Support services* |  |  |
| *EBITDA* |  |  |
| *Operating margin* |  |  |

*Table 8: Population (in million) of the following places in 2018, 2021 and 2031 as forecasted in 2015*

| *Place* | *2018* | *2021* | *2031* |
| --- | --- | --- | --- |
| *Shenzhen* |  |  |  |
| *Dongguan* |  |  |  |
| *Guangzhou* |  |  |  |
| *Guangdong Province* |  |  |  |
| *Hong Kong* |  |  |  |

*Table 9: Annual rates of growth in gross domestic product of the following places during the two periods from 2015 to 2020 and from 2020 to 2031 as forecasted in 2015*

| *Place* | *2015 to 2020* | *2020 to 2031* |
| --- | --- | --- |
| *Shenzhen* |  |  |
| *Dongguan* |  |  |
| *Guangzhou* |  |  |
| *Guangdong Province* |  |  |
| *Hong Kong* |  |  |

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President, my consolidated reply to Ms Tanya CHAN's questions is as follows:

(1) According to the current planning, apart from the four short-haul destinations (i.e. Futian, Shenzhen North, Humen, and Guangzhou South) that direct trains will be available upon commissioning of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL"), there will also be direct trains to 10 long-haul destinations (i.e. Shantou, Changsha, Xiamen, Wuhan, Nanchang, Fuzhou, Zhengzhou, Hangzhou, Shanghai and Beijing). After commissioning of the Hong Kong Section of the XRL, we will continue to explore with the Mainland authorities additional direct train services to more Mainland cities. Regarding the actual operational arrangements of the Hong Kong Section of the XRL, including the train schedule arrangements, the Government is discussing with the Mainland authorities and will announce the arrangements at appropriate time.

(2) to (4) and (7)

Since the Chief Executive in Council endorsed the Dedicated Corridor Option for constructing the Hong Kong Section of the XRL in April 2008, the Government has been taking forward the project on the basis that the MTR Corporation Limited ("MTRCL") will be invited to operate the Hong Kong Section of the XRL under a service concession approach in future. Such position was reiterated by the Government in October 2009 in the Legislative Council Brief on "Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link Funding Arrangement and Special Rehousing Package". Under a service concession approach, the Government provides the funding under the Public Works Programme for constructing the Hong Kong Section of the XRL and ultimately owns the railway. Upon the completion of the project, the Government may vest or lease the Hong Kong Section of the XRL to the Kowloon-Canton Railway Corporation ("KCRC"), and KCRC would in turn incorporate the XRL into its Service Concession Agreement ("SCA") with MTRCL. The Government as the sole shareholder of KCRC would benefit indirectly from service concession payments received from MTRCL through future dividends.

At the meeting of the Executive Council on 12 September 2017, the Council advised and the Chief Executive ordered that the land or interests or other rights in respect of land for the operation of the Hong Kong Section of the XRL should be vested in and the movable assets of the XRL be assigned to KCRC at nominal value. KCRC shall then grant a service concession to operate the XRL to MTRCL according to the SCA.

The arrangements of the Supplemental Service Concession Agreement ("SSCA") will cover, among others, the period and payment of service concession, as well as the requirements for MTRCL to provide services according to prescribed standards and surrender the assets upon the end of the service concession. Apart from the operational arrangement of the Hong Kong Section of the XRL, the SSCA will also include the commercial business in the West Kowloon Station (including rental of station retail space, advertising in trains and stations and telecommunications).

The Town Planning Board approved with conditions the proposed comprehensive office/commercial/retail development above the West Kowloon Station on 7 May 2010 (planning application no. A/K20/113). The proposed comprehensive development comprises three office towers (total floor area of about 264 600 sq m) with the lower storeys intended for commercial and retail uses (total floor areas of about 29 400 sq m) as well as a public open space of not less than 8 900 sq m for public use. The relevant master layout plan has been made available for public inspection at the planning enquiry counter of the Planning Department. The Chief Executive in Council decided in April 2008 that as the Hong Kong Section of the XRL would be operated under a service concession approach, the site atop the West Kowloon Station would not be granted to MTRCL. The site would be disposed of by the Government in accordance with the prevailing land policy with due attention paid to ensuring proper integration with the West Kowloon Station.

The floor plan of the West Kowloon Station of the Hong Kong Section of the XRL and the boundary of the "Mainland Port Area" are shown at Graphic 3 of the Legislative Council paper CB(2) 1966/16-17(01) entitled "Customs, Immigration and Quarantine Arrangements of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link" (pages 36 to 38).

(5) When seeking funding approval from the Legislative Council for the Hong Kong Section of the XRL project in 2009 and 2015, the Government had conducted the patronage forecast of the XRL and had taken account of the soon-to-be-completed cross-boundary infrastructure including the Hong Kong-Zhuhai-Macao Bridge and the Liantang/Heung Yuen Wai Boundary Control Point. The impact of these cross-boundary infrastructure projects had also been reflected in the patronage forecast of the XRL.

(6) and (8)

The financial position of the XRL is determined by various factors, including the fare levels, the arrangements for XRL trains to use rail tracks of the Mainland section of XRL, train schedule, the estimated operating costs of the railway service of both places, as well as the revenue and cost sharing arrangements between Hong Kong and the Mainland. The Government is proactively discussing these financially related matters with the China Railway Corporation ("CR"). The discussion is in good progress. CR has undertaken to render the maximum support to the SAR Government to ensure the long-term financial health of the Hong Kong section of XRL.

We must stress that financial return is not the sole consideration of the Government in the construction of infrastructure projects. The overall social benefits brought by these projects will also be taken into account. As for transport infrastructure, the benefits include the saving of travelling time for the general public, and the easing of traffic congestion on nearby roads. The implications of the efficient XRL services, a brand new mode of cross-boundary transportation to Hong Kong, for the travel pattern of the public and the new development opportunities it will present to the city may not be readily and immediately quantified.

(9) In 2015, the Government had updated the patronage forecast when seeking additional funding from the Legislative Council for the Hong Kong Section of the XRL. Regarding the daily patronage forecasts in respect of short-haul and long-haul services, as well as the estimated operating profit and operating margins upon commissioning of the Hong Kong Section of the XRL (during its first year of service (i.e. the third quarter of 2018)), please refer to the Legislative Council Paper No. FC139/15-16(01) entitled "Follow-up action arising from the discussion of application for additional funding for the construction of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link at the Meeting on 20 February 2016" and the reply provided by the Transport and Housing Bureau to questions raised by the Finance Committee in examining the estimates of expenditure of 2017-2018 (Reply Serial No. THB(T)302).

The average daily cross-boundary passenger patronage in 2015, as well as the average daily cross-boundary patronage, distribution of types and trip purposes for the XRL passengers, projected population figures and gross domestic product ("GDP") growth rate forecast in the updated patronage forecast by the Government in 2015, are tabulated below. It should be stressed that the ultimate financial position of the Hong Kong Section of the XRL will largely be determined by the revenue and cost sharing arrangements with the Mainland. Other factors such as fare levels, arrangements for XRL trains to use the rail tracks of the Mainland section or the XRL, train scheduling, and estimated operating costs of the railway services of both places will also be relevant. Currently, the details of the overall arrangements are yet to be finalized. The Government is discussing with CR with regard to the financially related matters above, and will update the figures based on the outcome of the discussion.

Average Daily Cross-boundary Passenger Patronage

|  | *Average Daily Passenger Trips between Hong Kong and the Mainland and Macao by Transport Mode (2015)* |
| --- | --- |
| Boundary train | 316 000 |
| Coach | 86 200 |
| Private Car | 25 200 |
| Air | 24 500 |
| Shuttle bus | 17 300 |
| Ferry | 68 000 |
| Through train | 10 400 |
| Franchised bus/Green minibus/Taxi | 131 700 |
| Others | 22 100 |
| Total | 701 600 |

(Extracted from the Cross-boundary Travel Survey 2015 published by the Planning Department in 2016. As all figures are rounded to the nearest hundred, there may be a slight discrepancy between the sum of individual items and the total as shown in the table.)

|  | *Forecast of 2018 conducted in 2015* |
| --- | --- |
| XRL | 109 200 |
| Through train | 7 300 |
| Boundary train | 315 800 |
| Cross-boundary coach | 275 100 |
| Cross-boundary ferry | 31 200 |
| Total | 738 600 |

Distribution of Types and Trip Purposes for the XRL Passengers

| *Passenger Type* | *Trip Purpose* | *Forecast of 2018 conducted in 2015*  *of distribution*  *of overall cross-boundary passengers* | *Forecast of 2018 conducted in 2015 of distribution*  *of XRL cross-boundary passengers* |
| --- | --- | --- | --- |
| Hong Kong residents | Business | 18.3% | 18% |
| Non-business | 40.1% | 33% |
| Total | 58.4% | 51% |
| Non-Hong Kong residents | Business | 4.2% | 18% |
| Non-business | 37.4% | 31% |
| Total | 41.6% | 49% |

Data Input Assumptions of Transport Model

for Updating Patronage Forecast in 2015―Population (million)

| *Region* | *2018* | *2021* | *2031* |
| --- | --- | --- | --- |
| Shenzhen | 11.68 | 12.27 | 13.30 |
| Dongguan | 8.36 | 8.38 | 8.47 |
| Guangzhou | 14.34 | 15.14 | 16.07 |
| Guangdong Province | 113.91 | 118.38 | 130.77 |
| Hong Kong | 7.87 | 8.11 | 8.79 |

Data Input Assumptions of Transport Model for

Updating Patronage Forecast in 2015―

GDP Growth Rate Forecast

| *Region* | *GDP Growth Rate Forecast for Hong Kong and Guangdong Province*  *(Annual Growth Rate)* | | | | |
| --- | --- | --- | --- | --- | --- |
| *2015* | *2016 to 2018* | *2019* | *2020* | *2021 to 2031* |
| Shenzhen | 8.5% | 7.5% | 6.5% | 5.5% | 4.0% |
| Dongguan | 7.5% | 6.5% | 5.5% | 4.5% | 4.0% |
| Guangzhou | 8.0% | 7.0% | 6.0% | 5.0% | 4.0% |
| Guangdong Province | 8.0% | 7.0% | 6.0% | 5.0% | 4.4% |
| Hong Kong | 2.0% | 3.5% | 3.5% | 2.0% | 2.0% |

Regarding the XRL assumed fares and assumed fare revenue receivable by the Hong Kong section of the XRL, as mentioned above, the Government is discussing with CR and the figures will be updated based on the outcome of the discussion.

**MEMBERS' MOTIONS**

**PRESIDENT** (in Cantonese): Members' motions.

Proposed resolution under the Interpretation and General Clauses Ordinance to extend the period for amending the Trainee Solicitors (Amendment) Rules 2017 (Commencement) Notice, which was laid on the Table of this Council on 11 October 2017.

I call upon Dr Priscilla LEUNG to speak and move the motion.

**Stand-over item: Member's motion on "Proposed resolution under section 34(4) of the Interpretation and General Clauses Ordinance" (since the meeting of 1 November 2017)**

**Proposed resolution under section 34(4) of the Interpretation and General Clauses Ordinance**

**DR PRISCILLA LEUNG** (in Cantonese): President, at the House Committee meeting of 13 October 2017, Members decided to form a subcommittee to study the Trainee Solicitors (Amendment) Rules 2017 (Commencement) Notice.

In my capacity as Chairman of the Subcommittee on Trainee Solicitors (Amendment) Rules 2017 (Commencement) Notice, I move the motion that the period for scrutinizing the Trainee Solicitors (Amendment) Rules 2017 (Commencement) Notice be extended to 29 November 2017.

President, I urge Members to support this motion.

**Dr Priscilla LEUNG moved the following motion:**

"RESOLVED that in relation to the Trainee Solicitors (Amendment) Rules 2017 (Commencement) Notice, published in the Gazette as Legal Notice No. 164 of 2017, and laid on the table of the Legislative Council on 11 October 2017, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 29 November 2017."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr Priscilla LEUNG be passed.

**PRESIDENT** (in Cantonese): Does any Member wish to speak?

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the motion moved by Dr Priscilla LEUNG be passed. Will those in favour please raise their hands.

(Members raised their hands)

**PRESIDENT** (in Cantonese): Those against please raise their hands.

(No hands raised)

**PRESIDENT** (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion passed.

**PRESIDENT** (in Cantonese): Debate on motion with no legislative effect.

Motion of Thanks. Ms Starry LEE will move this motion. Mr WU Chi-wai, Dr Fernando CHEUNG, Mr LEUNG Yiu-chung, Mr Andrew WAN and Dr KWOK Ka-ki wish to move amendments to the motion.

I have accepted the recommendations of the House Committee on the time limits for speeches in the debate.

Each Member, including the mover of the motion and movers of the amendments to the motion, may speak in any of the five debate sessions but he/she may only speak once in each session. The total speaking time limit for each Member is 30 minutes.

In each debate session, I will first call upon those Members who wish to speak to speak. After Members have spoken, if necessary, I will suspend the meeting for 10 minutes for the relevant public officers to prepare their response. Only public officers may speak when the Council resumes.

If public officers consider the suspension of meeting not necessary, I will invite them to respond right after Members have spoken. After the public officers have spoken, the debate session will come to a close.

After the five debate sessions have ended, Ms Starry LEE may speak on the amendments. I will then call upon movers of the amendments to move amendments.

After the amendments have been dealt with, Ms Starry LEE may reply. Finally, Members will vote on the original motion or the motion as amended.

The debate on this motion will last for three days. Today's debate will be suspended at about 10:00 pm. The debate for tomorrow will start at 9:00 am and be suspended at about 10:00 pm. The debate for the day after tomorrow will also start at 9:00 am. I will adjourn the meeting after conclusion of all the business on the Agenda or at around 10:00 pm.

I now call upon Ms Starry LEE to speak and move the motion.

**Motion of Thanks**

**MS STARRY LEE** (in Cantonese): President, in my capacity as Chairman of the House Committee, I move the motion "That this Council thanks the Chief Executive for her address".

To begin with, I wish to point out that this motion is not indicative of any direction. It is purely moved according to the stipulations in the Rules of Procedure and the established practice of the Legislative Council, with the aim of enabling this Council to exercise its power and function specified in the Basic Law, i.e. "To receive and debate the policy addresses of the Chief Executive". The Policy Address this year is the maiden policy address of the fifth Chief Executive. In the debate sessions of these three days, I believe that Members will actively express their views on the principles of governance of the Chief Executive, as well as the vision and initiatives for various policy areas of the current-term Government.

As the House Committee Chairman, I am really glad to hear that the Chief Executive has repeatedly emphasized that improving executive-legislature relationship is an integral part of good governance. In addition to pledging strenuous effort to improve executive-legislature relationship in the Policy Address, the Chief Executive has taken concrete action to show her sincerity since assuming office. On the first Wednesday in her office, the Chief Executive came to the Legislative Council in person to attend the Question and Answer Session, and requested public officers to step up communication with Members for the sake of soliciting Members' support for various policies. The Chief Executive has also agreed to increase the number of Chief Executive's Question and Answer Sessions to have more opportunities to respond to Members' questions directly.

After every weekly House Committee meeting, I, together with the House Committee Deputy Chairman, will meet with the Chief Secretary for Administration, which is an important communication between the executive authorities and the legislature. During the first meeting with the Chief Secretary after I was re-elected Chairman of the House Committee in this legislative year, I pointed out that executive-legislature relationship was an integral part of the government. I also expressed my hope that the executive-legislature relationship would continue to improve in the new legislative year, and urged Secretaries of Departments to meet with Members. To follow up on efforts to improve the executive-legislature relationship, the Deputy Chairman and I are happy to take up more coordination work.

In addition to communicating with the executive authorities, I have noticed that a number of policies in the Policy Address are aimed at developing high value-added industries and achieving economic diversification. To this end, it is necessary for Hong Kong to step up cooperation with the Mainland. I hope that the Legislative Council and various Panels will conduct more exchanges with the Mainland on issues straddling various areas in the new legislative year. I also hope that the Hong Kong Special Administrative Region Government will provide assistance in this regard.

After the delivery of the Policy Address, 18 Panels have already held a series of policy briefings to receive briefings from Directors of Bureaux and other principal officials on the future policy initiatives of the Administration in areas such as Hong Kong's governance, economic development, housing, education and health care. I am sure various Panels will actively take follow-up action.

The maximum number of active Bills Committees of the Legislative Council is limited to 16 at any one time, and the quota is currently full. According to the Legislative Programme of the new legislative year provided by the Administration, the Legislative Council has to scrutinize at least 16 bills in this legislative year. Apart from these bills which are mainly related to the economy and people's livelihood, the Legislative Council also has to scrutinize the National Anthem Law and the co-location arrangement. The scrutiny work would conceivably be controversial. It is foreseeable that the scrutiny of bills by the Legislative Council in the coming year will be very onerous.

I believe that Members will all agree that the unceasing disputes in society in recent years have affected the normal operation of the Legislative Council, making it impossible for the legislature to effectively handle the work in relation to people's well-being and the promotion of economic development. There is a large backlog of unresolved economic and livelihood issues in the community, which is definitely not what the public would be glad to see. Recently, such issues as the co-location arrangement and proposed amendments to the Rules of Procedure have resulted in tension in the legislature. I strongly hope that all Members would briefly observe a "ceasefire" in these three days so that the policy debate can be successfully conducted. In this way, Members can make good use of these three days of debate to express their views on the Policy Address.

As the House Committee Chairman, I hope that the Chief Executive and all Secretaries of Departments and Directors of Bureaux can listen carefully to the views of Members and respond accordingly by actively taking follow-up action. In addition, I will continue to urge the Government to take on board the views of various political parties and groupings more often before introducing a policy in future or throughout the various stages of the bill drafting process, and allow sufficient time for Members' scrutiny.

Despite the recent tension in the legislature, I call on Members to uphold the spirit of "seeking greater common ground while accommodating major differences" and expand the room for cooperation with the Administration on various issues. If Members can step up communication and negotiation with a rational and pragmatic attitude, the legislature will operate more smoothly. In this way, policies which benefit the community and the economy can be successfully implemented as soon as possible for the common well-being of the general public.

President, with these remarks, I move the motion.

**Ms Starry LEE moved the following motion: (Translation)**

"That this Council thanks the Chief Executive for her address."

**PRESIDENT** (in Cantonese): I now propose the question to you and that is: That the motion moved by Ms Starry LEE be passed.

**PRESIDENT** (in Cantonese): This Council will conduct a joint debate on the motion and the amendments.

We now proceed to the first debate session. The debate theme is "Diversified Economy".

This session covers the following 10 policy areas: Public Finance; Commerce and Industry; Economic Development (other than energy); Belt and Road; Guangdong-Hong Kong-Macao Bay Area; Financial Affairs; Maritime and Aviation; Professional Services; Innovation and Technology Industries; and Creative Industries.

Members who wish to speak in this session will please press the "Request to speak" button.

**MR CHARLES PETER MOK** (in Cantonese): President, the Policy Address 2017 proposes investing more than $800 million in innovation and technology, an area that I am particularly concerned about. The Government will focus on eight major areas, namely, increasing resources for research and development ("R&D"), pooling talent, providing funding, providing technological research infrastructure, reviewing legislation, opening up data, changing government procurement arrangement and promoting popular science education.

I have submitted a proposal after the new government assumed office. I put forward eight points, including nurturing talent, innovation and technology research, stimulating investment, developing financial technologies ("Fintech"), expanding start-up small and medium enterprises ("SMEs"), investing in future education, opening up data, smart city, digital infrastructure and information security. I am very pleased that the Government has responded to seven of these points in the Policy Address and introduced a number of policies. In the past, the Government only focused on setting up additional funds, launching infrastructure projects and building parks under different names, but this Policy Address is indeed different.

In the past, we often criticized government policies, but the policies and initiatives proposed in this Policy Address are more positive and reference has also been made to the practices of other countries such as Singapore. The Prime Minister of Singapore is responsible for coordinating high-level and inter-departmental cooperation and promoting new projects. The Government has indicated that it will set up the Steering Committee on Innovation and Technology, transfer the Efficiency Unit to the Innovation and Technology Bureau and invest $700 million to push ahead with smart city development. I notice that the Government has the commitment to assume a leading role to promote the work in a top-down manner, and it has also responded to the aspirations of the industry. Members of the public claim that Hong Kong is lagging behind in many aspects, but the current Government is more confident and determined and has a better sense of direction than the last-term Government. Certainly, the crux is how to implement the relevant policies.

The Chief Executive will make changes to the implementation framework as she has pointed out and admitted the current problems of overlapping structures and a lack of coordination among departments. I think that the current Government has taken a step forward because the former governments refused to admit such problems. However, how will the government implement the relevant policies? Further observation is required.

The Efficiency Unit will be transferred to the Innovation and Technology Bureau. At present, more than 10 committees, bodies and departments are responsible for promoting these policies, including the Office of the Government Chief Information Officer ("OGCIO"), the Innovation and Technology Commission, the Science Park and the Cyberport. How to avoid having the reins held in multiple hands and coordinate various bodies will hinge on how the Government implements the relevant policies.

In the past, we often criticized that Government for making slow progress despite a number of consultancy studies being conducted. The former Chief Executive set up the Advisory Committee on Innovation and Technology in March 2015 and two years later, the Committee published a 100-page report containing detailed analyses, but nothing was mentioned about implementation plans. On the issue of a smart city, we often criticize the Government for conducting four consultancy studies within five years. The Chief Executive said yesterday that she would stop departments from making requests for consultancy studies on the development of new projects in the future, because the relevant work could be carried out directly. I think this approach is worth supporting. I am not saying that consultancy studies should not be carried out on any project, but departments should not conduct consultancy studies to support the stance of the Government. Hence, if the heads of various departments consider that consultancy studies are unnecessary, the relevant work can be carried out directly.

In the past few years, studies on innovation and technology policy have been conducted one after another and a number of committees with different names and membership have been set up. The current Government should make a clear division of labour so as to avoid shifting of responsibilities due to overlapping structures. I hope the Secretaries will solve these problems together. The Chief Executive has also proposed to increase the Gross Domestic Expenditure on R&D as a percentage of the Gross Domestic Product ("GDP") from 0.73% to 1.5% within five years. I will not comment whether this goal is too conservative for the time being. I only hope that the Government can also set clear targets and timetables for the eight innovation and technology policies.

In fact, we note that other countries are facing the same problems. Besides commending Singapore, we must also learn from its experience to find out if there are any inadequacies that we have to guard against. Singapore started to promote a smart nation in 2014. Three years later, Prime Minister LEE Hsien-loong has recently said that the progress was too slow. There are also comments in Singapore that there is a lack of uniform standards and operational procedures among different departments, resulting in departments having different priorities of work and different levels of technology know-how. Moreover, there are also problems of lacking clear and measurable goals, lacking coordination among departments and departments striving for applause. Hence the situation of the reins held in multiple hands has also arisen. The Singaporean Government has also pointed out that many important projects, including those being studied in Hong Kong such as electronic identity, sensor networks, electronic payment systems etc. are not very satisfactory. I think we must be careful not to repeat the same mistakes in the future.

The Government has also indicated that it will set aside $10 billion as funding for university research and provide additional tax deduction for expenditure incurred by enterprises on R&D. There are also policies to attract overseas scientific research institutions to Hong Kong. The industry has been striving for these projects over the years. I am happy that the Government has responded, but how about the effectiveness? The details are not mentioned in the Policy Address. I hope that we can get more information as soon as possible, including the eligibility criteria, scope of research and application procedures, etc. I also hope that the Government and public officers will be aware that while it is definitely important to attract overseas enterprises to Hong Kong, we also need to understand their most important concerns. Are the preferential measures that we are now considering their prime concern? I once had discussions with overseas enterprises, and they told me that their prime concern was the availability of a market where they could sell the products developed, as well as the opportunity for business operation. For example, the Government should create a market and remove the barriers. I think these are the problems that the Government should now address and the existing policies are also somewhat inadequate.

Can the Policy Address offer help to SMEs and start-ups? The proposed measure of a 300% tax deduction will certainly benefit some larger and profitable companies. However, start-ups often do not have any profits and they have to spend money on R&D of products, promotion and staff recruitment. Therefore, we are worried that the current measures may not necessarily be adequate to help SMEs and some local start-ups. How can the Government offer help? For small start-ups and local SMEs, the Government should consider assisting them in recruiting talent and directly subsidizing part of the salaries. This will also help increase R&D as a percentage of GDP and increase private sector investment. As this measure can also complement other measures, I hope the Government will give due consideration.

As mentioned in the Policy Address, telecommunications companies are encouraged to extend fibre-based networks to villages in remote locations and the outlying islands. I support this initiative, and the industry and I have strived for such a project over a long time. Many remote areas lack fibre-based network coverage; although we often say that the broadband service coverage in Hong Kong reaches 90% or above, the coverage in many areas including old urban areas is actually not enough. I hope the details of this policy will be available as soon as possible and we will work with the industry to explore if funding and assistance in this area is sufficient.

Another important issue is the Government's practice of awarding technology procurement contract to the lowest bidder. In the past, the accounting profession might think that "the lowest bid wins" was the simplest principle, but we notice that many departments failed to purchase the most innovative products or services for this reason. As a result, many departments lag behind in the application of technology.

What measures will the Government adopt in the future to encourage the addition of the weighting for innovation in procurement? I also hope that the Government will deal with other issues concerning technology procurement. Many companies have reflected that the liability clause of the procurement policy is too stringent, hence dampens their incentive to bid. When international companies intend to introduce technology into Hong Kong, the procurement requirements of the Government have driven them away, which is unfavourable to Hong Kong.

In addition, while the Government has been promoting innovation for many years, many departments still require bidding companies to submit large quantities of paper documents. Can the Government really keep up with the times and become more environmentally friendly?

Lastly, I would like to focus on the inadequacies of the Policy Address. First, the Government provides inadequate support for members of the public pursuing continuing education in digital skills. The Government will inject $1.5 billion into the Continuing Education Fund ("CEF") to expand the range of courses covered, but details have not yet been provided. I understand that we may have to wait for another consultation conducted by the Labour and Welfare Bureau later this year, but it seems that the practice will not be widely open to the public. It is interesting to note that this initiative falls within the purview of the Labour and Welfare Bureau, but obviously, this initiative is closely related to the economic development of Hong Kong.

In any case, I really hope that the range of courses will be expanded in the future and a large proportion of the $1.5 billion will be used for providing the latest technology training. President, I had dinner with a friend a few days ago and he told me that many people used this fund to attend courses on wine tasting. Is this the most required skill in the workplace? We can make reference to the SkillsFuture movement in Singapore, which enhances the digital skills of local people, promotes economic development and moves towards the goal of a smart nation. Unlike the practice in Hong Kong, the maximum subsidy for each person is $10,000. The current arrangement in Hong Kong must be relaxed, not to increase the amount of subsidy, but to increase the number of times that subsidy will be granted. If members of the public properly use the subsidy to acquire new skills that are most required, the Government should inject more money to CEF. If people get subsidy only for wine tasting, the Government should not inject more money to CEF, or should slow down the rate of injection. I hope the Government will deal with this issue as soon as possible.

I have proposed a review of outdated legislation and the motion I moved was passed on 5 July after the new government assumed office. The Government stated in the Policy Address that it will remove obstacles and support the development of the new economy, but details have not been provided. I hope the Government will discuss these issues with the Policy Innovation and Co-ordination Unit as soon as possible so that the present situation will not persist. Many policies in this area fall within the purview of the Secretaries present today and I hope they will deal with these issues expeditiously.

It is definitely not easy to update the legislation, but I always believe that, if the Government strengthens communication with people from all walks of life and allocates more resources to carry out thematic studies across bureaux on the new economy and technology, covering such themes as artificial intelligence, the application of intelligent machinery, automation, autopilot, the sharing economy, privacy protection etc., this will help the Government promote these policies.

Furthermore, the Policy Address talks about opening up data. I hope that more practical measures will be taken. I think the examples given in the Policy Address are not adequate. An example is that the Transport Department will merge three government applications to provide real-time traffic information. In fact, the Government still needs to resolve the problem of public transport operators or large franchised private enterprises lacking the incentives or not willing to provide data.

President, the Government will announce the blueprint for a smart city at the end of this year or early next year. I very much hope that the Government will then formulate a comprehensive policy target on the opening up of data, including how to attract talent, implement resources and improve the quality of data, so that we can catch up with the neighbouring countries and regions such as Taiwan and Singapore in this respect.

We have often talked about STEM in recent years but the Policy Address lacks new ideas and breakthroughs in technology education. The Government will set aside $10 billion as funding for university research but it has not attached sufficient importance to supporting primary and secondary schools, probably because the Education Bureau has still not focused on technology education. For example, in the past, the Education Bureau provided lump sum grants of $100,000 or $200,000 to public primary and secondary schools, but problems of inadequate school resources and teacher knowledge certainly could not be solved. In addition, the Government must enhance the Internet Learning Support Programme because the funding agreement for this programme will soon expire. At present, the support provided to grass-roots children for Internet learning and acquisition of computers is inadequate. They can only use the subsidy to buy computers or pay Internet access charges. If they want both, the subsidies are basically not enough. Should OGCIO continue to be responsible for the programme? Should the Education Bureau or the Social Welfare Department be responsible for the programme? The Government must consider this issue; otherwise the same old problem remains after the completion of the programme. Without this programme, a lot of social problems will also arise.

In addition, the issue of IT Professional Certification has not been resolved. Although the Chief Executive mentioned that the Innovation and Technology Bureau will launch a $500 million Technology Talent Scheme focusing on the training of doctoral students in re-industrialization and scientific research, not all companies may necessarily need doctoral students only. Can the Government address the greatest demand for skills in the market and the retraining needs in the labour market? I have just talked about CEF. We really need to address the issue of IT personnel lacking professional status. This issue has been discussed for many years, and I hope the Government will re-launch the work on IT Professional Certification.

The Policy Address has not talked about digital divide in detail. Although the first debate session is mainly on economic development, talent is an important factor for economic development. We find that many local talents, including those from poor families and their next generation, have still been neglected. Moreover, in Singapore, during the implementation of the smart nation project, it is found that projects related to the application of technology must take into consideration the feelings of the elderly, the community in need and users. These factors are interlocking; the project cannot be implemented by simply assigning certain departments to take up the task or setting up certain funds.

The Singaporean Government has implemented a pilot scheme to install indoor motion sensors for more than 9 000 elderly people in a community, but the response was not enthusiastic. Hence, as I said earlier, I hope in promoting such projects in the community, the Government must coordinate and communicate with the community so as to ascertain the needs of the community. We do not want to see poor response for projects implemented by the Government, giving the public a wrong impression that the Government should not undertake such work.

Lastly, the SAR Government intends to enhance the coordination of departments in policy implementation. I think this is the most important part of the Policy Address. Yet, we must review why many proposals failed to be implemented in the past and why the Government had not set the relevant performance targets. I very much hope that the Government will consider formulating some mechanisms and indicators to urge public officers and departments to deliver results, and improve communication with the public. Only in this way can we learn from the past experience of Hong Kong and draw lessons from the situation in foreign countries, in order to change the fleeting phenomenon. Now that the Government promotes innovation and technology, it must persist in undertaking the work, so as to help Hong Kong catch up, instead of making no progress in the past five years.

Thank you, President.

**MR KENNETH LEUNG** (in Cantonese): President, I will now speak on paragraphs concerning finance (paragraphs 97 to 103) and taxation (paragraphs 65 to 68) in the Policy Address.

In 2015, the financial industry, with the number of practitioners stood at 246 700, accounted for 17.6% of GDP. It is certainly a high value-added industry with huge development potential among the four pillar industries. To start with, I approve of the direction mapped out in the Policy Address for financial development. In the following speech, I will first talk about the direction which, in my view, Hong Kong should take to develop its financial industry in the current global environment, and the opportunities and challenges facing the industry. After that, I will discuss how our tax regime can be improved to support the financial and economic development of Hong Kong.

The Financial Services Development Council, Hong Kong ("FSDC"), is a highlight of the Policy Address. I will not deny that I had grave reservation about the establishment of FSDC five years ago as I knew little about its functions and operation. Yet, I am impressed that FSDC has issued more than 30 papers of extremely high reference value over the past five years. The Government has also stated recently that FSDC will be incorporated as a limited company. For all I know, apart from conducting researches, FSDC is not responsible for coordinating policy implementation among different departments. I do hope that the Government, in providing FSDC with additional resources, can also coordinate the cooperation between FSDC and different departments, so that the recommendations put forward in its research papers can be implemented as early as possible. Of course, if additional resources are provided, I will request that FSDC be held accountable to the Legislative Council. It should provide detailed reports to the Council every year for Members to assess its performance and submit its annual budget to the Council for approval. All these requirements will be necessary.

Here, I would like to highlight two FSDC research reports which are of extremely high reference value. The first one is about reforming the tax regime for private equity funds and the other is about the booking system. Although these two papers are of great significance, I have yet to see the Government formulating any timetable for implementation. In the following discussion, I will refer to these two papers again and explain why I think the proposals therein are well worth implementing.

Moreover, the Government has stated in the Policy Address that it will issue a green bond in the next financial year and promote the establishment of green bond certification schemes that meet with international standards by local entities. In effect, the introduction of one or two green bond projects cannot turn Hong Kong into a green finance centre overnight. We, however, hope that the concept of green finance will be known to all statutory bodies, government departments and private companies, and that the Government will give top priority to the formulation of comprehensive guidelines for green finance products and projects. We must develop a set of guidelines to suit the Asian market. Given that Hong Kong is now a member of the Asia Infrastructure Investment Bank ("AIIB") and the countries along the Belt and Road are eager for infrastructure development (especially environmental and green projects), we must establish internationally-recognized green bond certification schemes to seize these business opportunities. Otherwise, regardless of the number of green bonds we have issued, our efforts will be in vain.

In the Policy Address, it is also mentioned that the Securities and Futures Commission and the Insurance Authority have introduced Supervisory Sandboxes respectively for financial institutions other than banks to test their new financial technology ("Fintech") products. I would say it is a commendable direction and the work should be done quickly. However, in the United Kingdom and Australia, Sandboxes are available not only to financial institutions but also various small and medium-sized enterprises ("SMEs") and start-up companies. I appreciate the need to expand the Sandbox initiative step by step; but if it only covers financial institutions and is available specifically to the more traditional financial institutions, SMEs and start-up companies will be deprived of the opportunities to develop new Fintech. I hope that the Government can build up another Sandbox system for eligible companies to test Fintech products in a Sandbox. In fact, many countries, including the United Kingdom and Australia I just mentioned, have already implemented this system. The Government may draw reference to their experience.

The Policy Address also mentions that the Hong Kong Monetary Authority ("HKMA") will launch the Faster Payment System next year, and that the Government will actively promote the use of new payment channels for various government fees and charges in future to support the further development of the sector. In this connection, some may ask if we are moving to a cashless era. At first, I had high hopes too. I wanted to know whether a cashless society is a more advanced society. Countries in Northern Europe, Sweden in particular, have introduced the cashless policy since 2010 or so. Their experience, however, shows the need for an inclusive society, that is, consumers can opt for different payment systems to complete their transactions quickly. Only in this case can a society be considered as advanced.

Does "cashless transaction" refer only to a single form of transaction or the mobile payment option prevalent in the Mainland? Will it be desirable if the mobile payment services are monopolized by one or two major providers? There is no definite answer. However, we now have a wide choice of payment systems, such as the one adopting wireless contact technology. Some concepts more advanced than the present mobile payment option are also in the process of development. If Hong Kong adopts a mobile payment system without modification, the system may not be able to meet our pluralistic needs. Meanwhile, consumers may have different consumption patterns and payment preferences.

The penetration rate of these payment systems has also drawn my concern. Right now, some stalls in the Link REIT's shopping centres have set up payment systems to facilitate their customers. Yet, for some frequently used services, such as taxi service, I cannot understand why not a single taxi accepts alternative payment methods. I also find it troublesome to receive coins from taxi drivers. Some may say that taxi drivers do not normally give change but I do not think so. They are very honest indeed. If I take two or three taxi rides a day and receive coins from each trip, I may have more than a hundred coins by the end of the month. I really do not know how I can spend these coins.

Mr Norman CHAN, Chief Executive of HKMA, launched a programme three years ago to collect coins from the public with coin carts. After counting, the amount can be added to the value of Octopus cards. However, there are only two coin carts and their visits to housing estates are irregular. I consider it important to increase the penetration rate of payment systems at a faster pace in the retail market and the transport sector. I do mind taxis not accepting alternative payment methods.

The Policy Address has missed out a very important issue, i.e. the crowdfunding policy that I have kept urging the Bureau to deal with it. At present, capital fund raising is regulated under the Companies Ordinance and the Securities and Futures Ordinance. Those who are familiar with the Companies Ordinance will know that fund raising by a company will not be subject to the regulation of the Companies Ordinance if the number of funders is less than 50. Nevertheless, start-up companies, SMEs and micro-enterprises are likely to have 3 000 or 4 000 funders instead of 50. According to the current legislation, donation is permitted; however, if an investor is rewarded with certificates like share certificates or debentures for his investment in a new company, the company in question may have failed to comply with the prospectus requirement under the Companies Ordinance or the Securities and Futures Ordinance and the fund raising activity is hence illegal. For most of the time, these fund raising activities involve only small sums of money from, say, 1 000 people, each contributing $2,000, $3,000 or a few thousand dollars. Therefore, crowdfunding is a highly dangerous grey area to start-up companies but at present, there is no law to clarify the uncertainties.

Of course, in most cases, it is fine to give donation. But if the donor asks for a return, such as a share of profits or coupons attached with voting rights in a company, the crowdfunding activity may be in violation of the fund raising requirements under the Companies Ordinance or the Securities and Futures Ordinance. Australia, Japan and India have already stipulated rules for crowdfunding. For example, if the total amount of funds raised is lower than a certain amount, the contribution of each funder is lower than a certain amount (say $500,000) and the target crowdfunders are experienced investors, the company can be exempted from the prospectus requirement. The Government may draw reference from this rule. Although the enactment of this law may not be simple, the Government should work out what kinds of fund raising activities of companies can be exempted.

Why do I show so much concern about "fund raising"? That is because, without funds, we cannot promote economic development and diversification or develop innovation and technology as suggested by Mrs LAM. Without funds, even if there are tax incentives and talent, things will not work. Fund raising can be done in two ways: crowdfunding and listing. It is known that HKEx is planning to create a new board and revise the current listing procedures for new-economy companies to list in Hong Kong. This can be an option, but some companies may prefer private funds. As I said, fund raising and crowdfunding can help start-ups obtain resources.

On the other hand, I would like to talk about three issues that have aroused concerns but are not covered in the Policy Address. The first one concerns the tax policies of Hong Kong. While the Government will introduce a number of enterprising tax policies this year to actively boost science research and support SMEs, I am concerned about some international obligations that Hong Kong must undertake. I have actually raised this point before. Certainly, Hong Kong has to observe its international obligations, given its status as a first-class international financial centre. I am not going to compare Hong Kong with Singapore as Mr MOK did for I consider that Hong Kong outshines Singapore in many ways. The Organisation for Economic Co-operation and Development ("OECD") has drawn up 15 basic principles to be observed when dealing with base erosion and profit shifting ("BEPS"). Of course, we do not have to be too aggressive and move towards the international forefront of compliance. All we need to do is to comply with the basic requirements.

For the sake of compliance, the Financial Services and the Treasury Bureau and the Inland Revenue Department have put in much effort to tie in Hong Kong's taxation and other laws with international principles, establishing Hong Kong's status as a good citizen in the international arena. However, OECD has, at the same time, kept a close eye on our existing Inland Revenue Ordinance and some other current laws enacted by this Council. In its review, OECD examines whether our relevant laws are in line with the basic principles set out in its BEPS paper. Among those principles, the one concerning ring fencing is the most important. It requires Hong Kong to treat local companies and overseas registered companies alike, and should not only offer tax concessions to overseas companies controlled by non-residents of Hong Kong. This requirement will affect a number of laws, including the Inland Revenue (Amendment) (No. 2) Bill 2017 on aircraft leasing which has recently been read the Third time, the Inland Revenue (Amendment) (No. 2) Ordinance 2016 enacted earlier for issues concerning corporate treasury centres and the Inland Revenue (Amendment) (No. 4) Bill 2017 on open-ended fund companies now under scrutiny. All of these laws will be subject to the review of OECD, though the scrutiny of the bill on open-ended fund companies is being stalled.

Why does the Government not strengthen its communication with OECD to convince it that Hong Kong offers tax concessions not for competing with other developing economies but for creating a level playing field by enhancing our competitive edge? In my opinion, if all new tax policies introduced into the Legislative Council must first be reviewed or endorsed by OECD, the local legislative process, as well as the dignity and autonomy of the Legislative Council will be seriously affected undermined. Therefore, I hope that our government officials can communicate and collaborate more with OECD to forge consensus before the introduction of tax bills in Hong Kong.

Regarding tax issues, I know that Financial Secretary Paul CHAN has set up the Tax Policy Unit ("TPU") and provided it with necessary resources. Yet, I hope that the Financial Secretary can give thought to inviting members of the sector (including professionals and business representatives) to serve part-time or full-time in TPU. Of course, I appreciate the need of having civil servants serving full-time in TPU. But is it possible to change the composition and terms of reference of the existing Joint Liaison Committee on Taxation to collaborate with TPU, or to merge the two, so that TPU under Financial Secretary Paul CHAN can enhance its functions to better respond to the international tax climate and the need of economic development?

Moreover, I once proposed to the Chief Executive the establishment of a business facilitation unit but the Chief Executive mistakenly thought that I was talking about the Central Policy Unit ("CPU"). I am aware that the Chief Executive has proposed, in the Policy Address, revamping CPU as the cross-departmental Policy Innovation and Co-ordination Unit. However, my proposed business facilitation unit is supposed to be a cross-departmental unit under the Financial Secretary to serve as a window for multinational corporations coming to Hong Kong. After its establishment, these corporations will no longer have to approach Invest Hong Kong and rely on it to liaise with different government departments.

The business facilitation unit can provide one-stop services, including employing staff, locating suitable commercial premises, applying for work permits for expatriate workers, as well as explaining the compliance of Hong Kong's labour and environmental laws. Overseas enterprises can thus first negotiate with its counterpart, the business facilitation unit, which will then undertake the coordination work or collaborate with other government departments, thereby facilitating major multinational corporations, our target investors, to establish business in Hong Kong.

According to my past experience, while many corporations, including international financial institutions and credit card agencies, had enquired about setting up companies in Hong Kong, they eventually established their business in Singapore. This is my first-hand experience.

Now, I would like to speak on other major directions for our future development. While Hong Kong should certainly capitalize on the opportunities brought by the Belt and Road Initiative and optimize its fund raising function as an international financial centre being a member of AIIB, it seems that we have failed to  In fact, when Brexit was announced some one year ago, I once asked the Government whether it had any work plan in response. When I said "work plan", I meant whether Hong Kong could try to win over business opportunities in the United Kingdom. We do not have to compete with the United Kingdom; the two places can actually work together. If the United Kingdom, after Brexit, can no longer provide certain services, can Hong Kong strive for these business opportunities? However, the Government did not seem to have thought it through to see if Brexit was a risk or an opportunity. When Brexit was first announced, we might be thinking about the possible pound plunge and whether it was time to buy a property in the United Kingdom. In fact, we should not just have our minds on these matters but should be more far-sighted. After Brexit, what are the financial services that Hong Kong may take over from the United Kingdom? In which areas can we edge ahead of the United Kingdom? How can Hong Kong cooperate with the United Kingdom to help it maintain its status as a financial centre in the Europe Time Zone? We may be competitors, but also partners.

On this issue, I must quote the words of Mrs Laura M CHA, Chairman of FSDC. She told me that after the announcement of Brexit, Singapore had sent a team of officials to the United Kingdom in a week to see if large financial institutions and regulatory authorities were in need any assistance and to look for chances of cooperation. In contrast, Hong Kong did not have the same ambition and responsiveness.

President, generally speaking, I approve of and support the tax and financial initiatives stated in the Policy Address. Thank you, President.

**MR CHAN CHUN-YING** (in Cantonese): President, Chief Executive Carrie LAM's decision to advance the delivery of the Policy Address of the new-term Government by three months to October has fully demonstrated the Government's dedication to implementing the governance philosophy of "new style, new thinking, new philosophy". The Government seeks to solve thorny socio-economic problems with a new way of thinking and opens up new horizons for economic development by taking new paths and new methods, with a view to bringing Hong Kong's development to another new stage. The Policy Address covers land, housing, economic development, tax reform, innovation and technology ("IT"), health care, environmental hygiene as well as the improvement of people's livelihood and youth affairs. If all the initiatives can be implemented, I believe we will be able to build an even better Hong Kong.

Comparing the policies and initiatives set out in the Policy Address with the content of my speech delivered in January about the previous policy address, I am very delighted to see that most of the proposals have received positive responses from the Government, which include allocating resources to the Financial Services Development Council ("FSDC") to work on the future of Hong Kong's financial industry; capturing the development opportunities arising from the offshore Renminbi ("RMB") business and the mutual access mechanisms between Hong Kong and the Mainland for the trading of financial products under the Belt and Road Initiative; vigorously promoting the application of financial technologies; timely improving tax laws to encourage scientific research as well as implementing measures to support small and medium enterprises. All these fully reflected that the SAR Government has attached great importance to industry's views.

As an important international financial centre, Hong Kong needs to pay continuous attention to our investments in various fields so as to enable Hong Kong to continue to develop and maintain its current international status. At present, the major competitiveness of Hong Kong is not too bad. For example, according to the "Doing Business 2018" published by the World Bank at the end of last month, Hong Kong ranked fifth among the world's 190 economies, but South Korea has overtaken Hong Kong to reach the fourth place. I wish to add that in 2008, South Korea only ranked 30th. The SAR Government promptly stated in the press release issued the following day that, "[i]n the past ten years, Hong Kong has maintained its position among the world's top ranking economies in the Doing Business Report ". However, as the saying goes "if we do not keep forging ahead, we will be driven back". Furthermore, the Report also fairly highlighted that there was room for improvement regarding certain local initiatives on start-ups.

The day before the publication of World Bank's report, another report entitled "Global Urban Competitiveness Report 2017-2018: the House prices, Reshaping World Cities" was released. This report, jointly released by the United Nations Human Settlements Programme and the Chinese Academy of Social Sciences, mainly focuses on two indicators, namely urban economic competitiveness and sustainable competitiveness. While the majority of the most competitive cities in the world were financial centres in the past, they must be both financial centres and technology innovation centres nowadays. The report measured the sustainable competitiveness index of 1 035 cities in the world, and of the top 10 cities, only three are Asian cities: Tokyo, Singapore and Seoul. Hong Kong, the so-called an international metropolis, has failed to reach the top 10. As for the general competitiveness, Shenzhen ranked sixth and Hong Kong only ranked 12th, whereas Shanghai, Guangzhou and Beijing have all reached the top 20. Finally, in the ranking announced by the International Institute for Management Development in Lausanne, Switzerland, Hong Kong ranked seventh in digital competitiveness. While we have climbed four places compared to last year, Singapore has topped the list for five consecutive years.

President, although different organizations measure urban competitiveness from different perspectives and thus direct comparison can hardly be drawn, I strongly agree with the response made by Financial Secretary Paul CHAN on 3 November to the report released by the World Bank. He said although the ranking of Hong Kong was still very high, we should examine the views expressed by other people to see if there was any need for improvement. In view of this, maintaining the competitiveness of Hong Kong is a correct policy direction for the Policy Address, except that additions and refinements are still required in many respects. Let me try to elaborate in the following six areas.

First of all, actively seize the opportunities brought by our country's development to lift the economy of Hong Kong to a new level. At present, the global economy has yet to break the low-growth cycle, coupled with a wide range of pretty complex and varied factors, it is difficult for Hong Kong, being a small and externally-oriented economy, to remain unaffected. On the contrary, in the past few years, the Mainland has been maintaining a medium-high pace of economic growth with gradual improvements in its economic structure, and the economic outlook is the best among major economies in the world. What is more, it has introduced the Belt and Road Initiative and the development plan for a city cluster in the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area"), bringing enormous opportunities for Hong Kong's economic development.

To capitalize on the opportunities brought by the Belt and Road Initiative, the Policy Address has proposed to reinforce the manpower for the Belt and Road Office and expressed the wish to enter into an agreement of Hong Kong's full participation in the Belt and Road Initiative with the National Development and Reform Commission ("NDRC") by the end of this year. The agreement will cover various areas such as finance, infrastructure and dispute resolution, and explore the establishment of an information sharing platform for the Belt and Road projects so that enterprises will have a better grasp of relevant information to facilitate more effective project interfacing and enterprise collaboration. In addition, the SAR Government also advised that it would establish a joint working mechanism with NDRC for direct and regular dialogues, to strengthen communication and cooperation and to oversee the implementation of the agreement.

With regard to the Bay Area, the Policy Address mentions that the SAR Government has basically completed the drafting of the development plan for a city cluster in the Bay Area. The plan, which will be promulgated by the State Council at a later date, will help build a world-class city cluster through complementary cooperation among Guangdong, Hong Kong and Macao. The Government will seek further facilitation measures for Hong Kong people to study, work, and start up and operate business, live and retire in the Bay Area and thereby facilitating the flow of people, goods, capital and information between Hong Kong and other cities in the Bay Area and making a quality living circle for Hong Kong people. I think no one will object to these proposals. The Steering Committee on Taking Forward Bay Area Development and Mainland Co-operation, chaired by the Chief Secretary for Administration, will formulate concrete work plans. The Constitutional and Mainland Affairs Bureau will also set up a relevant development office to steer and coordinate the implementation of the relevant work.

Notwithstanding that, I wish to point out that the Policy Address has been criticized by some people as a report loaded with studies, so I hope that the Government will quicken its pace to take forward the Belt and Road Initiative and the development of the Bay Area, with a view to actively achieving results. I believe so long as the Government can effectively implement the above mentioned measures and make all-out efforts to strengthen cooperation with the Mainland, Hong Kong will hopefully speed up economic growth, break the low-growth cycle that began with the global financial crisis and take the economic development of Hong Kong to a higher level.

Secondly, improve the financial infrastructure and continue to consolidate Hong Kong's position as an international financial centre. In the face of increasingly intense global competition, Hong Kong must go to great lengths and make all-out efforts to reinforce and enhance its status as a global financial centre. Furthermore, Hong Kong should aim at becoming an offshore RMB business hub and an international asset management centre to promote diversified development of the financial market. According to the Government, through continuous development of various existing financing channels in Hong Kong and timely updating of the regulatory regime, it will develop Hong Kong into a premier financing platform for new business enterprises in the region so as to cater for the new economic environment.

The Government's specific measures include: First, the Financial Leaders Forum, chaired by the Financial Secretary, will put forward strategic and forward-looking proposals to promote diversified development of the financial markets. These proposals, however, will be followed up by designated departments according to the Government. Second, more resources will be allocated to FSDC to enhance its role in conducting strategic research and formulating recommendations. Third, the Government will take the lead in arranging the issuance of a green bond and promote the establishment of green bond certification schemes that meet with international standards by local entities, a point mentioned by Mr Kenneth LEUNG earlier on, with a view to encouraging investors in the Mainland and along the Belt and Road as well as international investors to arrange financing of their green projects through Hong Kong's capital markets. Fourth, the Government will continue to explore with the industry and the Mainland authorities expansion of the channels for two-way flow of cross-border RMB funds, and the possibility of including in the two-way mutual access mechanism a wider range of investment products, such as the exchange-traded funds ("ETFs") and extending the Mainland-Hong Kong Bond Connect to cover Southbound Trading. Fifth, the Supervisory Sandbox has been extended to the Securities and Futures Commission and the Insurance Authority to facilitate the launch of new financial technology ("Fintech") products in the market. Sixth, while the Faster Payment System will be launched next year to facilitate transfer on a single payment platform, the Government will also promote the use of new payment channels for various fees and charges.

While I endorse these measures, I would like to make four additional recommendations. First, according to my preliminary understanding, the additional resources allocated by the Government to FSDC is very limited and I am worried that FSDC may not be able to strengthen its role in conducting strategic research and formulating recommendations in terms of manpower and resources. Furthermore, FSDC is also responsible for promoting market development and nurturing talent, I therefore hope that the Government will provide adequate input and avoid making a fine start but a poor finish.

Second, in order to develop into a premier financing platform for new business enterprises in the region, Hong Kong should not only enhance its attractiveness as a direct financing platform so as to become the first-choice market for initial public offerings, but also consolidate Hong Kong's position as an indirect financing platform, that is, a platform for obtaining credit. I would like to make a declaration. As a representative of the banking sector, I am currently a bank adviser and the bank I work for has also opened branches in the Association of Southeast Asian Nations ("ASEAN"). While Hong Kong is very competitive in infrastructure financing, it is imperative to expeditiously bring forward arrangements for the avoidance of double taxation, which include the signing of relevant agreements with countries along the Belt and Road as soon as possible, and facilitating the communication and liaison of our financial institutions with the local governments through various Economic and Trade Offices.

Third, I think the policy and initiatives to develop offshore RMB business are not down-to-earth, nor is there any new initiative. As the RMB exchange rate has become more stable, we should seize the opportunity to introduce more positive measures to strengthen the position of Hong Kong as an offshore RMB business hub.

Last but not least, in order to enhance the efficiency of banks in conducting customer due diligence―vital for business facilitation―the banking industry is exploring the establishment of a Know-your-customer Utility ("KYCU") for corporate customers, whereas the Government has also indicated its intention to actively consider introducing an electronic identity for Hong Kong residents. It is thus natural to establish a personalized KYCU at the same time. However, since KYCU is an important financial infrastructure, the SAR Government should make reference to the current practices adopted by the Singaporean Government and take up a more proactive leading role with a view to expeditiously catering for the needs of the community, rather than allowing the industry to promote on its own.

The third area I would like to talk about is to conduct a review of the competitiveness of the tax regime, so as to promote a more diversified economic growth. The Policy Address proposes a new fiscal philosophy to better utilize the currently abundant fiscal surpluses of the SAR Government to benefit the community, in particular, as Hong Kong is a major international financial centre in the region, it should, as I said earlier on, maintain the competitiveness of the tax regime. In view of the increasing calls from the community to reduce the profits tax rate of enterprises in recent years, the Government has proposed to introduce a two-tier profits tax system, whereby the profits tax rate for the first $2 million of profits will be lowered to 8.25%. This will not only help retain the advantages of a simple tax system to a large extent, but also encourage research and development ("R&D") investment by enterprises, thereby directly stimulating enterprises to increase investment or manpower, promoting the development of the scientific research industry and bringing benefits to the economy of Hong Kong.

President, there is no doubt that views in the community are divergent, thinking that the financial burden of the SAR Government will become very heavy in the future as expenditures arising from an ageing population, health care and civil service retirement continues to increase significantly. Coupled with fact that the types of taxes in Hong Kong are very limited and the tax base is pretty narrow, thus a reduction in tax should take into consideration the long-term fiscal capacity and sustainability. Nonetheless, if the introduction of the two-tier profits tax system can enhance the competitiveness of Hong Kong's enterprises and facilitate the development of IT or other emerging industries, tax reduction will do more good than harm to the overall economy. With faster economic growth and better earnings performance of enterprises, government revenue will naturally increase as well.

The SAR Government established the Tax Policy Unit early this year, the Chief Executive attended the Summit on the New Directions for Taxation in October to gauge the views from all sectors, with a view to formulating forward-looking tax policies and measures. In the face of new dynamics in the world economy and the long-term fiscal challenges of Hong Kong, we have nonetheless not reviewed our tax policy in the past decade or so. Therefore, it is indeed an opportune time for Hong Kong to reconsider the tax regime as well as to coordinate and enhance its international competitiveness while ensuring its fiscal sustainability. On the other hand, it is also very important to balance the views of people from different sectors on tax equity and affordability. It is hoped that the Government will introduce new initiatives as early as possible.

As for the fourth area, the Government should vigorously encourage investment in innovation and promote the upgrading and transformation of Hong Kong's economic structure. The development of IT is the major direction for promoting the upgrading and transformation of Hong Kong's economic structure and enhancing its competitiveness. Proximity to the huge Mainland market, a robust intellectual property protection regime as well as an advanced IT infrastructure and financial system are favourable conditions for Hong Kong to foster IT development. However, Hong Kong's gross expenditure on R&D as a percentage to Gross Domestic Product ("GDP") has been lower than that of the Mainland, Germany, the United States and Japan. In response to the relevant questions raised by us, the Government has explained time and again in the past that unlike other countries, Hong Kong does not have defence-related expenditure on R&D, thus no direct comparison could be drawn. Nonetheless, in any case, the Government has finally proposed to double local R&D expenditure to 1.5% of GDP in the next five years, and this percentage is not large at all. Also, the Government advised that the private sector would be encouraged to increase their investment, otherwise even the above target could not be reached. The Government will strengthen IT development in eight major areas to ensure that Hong Kong can maintain its global competitiveness and enhance our alignment with the development of our country, with a view to catching up in the IT race.

There is no doubt that the above measures for IT development are definitely worthy of our support. The economic structure of Hong Kong is excessively uniform and has always been relying on financial, commercial and professional services. Owing to the high costs of entrepreneurship and business operation, it is difficult for many young people to actualize their potentials. IT has precisely provided an alternative for these young people to work together with like-minded youths to open up new horizons through creativity, innovation and technology. This will not only be conducive to addressing youth problems of employment and upward social mobility, but will also support the diversified development of Hong Kong's economy and provide new impetus for economic growth. I hope that the 1.5% promised by the Government will not come to nothing.

On the fifth area, it is hoped that the Government will break away from their conventional mindset and make up for the shortage of land supply. Given that Hong Kong is a free and open economy which allows people from all over the world to come here for investment or home acquisition, residential properties of Hong Kong should not only cater for the housing and investment needs of some 7.3 million local residents, but also those of investors and home buyers from the Mainland and the rest of the world. Exorbitant property prices in Hong Kong in recent years is not only attributable to an exceptionally easing global monetary policy, but also the tight supply situation, which has adversely affected people's livelihood as well as the costs of doing business and entrepreneurship. As the supply of private housing units in Hong Kong is only less than 20 000 per annum, it can hardly meet actual demand. The implementation of various "curb" measures has only produced short-term dampening effect, the crux of the problem is still the lack of supply, which is closely linked with land supply.

Over the years, increase in the area of land has been very slow. The land area of Hong Kong was 1 061 sq km in 1980, but it was still only 1 106 sq km 35 years later in 2015, an increase of less than 45 sq km or 4.2% and an average increase of 129 hectares per annum. According to the Government, it planned to increase land supply by 4 800 hectares in the next 30 years, but still this only represents an average increase of 160 hectares per year. Although Singapore has many similarities with Hong Kong, the growth of land supply is apparently much faster. The land area of Singapore had increased from 618 sq km in 1980 to 719 sq km in 2016, an increase of 101 sq km or 16% in 36 years, or an average increase of 281 hectares per annum. This shows that although land is an important factor of production in an economy, the expansion effort of Hong Kong has been lagging behind Singapore over the past few decades.

President, after developing for more than half a century, Hong Kong has now become an important international metropolis that is favoured by investors from around the world. There is a genuine need for the Government to continuously increase the supply of land to cater for different needs. However, I must point out that while the Government increases land supply, it should also take into consideration land uses other than those for residential purposes, such as office buildings, hotels and shops, otherwise the problems of insufficient land supply and persistently high prices currently faced by other commercial properties will not be ameliorated and conversely bring negative effects to the integrated competitiveness of Hong Kong.

As a result of the grave concern of the community about issues such as land rezoning, reclamation, urban renewal and increasing the density of development, the Government has encountered many obstacles in land development in the past. The establishment of the Land Supply Task Force to follow up on the matter is therefore a good start. And yet, the recommendations made by the Task Force, including the near-shore reclamation announced yesterday, have received different opposition views. Therefore, the real challenge is how to forge social consensus and expeditiously fill the gap in land supply. The Government must rise to the challenges and expeditiously resolve the problems.

Regarding the sixth area, which is the last point, President, Hong Kong should conduct a forward-looking review of the global competition trend and identify a new direction of economic development. I strongly agree with Chief Executive Carrie LAM's suggestion that the Government should be more proactive, play the role of a "facilitator" and a "promoter", seize the opportunities brought by the national Belt and Road Initiative and the Bay Area development as well as make timely investments in order to create new impetus for the economy of Hong Kong. And yet, opportunities are too good to be missed, so we must act without delay. Whether or not Hong Kong can seize the above mentioned opportunities lies in the Government's boldness to do solid work and assume responsibilities, and "opportunities are for people who are prepared". I hope the Government will earnestly organize, arrange and coordinate to get Hong Kong prepared in various perspectives, not only to continuously consolidate and enhance our competitive edges, but also to drive and create new development momentum and open up new development horizons, so as not to miss the historic opportunities again.

At present, artificial intelligence ("AI") is experiencing a speedy development in an unpredictable direction. It is believed the age of AI is around the corner and has surpassed human beings at an admirable speed in different areas, including transportation, health care and mechanical manufacturing. Such high-speed development will profoundly change our life and the world, and emerge as the new focus of international competition, the new engine of economic development and the new opportunity of community building, whereas its uncertainty will bring us new challenges.

To be fair, the overall development of AI in Hong Kong is still far behind when compared to the standard of the Mainland and developed countries. At the dawn of this new era, I hope the Government will swiftly analyse the situation, formulate proactive plans, bring policy research to a higher level and formulate forward-looking plans for the development of AI to meet new challenges. For example, to examine the implication of AI on labour demand, and how we can capitalize on this significant historic opportunity of AI development to improve the level and ability of governance, with a view to fostering an overall enhancement and evolutionary development in Hong Kong's competitiveness, which are very important.

With these remarks, I support the Motion of Thanks. Thank you, President.

**MR YIU SI-WING** (in Cantonese):President, this is the maiden Policy Address of Chief Executive Mrs Carrie LAM following her assumption of office. Generally speaking, the address is comprehensive and pragmatic, being able to cater for the needs of various groups and having responded to the aspirations of the stakeholders of major industries, in particular, substantive measures have been implemented in areas such as housing, young people, elderly care and assistance to small and medium enterprises ("SMEs"), and quite a number of pledges made in her election manifesto have been fulfilled.

In the case of the tourism industry, the industry has long been urging the Government to establish a Tourism Bureau. While the Chief Executive replied that a Bureau could not be established in the short run due to objective reasons, she agreed to establish an inter-departmental committee led by a Secretary of Department, so as to coordinate various Policy Bureaux in resolving problems faced by the tourism industry. It is learnt that in early October the Financial Secretary already convened an inter-bureau high-level meeting, at which he requested various bureaux to enhance communication and coordination, and study how to resolve various major problems faced by the tourism industry.

Following the proposal of the Policy Address, the Commerce and Economic Development Bureau released the Development Blueprint for Hong Kong's Tourism Industry, the first planning blueprint for the tourism industry released by the Government since the reunification. The blueprint has accepted many views given by me and the tourism sector, and formulated the short, medium and long-term development proposals and implementation timetables for promoting the tourism industry. I hope that the Government will not indulge in empty talk but engage in in-depth studies and seriously implement measures to address major problems, so as to enhance the overall receiving standards of Hong Kong in a targeted manner.

On developing the convention and exhibition industry, Hong Kong, as a leading convention and exhibition destination in Asia, is facing fierce competition from neighbouring cities. The convention and exhibition industry is characterized by three highs: high growth potential, high added-values and highly innovative benefits. Not only can the industry improve the international image of the city, but can also attract business visitors with high-spending power. In 2015-2016, overnight visitor arrivals for convention, exhibition and incentives in Hong Kong reached 1.72 million and their per-capita spending exceeded HK$8,400, 16% higher than that of inbound visitors in general. For this reason, a number of Asian cities, including Singapore, Bangkok, Guangzhou, Shenzhen and Shanghai, have identified the convention and exhibition industry as a key industry for development. For example, Shanghai is building a national convention and exhibition centre of some 500 000 sq m, and Shenzhen is building an international convention and exhibition centre of some 300 000 sq m. In contrast, we remain stagnant.

Nowadays the biggest obstacle for developing the convention and exhibition industry in Hong Kong is the lack of space. The Policy Address this year proposes to demolish and redevelop the three government buildings next to the Hong Kong Convention and Exhibition Centre ("HKCEC") in Wan Chai North into a new wing of convention and exhibition facilities that can be connected to and integrated with the existing HKCEC. Even if the three government buildings are redeveloped into an extended new wing of convention and exhibition facilities in Wan Chai, the additional convention and exhibition space will only be 23 000 sq m. This, coupled with a convention centre of 15 000 sq m above the Exhibition Station, will give rise to a total additional space of less than 40 000 sq m. Compared with the additional space in Shenzhen and Shanghai I mentioned just now, a considerable gap still exists, so we must do our utmost to catch up with them.

Despite limited land resources in Hong Kong, we still have potential to increase convention and exhibition facilities. A site has already been reserved for Phase II of the AsiaWorld-Expo ("AWE") in the vicinity of the airport, and the expected convention and exhibition space to be provided is 100 000 sq m. Steady growth is recorded for the utilization of AWE Phase I each year, with an annual utilization rate of some 70%. Following the commissioning of the Hong Kong-Zhuhai-Macao Bridge, new sources of visitors for convention and exhibition will be brought in from neighbouring cities. To dovetail with the development plan for Lantau, works have already been commenced for the Airport's North Commercial District, which will provide 200 000 sq m of commercial floor area and a 750-room hotel, to be commissioned in 2021. In view of the existing ancillary facilities on the island and the commissioning of a three-runway system in 2023, Lantau has the conditions for becoming the second convention, exhibition and reception centre in Hong Kong, and by then, AWE Phase I will be unable to cater for demand. I hope that the Government will, when expanding HKCEC in Wan Chai, expeditiously activate the feasibility study on developing AWE Phase II. As far as long-term development needs are concerned, the Government should continue to pay attention to the measures adopted by neighbouring competitors to develop the convention and exhibition industry, thus taking strategic moves; it should not refrain from giving up the feasibility of identifying other sites for convention and exhibition in the urban areas. Only when there is a large scale of facilities can, as indicated by Secretary Edward YAU, the convention and exhibition industry be developed into a leading industry of Hong Kong.

President, on developing featured tourism, creative tourism, heritage tourism and green tourism, the Policy Address this year proposes to develop and explore tourism products and projects with local and international characteristics, including cultural tourism, heritage tourism, green tourism and creative tourism to enrich visitors' experience. The Government will explore different green tourism attractions and collaborate with local districts to promote the development of sustainable green tourism, and examine ways to improve their supporting transport arrangements.

To promote local featured tourism and green tourism is not a new initiative, but the Government did not attach enough importance to it in the past. It was not until last year that the Hong Kong Tourism Board ("HKTB") allocated $5 million to implement a pilot scheme to promote in-depth green tourism. Although this is not a large amount of money, certain effect can still be seen. We have recently noted that many inbound visitors specifically visit our country parks and outlying islands for leisure travel, and they are also seen at a number of heritage sites. That said, a number of problems have been identified by the industry in the promotion of green tourism, featured tourism and heritage tourism.

First, ancillary infrastructure facilities are inadequate. Despite the resources committed by HKTB to step up the publicity of featured tourism and green tourism, the ancillary facilities at various tourist attractions, such as piers, transport facilities, accommodation, catering facilities and signage, have yet to be enhanced. In the case of the renowned tourist attractions such as Tung Ping Chau and Po Toi Island, despite having beautiful landscape and featured village structures, and even being named as a global geopark, transport links are inconvenient, and worse still, there is even a lack of infrastructure facilities, such as water and electricity. The existing infrastructure facilities cannot even meet the daily needs of villagers, let alone receiving tourists. If the villages are forced to receive tourists, a negative image will instead be created externally, and damage may even be caused to local ecology. I hope that the Government will have the commitment to make improvements.

Second, the fragmentary information gives rise to safety hazards. Recently there are frequent press reports about visitors hiking during bad weather, losing their way and finding themselves in danger. This reflects our neglect to educate tourists and remind them about safety awareness when promoting featured tourism and green tourism, revealing that there is room to improve the dissemination of tourist information. Regarding safety precautions at various green tourist attractions, there is currently no mechanism to disseminate information that specifically caters for tourists. Such information is scattered in the publicity channels of HKTB, the Agriculture, Fisheries and Conservation Department, and the Leisure and Cultural Services Department, as well as travel tips written by tourists. Given the lack of a set of platforms for disseminating information in a comprehensive, professional, timely, clear and unified manner, and the varying quality of directional signs and information at various country parks, visitors are inevitably perplexed. The Government needs to introduce a system to disseminate unified information, so as to offer convenience to members of the public and tourists.

Third, the problems of illegal accommodation and camping problems are increasingly serious. Recently, home-stay lodgings have emerged in various places of the world, and camping in the countryside has become popular on the Mainland. As a renowned tourist city in the region, Hong Kong receives over 25 million overnight tourists each year. Given the diversified needs of tourists, they have different accommodation demands. In view of this, some people have operated unlicensed guesthouses under the guise of home-stay lodgings, and some people have exploited the lax administration of campsites in Hong Kong to illegally organize tourist groups to camp in non-campsites in Hong Kong. Home-stay lodgings and popular campsites are attractions to netizens. Since they are not familiar with the actual conditions of Hong Kong, they can easily be misled by people with ulterior motives. As there are recently many press reports on such illegal cases, I hope that the Government will face up to the problem and step up law enforcement. In the long run, the Government should formulate a set of relatively lenient policies for developing home-stay lodgings in rural areas, while at the same time increase the number of campsites and further standardize the administration of campsites.

President, despite the abundant tourism resources in Hong Kong and its great advantages for developing featured tourism, creative tourism, heritage tourism and green tourism, the Government merely focused on man-made tourist attractions in the past and invested heavily in these attractions. Last year we approved a provision of $10.9 billion for the expansion of the Hong Kong Disneyland. I hope that the Government will adopt the same attitude in the future to support the development of green tourism and featured tourism. However, given the different conditions of various districts, the development of featured tourism shall not be undertaken across the board. The Government may consider first identifying certain well-known tourist attractions with convenient transport links as pilot tourist attractions, the Commerce and Economic Development Bureau will take the lead in formulating development plans and budgets, and other relevant Policy Bureaux will render their support. If there is no department to take the lead, various Policy Bureaux will shirk their responsibilities. Since the Commerce and Economic Development Bureau is responsible for tourism planning, it should naturally take the lead. With the support of various Policy Bureaux, the Commerce and Economic Development Bureau will formulate supportive policy on the provision of ancillary facilities at target tourist attractions, such as water, electricity, transport, communication and accommodation, and conduct publicity. With lessons drawn from successful experience, other potential tourist attractions will be developed gradually. On the premise of striking a balance between conservation and promotion of rural economy, quality featured tourism and green tourism will be developed.

On promoting smart tourism, in her Policy Address the Chief Executive proposes to develop smart city and promote smart tourism, including exploring electronic payment and launching a pilot multi-functional smart lampposts scheme. To promote smart tourism, Wi-Fi facilities in tourist hotspots will be improved, tailor-made travel facilitation services will be provided at tourist attractions and border control points, and tourist information and public transport information will be sent to inbound tourists' mobile phones.

In my view, the aforesaid measures are only the first step for promoting smart tourism, and we must keep abreast of the times in view of the huge demand from local and overseas consumers. Given the capital, talent and geographical location of Hong Kong, and coupled with the newly established Innovation and Technology Bureau, the Government has the confidence and determination to promote the development of Hong Kong as the most advanced smart city in the region by breaking away from the conventions to initiate a scientific revolution in Hong Kong. Smart city and smart tourism are closely related. Smart tourism not only caters for inbound visitors, both members of the public and visitors will benefit from the scientific infrastructure of the entire city. For building a smart city, I have the following proposals.

First, with multi-functional lampposts as the platform, an information system for a smart city should be established. In recent years, multi-functional smart lampposts have been introduced in various countries. The functions of such lampposts usually include data collection and measurement of traffic volumes, air quality or rainfall. Such lampposts, coupled with smart screens, can at the same time be used for information dissemination and advertisement, and Wi-Fi hotspots can also be installed on such lampposts. As members of the public have increasingly stringent requirements on information, modern smart lampposts, with its functions further upgraded, will undoubtedly gradually replace traditional channels for dissemination of tourist information. I hope that future smart lampposts will, apart from providing general information services mentioned just now, further provide information concerning the six major elements of tourism, namely dining, accommodation, transport, recreation, sight-seeing and shopping in local districts, so as to provide the public and visitors with timely and useful information.

As far as modern technology is concerned, it is not difficult to increase the functions of smart lampposts; what matters most is whether the information provided by the platform is timely and practical, and whether the operation is simple and convenient, so as to offer convenience to different users. I hope that in the future, additional functions will be added to the smart lamppost, such as transaction, guided tour services and delivery service, so that visitors will get electronic coupons while receiving information, and hence the commercial sector and stakeholders will also benefit. Lamppost information and mobile applications can be combined into a unified platform, so that inbound visitors or Hong Kong people will obtain the latest information in a timely manner, and experience the rapid development of Hong Kong in terms of smart tourism.

Second, the Government should step up cooperation with businesses to enhance user experience. If the SAR Government wants to promote a smart city, it should first dare to think outside the box, and encourage government-business cooperation. As reflected from the experience of such cities as Amsterdam, Copenhagen and New York, government-business cooperation will be conducive to enhancing efficiency, promoting industry innovation, enhancing innovative ideas, technology and services of government bodies by utilizing frontline talent, technology and expertise of businesses, as well as effectively sharing risks and enhancing cost-effectiveness, thus enabling cooperation projects to have considerable room for sustainable development.

In order to face competition, businesses must focus on a certain specific area to innovate incessantly, and keep developing competitive products in response to user demand. For example, the Airport Authority Hong Kong studied the use of robot arms for baggage loading to save manpower. Recently, it introduced baggage tags embedded with radio-frequency identification chips, making it convenient for inbound visitors to track the whereabouts of their baggages before they are delivered to the baggage carousel of the airport. This technology is the first of its kind in the world, which, apart from offering convenience to visitors and members of the public, is conducive to improving the image of Hong Kong as a smart city. For this reason, if the Government wants to expedite the development of a smart city, it must utilize the resources under the Innovation and Technology Fund to invite experienced and capable businesses for cooperation, capitalize on their advantages to provide technological assistance in a targeted manner, and introduce featured products onto the cooperation platform, so as to make smart tourism in Hong Kong more creative.

Third, the opening up of big data of the Government and businesses should be encouraged to assist young people in starting up businesses. In a smart city, there is a general trend that big data is used to analyse user demand to guide various industries in increasing production and enhancing services. However, since data collection cannot be adequately handled by SMEs, I advise the Government to take the lead to cooperate with professional organizations to, based on the needs of market development, develop and collect big data for use by SMEs, so as to provide more assistance to young people for starting up businesses, and make the tertiary industry of Hong Kong more diversified.

President, Hong Kong is oriented toward services sectors, and the tourism industry is closely related to other consumer industries. The value of total retail sales in September recently announced by the Government recorded an annual increase of 5.6%, and visitor arrivals to Hong Kong over the same period recorded an annual growth of 4.8%. With reference to the value of total retail sales and visitor arrivals over the past two years, a drop in visitor arrivals to Hong Kong was usually accompanied by a drop in the value of total retail sales. As with the case of the recent rise in visitor arrivals to Hong Kong, the value of total retail sales also recorded an increase. The correlation between visitor arrivals and the value of total retail sales of Hong Kong is a proof that the contribution of the tourism industry is not limited to 5% of our gross domestic product as announced by the Government, but the ripple effects are far greater than what we can imagine. For this reason, I hope that the Government will, while pursuing economic development, have more regard to the development of the tourism industry, understand more the passive position of small and medium travel agencies in the face of online competition and direct selling from product suppliers, and provide timely assistance. I expect to see more measures that are more practical to support the tourism industry in the Budget.

With these remarks, President, I support the Motion of Thanks.

**MR ALVIN YEUNG** (in Cantonese): President, when the Chief Executive assumed office in July this year, she said that there would be "a new style of governance" under her administration. At that time, the Civic Party made the following footnote, "listen to her words and watch her deeds; monitor constantly and supervise stringently".

In September this year, when the Civic Party started to realize that Carrie LAM's so-called new style of governance was only old wine in a new bottle, we advised her that "where there is no democracy, there will be no justice; when people lack a sense of security, 'one-country, two-systems' will fail". It has been almost half a year since the Chief Executive assumed office. From the recent Policy Address, we can see that Carrie LAM has really made some efforts in formulating policies on people's livelihood, but when facing social dissension and undesirable political climate, her new governing team lacks the determination and ability to make a change and has resorted to the unsatisfactory tactic of offering advantages to pacify the public when there are problems in administration.

President, some Members of the Civic Party will express their views on various policies announced in the Policy Address in the later debates. I will first express my views on the policies on innovation and technology in the Policy Address, focusing on the discussion of open data.

President, in June this year, Open Knowledge Foundation of the United Kingdom published the newest global open data rankings and assessed the comprehensive performance in providing open data by various governments in the world. In the most recent assessment, Hong Kong ranked 24th while Taiwan, a nearby place which shares similar cultures, traditions and living habits with us, ranked first. The rankings were set after comparing the degrees of openness in providing 15 types of data by governments, including government budgets, election results, company register, water quality and weather forecast, etc. Apart from comparing whether the data is accessible to the public, consideration is also given to whether the format of the data is computer-readable, whether it can be downloaded and free of charge, etc.

President, many people have the impression that Taiwan lags behind Hong Kong in general. However, why did Taiwan rank first with a score of 90% while Hong Kong only obtained a score of only 51% in this assessment? We have to consider the various criteria in the assessment. Hong Kong obtained full scores in national statistics, procurement and air quality, but 0% in company register, land ownership and government spending.

The public officials in attendance may ask why the scores for company register and land ownership were 0% since the relevant data has all along been made available to the public by searching. If officials present really think so, I will advise these cabinet ministers of Carrie LAM's government to learn what "open data" is, particularly when it is stated in the Policy Address and I quote, "we need to expedite the opening up of government data for use as raw materials in technological research, innovation and the development of smart city." (unquote) President, the term "raw materials" is noteworthy. If the current-term Government thinks that open data refers to scanned information uploaded to websites for the public to download, I have to particularly remind public officials that those are only "materials of primitive people". The reason is that merely presenting the information in Excel or PDF formats cannot effectively assist organizations or the public to make applications ("apps"). I believe the Under Secretary for Innovation and Technology will surely understand what I am talking about. President, what the Government is doing now will not facilitate the development of smart city at all.

Talking about smart city, I hope that the Government will not just shout slogans, but work towards promoting development and improving people's livelihood. President, I now give a trivial example for illustration, in the hope that you will understand where the problem lies. This example is related to drinking fountains. As the Government now advocates environmental protection, it hopes that people will use drinking fountains more and subsequently reduce the use of plastic bottles. Suppose I really respond to the Government's appeal, and no longer buy bottled water, but instead bring my own bottle to the park to get water from a drinking fountain, where can I find a drinking fountain? Hong Kong people are very lucky because there is an app called "Water for Free". How did this application come about? The developers walked through streets and alleys and visited every park in the territory to record the location of drinking fountains, and put such information in the app. Obviously, the Government has the relevant information on the location of drinking fountains, and such information is not confidential, why does the Government not open up the data to facilitate app developers? The Government said that the information has been uploaded to the website. If I am going to a park and want to know where I can find a drinking fountain, what should I do? I have to browse the website of the Leisure and Cultural Services Department to find out if the park has drinking fountains, but even if it has, the website does not have information on the exact location of the drinking fountains, and I have to locate the fountains myself. President, if that is the so-called "open data", I believe it is the practice of "primitive people".

On the other hand, how are things done in Taiwan? Using the same example of drinking fountains, Taiwan published the location of drinking fountains in all public places in Taipei long ago. Even small details such as the longitude and latitude of the locations and the opening hours of the venues are available and all information is provided in API format. What is API format? It is Application Programming Interface format. Members of the public can download the information in this format to create apps. In this way, they do not have to walk through streets and alleys like the developers of "Water for Free".

President, in the previous example, the public will not be significantly and directly affected. However, the Government can effectively assist many people with its vast amount of data. As one tiny clue reveals the general situation, I hope the Government can remember this simple example. President, we always think that in dealing with livelihood issues, handing out cash or building super infrastructures are not the only means; if the Government cares for the people in some trivial matters, it is also a way of improving their livelihood. Unfortunately, the Government has all along taken the wrong direction and thought that by developing its own apps with its data, it has taken forward innovation and promoted the development of smart city. In fact, after the Government has opened up its data, people in the community will naturally use such data to create apps that meet the genuine needs. Instead of using its bricks to construct buildings for the people, the Government can give the bricks to the people so that they can use their creativity to build a smart city which suits everyone.

This Policy Address of the Chief Executive has indeed laid emphasis on innovation and technology. I hope that the Government will talk the talk and walk the walk, but more importantly, President, the Government should not only open up its data, it should also open up its governance mindset. In fact, just by browsing the Government's Data.Gov.HK, the public will know how little the Government has opened up its data and how conservative it is in this regard. In this connection, I hope that next time when we discuss the Policy Address, Hong Kong can catch up with Taiwan. I also hope that the Government can discard its old mindset and expeditiously enact legislation to protect the people's right to know, including the freedom of information law and archives law. I so submit in this session.

**MR FRANKIE YICK** (in Cantonese): President, Chief Executive Carrie LAM has used "A New Beginning" as the title of the Introduction of her maiden Policy Address, in the hope that the address will set new starting points for Hong Kong and chart the gradual delivery of her pledge of building an even better Hong Kong. In fact, in recent years, the development of Hong Kong has lagged behind our neighbouring cities. Thus, the Liberal Party hopes that the SAR Government will step up its effort in delivering its pledges expeditiously.

When delivering his Report on the Work of the Government in March this year, LI Keqiang, Premier of the State Council of China, mentioned the development plan for a city cluster in the Guangdong-Hong Kong-Macao Bay Area ("Bay Area"), including Hong Kong, Macao and nine cities in the Guangdong Province. It will become the fourth bay area in the world after the New York metropolitan area, the Greater Los Angeles Area in the United States and the Tokyo Metropolis in Japan. Hong Kong should seize the opportunities brought by the Bay Area and further extend the areas of its impact to promote the economic development of Hong Kong.

The Steering Committee on Co-operation with the Mainland, chaired by the Chief Secretary for Administration, will be renamed as the Steering Committee on Taking Forward Bay Area Development and Mainland Co-operation and a Guangdong-Hong Kong-Macao Bay Area Development Office will be set up to coordinate Hong Kong's participation in the Bay Area planning. This shows that the Government has attached great importance to Hong Kong's participation in the planning.

In fact, three of the 10 busiest ports in the world and five civil airports are located in the Bay Area. To avoid adverse competition and enable these facilities to perform their respective roles, the SAR Government should proactively suggest to the Mainland government, during the planning stage for the Bay Area, the roles to be played by Hong Kong in the Bay Area. Hong Kong can, by utilizing its advantages and potentials in areas of transportation services, logistics and tourism, synergize the complementary advantages of the nine cities in Guangdong so as to achieve a win-win outcome in jointly developing the Bay Area.

Since the Belt and Road Initiative will connect more than 60 countries and regions with development potential, covering more than 60% of the world population and taking up more than one third of global economic output, our neighbouring cities are actively seeking to share the benefits of the Belt and Road Initiative. According to the Policy Address, the Government is seeking to enter into an agreement of Hong Kong's full participation in the Belt and Road Initiative with the National Development and Reform Commission as soon as possible. The Liberal Party definitely supports this effort. However, apart from financial services, Hong Kong will benefit greatly from the Belt and Road strategy by developing a Trade Single Window to achieve seamless connection with other countries in the area, thus further enhancing the efficiency of cargo flow. The Mainland has been actively developing a trade single window and the system is expected to be extended across China in 2018. Nevertheless, the first phase of the Trade Single Window system in Hong Kong will only be introduced in the second quarter of next year and the system will be fully implemented only in 2022 or even 2023. Therefore, I urge the Government to expeditiously implement the Trade Single Window system in Hong Kong and discuss with the Mainland to connect the systems of the two places, so as to establish an electronic logistics system in the area and make Hong Kong a bridging platform for China to go global. After the ASEAN countries signed the Free Trade Agreements and the Investment Agreements later this month, arrangements can then be made for connecting their trade single window systems with that of Hong Kong to establish a regional electronic logistics platform to bring in more trading transactions and promote trading, transportation services and the logistics industry in Hong Kong.

In recent years, the booming growth of e-commerce and online trading has generated great demand for air mail and transhipment services. Apart from planning to expand the Air Mail Centre at the Hong Kong International Airport in order to enhance its capacity and operating efficiency, the Government should also provide an adequate supply of land for development.

Time is the essence of online trading. The success of this business depends on whether goods can be safely delivered to clients intact in the shortest time by providing timely logistics and transportation services. As Hong Kong has an advantageous geographical location and convenient customs clearance, it has been positioned as a regional distribution centre, an important goods collecting and distributing centre, as well as a transhipment hub in the region. Many overseas product vendors hope to establish the so-called "overseas warehouses" directly or in partnership with local logistics enterprises in Hong Kong to perform processes such as warehousing, packing and unpacking, processing and distributing, so that goods can be safely delivered to customers efficiently and correctly. At the same time, with the wide range of products offered online, high-value fresh food and medicines have become hot items for online trading. Thus, more land is needed for cold storage to cope with the emerging "cold chain" service of freight forwarding and logistics centres.

In response to the demand for land made by the transportation services and logistics industry, the Government is implementing in stages the proposal made in June 2015 to utilize the port back-up sites in Kwai Tsing. Furthermore, the Government mentioned in 2015 that it would earmark 10 hectares of land in Tuen Mun West for logistics use. It is expected that 3.2 hectares of land will finally be made available in the first quarter of next year, but no timetable has been set for the remaining 6.8 hectares. The Government is really too slow in providing land. In the past seven years, it has only provided a total of 6 hectares of land, and 2 hectares of which was provided four years ago. Excessive demand for land has resulted in continuous rise in land costs which has in turn directly hampered the competitiveness of the logistics industry in Hong Kong. Thus, I hope that other proposed sites for logistics development, including land in Tuen Mun Area 40, Tuen Mun Area 46, the New Development Areas in Hung Shui Kiu and Yuen Long South, as well as the topside of the boundary crossing facilities island of the Hong Kong-Zhuhai-Macao Bridge can be expeditiously put up in the markets for developing the relevant logistics business to meet the operational needs of the industry. Meanwhile, I also hope that the Government can consider designating more land near the Liantang/Heung Yuen Wai Border Control Point and New Territories North for development of the logistics industry, so as to dovetail with the Mainland policy of "East in-East out, West in-West out". In the future, Shenzhen West and Liantang/Heung Yuen Wai will be the two main control points for cargo transport.

Although the Government has dredged the basin of the Kwai Tsing container terminals and its approach channels to increase the present navigable depth from 15 m to 17 m to meet the draught requirements of ultra-large container ships at all tides, the height limit of the Tsing Ma Bridge cannot cater for the trend of increasingly huge ocean vessels, causing some ocean vessels to relocate to nearby ports instead of using Hong Kong as a transit point. In fact, as the height from the water surface to the bottom of the Tsing Ma Bridge is 62 m, if the existing height limit of 53 m is deducted, there will still be room for the height limit to be suitably adjusted by 9 m. If the Government cannot relax the limit, it will cause a serious negative effect on the continuous development of the transportation services and logistics industry in Hong Kong. I hope the Government can expeditiously make a final decision on relaxing the height limit of the Tsing Ma Bridge.

To reinforce the status of Hong Kong as an international maritime centre, the Government has enhanced the shipping registration service of Hong Kong through its Economic and Trade Offices on the Mainland and overseas. Meanwhile, the Government also encourages ship owners and ship chartering companies to include the condition of choosing Hong Kong as the seat of arbitration in their contracts, so as to promote Hong Kong as international arbitration centre for maritime business disputes. These measures will help to promote the development of the maritime industry of Hong Kong, including high value-added services such as ship management, ship broking, ship chartering, ship finance, marine insurance and maritime law. Nevertheless, I hope the Government will consider granting tax concessions, currently given to aircraft lessors and qualifying aircraft leasing managers, to ship charterers as well, so as to promote ship chartering and thereby attracting more ship owners and related maritime services to come to Hong Kong.

Although the last-term Government established the Hong Kong Maritime and Port Board, its functions differ from a statutory maritime body as recommended in the report on the Consultancy Study on Enhancing Hong Kong's Position as an International Maritime Centre. The transportation services and logistics sectors still hope that the Government can establish a statutory maritime body with policy-making and enforcement powers to effectively take forward policies on maritime services to promote their further development so as to enhance the status of Hong Kong as an international maritime centre.

President, I so submit.

**MS STARRY LEE** (in Cantonese): President, it has been five months since Chief Executive Carrie LAM assumed office and she delivered her first Policy Address on 11 October. Since assuming office, Mrs LAM and her team have been working very hard with full devotion to their work. This is well evident to members of the public. The Policy Address has, since its delivery, received positive comments from the community.

The latest Public Sentiment Index compiled by the Public Opinion Programme at the University of Hong Kong was released yesterday. The popularity rating of the Chief Executive has increased by 2.4 marks to 62 marks since the delivery of the Policy Address in October. As for the satisfaction rate of the performance ofthe SAR Governmentand people's appraisal of society's conditions as a whole, higher rating figures have also been recorded.

President, the result of this opinion poll is consistent with the sentiments and feelings of the people in the districts I have visited. Since Mrs LAM assumed office, the overall social atmosphere has eased a lot and the public generally agree that Mrs LAM is "a good fighter" and works very diligently. The public also hope that Mrs LAM and her team will continue their efforts to rise to challenges and seize the opportunity to develop the economy, increase land supply and implement livelihood policies. On the whole, she has to honour the pledges stated in her Election Manifesto and implement the measures stated in the Policy Address as soon as possible.

President, when Mrs LAM was elected Chief Executive, I remember that a reporter asked me about my views on the new government. I said that I was very confident in Mrs LAM's ability to implement public policies and her determination to resolve social conflicts. Surely, Mrs LAM has not disappointed us. There are quite a number of examples in the Policy Address illustrating Mrs LAM's courage to think outside the box in implementing public policies to resolve social conflicts. Examples include the introduction of a two-tier profits tax system where the profits tax rate for the first $2 million of profits of enterprises will be lowered to 8.25% and the introduction of the surprisingly lenient non-means tested Public Transport Fare Subsidy Scheme. The introduction of these policies, which have fundamentally deviated from the former principles of public financial management, well demonstrates a new style of governance and a new financial management concept of the SAR Government, the Chief Executive and her team.

The Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") opines that the Policy Address demonstrates a new style of governance of "accepting public opinions and daring to accomplish" which is commendable. The Policy Address has incorporated many proposals made by various sectors of the community including DAB on promoting the economy and improving people's livelihood. The Government is also willing to make long-term financial commitments for these proposals, such as increasing recurrent education expenditure and providing new education resources, substantially investing in innovation and technology, as well as research and development. The Policy Address also reveals that the Chief Executive is willing to offer innovative solutions to resolve long-standing old problems, such as high transportation expenses, a broken housing ladder which the Chief Executive wants to rebuild, an ageing population and inadequate health care services. All these problems are serious indeed.

In addition, the Policy Address also attaches great importance to issues that young people are concerned about. It proposes substantive measures such as "Starter Homes", Space Sharing Scheme for Youth, injecting additional funds into the Continuing Education Fund and increasing university hostel facilities, so as to meet young people's concerns in four aspects, namely education, home acquisition, employment and business start-up. Concerning different aspects of people's livelihood, the Policy Address is also concerned about the underprivileged in the community and introduces many caring and down-to-earth proposals such as caring for patients with uncommon diseases, supporting children with special educational needs, resolving broadband access problem of people living in villages and remote locations, opening up school facilities and removing obstacles for installing air-conditioning systems in markets.

President, in addition to the above policies, DAB also has expectations of the Government's new role as proposed by Mrs LAM. She said that the Government should be more proactive and play the role of a "facilitator" and a "promoter". In the face of the new economic situation and intense competition from the surrounding areas, Mrs LAM and her team said that the Government should take a proactive approach to develop the economy. We endorse this approach and believe that Hong Kong needs new thinking to attain breakthrough development.

However, we expect the Chief Executive and her team to be more proactive in resolving deep-rooted social conflicts apart from proactively promoting economic development. Although the Policy Address contains many new strengths and new initiatives, we still heard some adverse comments and criticisms from members of the public when we conducted local visits after the delivery of the Policy Address. On increasing land supply to resolve the difficulties in acquiring and replacing properties, members of the public hope that the Chief Executive and her team would adopt a more proactive approach, be more bold and resolute in action and with greater commitment.

As regards caring for the elderly, we also hope that the Government will take another step forward such as lowering the age for the non-means tested Old Age Allowance to age 65 and make certain commitments to the elderly, including providing dedicated sites for residential care homes for the elderly, so that we can tell elderly people waiting for places in residential care homes for a long time when places are available.

In respect of education, besides allocating new education resources, many people hope that the Government will boldly examine the current problems that the exam-oriented education fails to meet the needs of the information revolution era and that the mode of education only focuses on instilling knowledge and neglects moral nurturing. In recent years, some social phenomena are lamentable: some young people blatantly support violence, some use insulting language to hurl abuses, while some always speak foul language. These behaviours are really heartrending and we really have to ponder what has gone wrong with our education system and society.

Of course, this is the first year after Mrs LAM assumed office and she has just delivered her first Policy Address, so we cannot expect Mrs LAM and her team to solve the complicated and diversified problems in our society all at once. However, after they have heard these concerns, I hope that they will respond positively in the later debates or some time later.

President, I once again fully affirm and can sense the determination of Mrs‍ LAM and her team to solve social problems. However, in my view, apart from solving social problems, the greatest challenge for Mrs LAM is to properly perform her duty as the guardian and pioneer of "one country, two systems". As stated in the Policy Address, "[t]his year marks the 20th anniversary of Hong Kong's return to the Motherland, a milestone for us to build on our achievements and begin a new chapter of development." In regard to "one country, two systems", we should build on our achievements and begin a new chapter of development.

President, we all know very clearly that Mrs LAM's role as the Chief Executive is actually very important. I tried to look up Mrs LAM's ideas in this respect in the Policy Address but could only found, in the Introduction, the following remarks: "In the last two decades, thanks to the support of the Motherland and with an international vision, Hong Kong has kept its distinct features and strengths. This fully demonstrates that 'One Country, Two Systems' is the best institutional arrangement to ensure Hong Kong's long-term prosperity and stability after our return to the Motherland. It is a workable solution and an achievable goal welcomed by the people. Thus, everybody with a passion for Hong Kong has the responsibility to ensure that, here in Hong Kong, 'One Country, Two Systems' advances in the right direction, the obligation to say 'no' to any attempt to threaten our country's sovereignty, security and development interests, as well as the duty to nurture our next generation into citizens with a sense of national identity, an affection for Hong Kong and a sense of social responsibility". President, I think the above remarks are very superficial. Mrs‍ LAM said that everybody with a passion for Hong Kong has the responsibility to ensure that, here in Hong Kong, "one country, two systems" advances in the right direction. She is right but since the role of the Chief Executive is so special and important, what are her ideas and plans as the guardian and pioneer of "one country, two systems"? I believe many people would like to know.

Therefore, I think that Mrs LAM's remarks in the Policy Address as the guardian and pioneer of "one country, two systems" are very superficial and she has not shared with us her ideas in this respect. This is one of the inadequacies of the Policy Address. Mrs LAM was an accountability official in the last-term Government responsible for the constitutional reform. During the period of 20-odd months, the Occupy Central movement and anti-Occupy Central movement, and even the Mong Kok riot had taken place. In the face of the ideology of "fake localism and genuine Hong Kong independence", and at a time that marks the 20th anniversary of Hong Kong's return to the Motherland, many forums were held in the community and many articles were published on the success and failures of the implementation of "one country, two systems" over the last 20 years, I believe the Chief Executive must have her own thoughts in this area. Nevertheless, I believe Mrs LAM may not choose to share her thoughts with us at this time since this is her first Policy Address. I hope the Chief Executive will share her thoughts with the public on this crucial issue which has important implication for Hong Kong and the development of "one country, two systems" in the future.

President, how can Mrs LAM adequately perform her duty as the guardian and pioneer of "one country, two systems"? In my opinion, in the coming days, the SAR Government and Mrs LAM must make efforts to enhance mutual trust between the Central Government and Hong Kong society, as well as promote the interaction between the Central Government and the Legislative Council. President, if you ask me how to increase mutual trust between the Central Government and Hong Kong society and how to promote interaction between the Central Government and the Legislative Council, since the scope of the issue is so extensive and profound, I believe I cannot discuss it in detail in this session or at this moment.

With these remarks, President, I support the Motion of Thanks.

**MS CLAUDIA MO** (in Cantonese): President, it is said that this Motion of Thanks would be the first to get passed in nine years. I hope Carrie LAM will not be complacent because the only reason for the passage is that we have six pro-democracy Members being disqualified and cannot cast their votes.

Ms Starry LEE expressed her wish that we should cease fire today and support policies that would bring about social and economic benefits. However, many of the so-called "white elephant" infrastructure projects are implemented to uphold the lofty principle of "integration between Hong Kong and the Mainland" accepted by the pro-establishment camp. Hong Kong people are made to foot the bill while their benefits are actually negligible.

The theme of this debate session is "Diversified Economy", but ironically enough, Hong Kong's economy is currently under the threat of complete "Mainlandization". Given that Hong Kong is a capitalist economy where the highest bidder always wins, red capital can thus buy up Hong Kong in the name of "free economy". When everything from clothing, food, housing to transport is controlled by red capital, Hong Kong will be "made to disappear".

Looking back at land sales over the past few years, 80% to 90% of the sites were acquired by Mainland-funded consortia; LI Ka-shing even sold The Centre at a historic high price, and the money of the buyer contains funds of the Communist Party of China. With regard to property speculation in Hong Kong, many Mainland people carried cash-laden suitcases to Hong Kong to buy flats. Whether or not this involves money laundering, we all have an answer in our heart. As for the retail industry, the most typical example is McDonald's, which is also Mainland-funded.

The harbour of Hong Kong used to be the world's number one, but it has now been overtaken by Ningbo and Shenzhen, not to mention Shanghai. In the $3-billion self-financed multi-modal customs centre to be built by the Airport Authority Hong Kong ("AAHK"), there will be a sealed bridge to facilitate tourists travelling to and from the Mainland. Has AAHK sought the Council's approval before spending $3 billion? With regard to the Express Rail Link, the Government has gone even further to "cede land for co-location" and challenged the rule of law on the pretext that this would bring about greater economic benefits.

An interpretation of the Basic Law by the Standing Committee of the National People's Congress last year shocked us by surprise, right? And yet, the Hang Seng Index ("HSI") was not affected and rose instead. Why is that so? Because a large proportion of the constituent stocks of HSI are state-owned shares. In other words, nowadays HSI is no longer a confidence indicator of business in Hong Kong. In the Policy Address, even Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area are among the sub-headings. Should the Government better say "Hong Kong is the Mainland"? Hong Kong is being "Mainlandized" through economic means and will soon be "made to disappear".

(THE PRESIDENT'S DEPUTY, MS STARRY LEE, took the Chair)

Next, I want to talk about the green economy. In relation to innovation and technology ("IT"), a patriotic former professor once said the Mainland was so advanced that payment could be made by phone even for the solicitation of prostitutes. Such a vulgar remark is actually about an IT economy. Many shops in Hong Kong do not use Alipay; the first reason is their reluctance to disclose the flow of capital and business turnover with the use of this payment platform. The second reason is that a service fee will be charged. What is the point of paying an additional sum of money? People may argue that shops also have to pay similar charges to banks if customers make payments by credit cards, but since credit cards are usually issued by major banks, shops have already established basic trust in banks. It is precisely a matter of "trust" and privacy. People do not want to disclose their whereabouts, the goods and services that have been purchased or transactions that have made with the use of unreliable applications.

The Government is highly praised by the pro-establishment camp for providing assistance to remote areas where there is no Internet access. But how about old tenement buildings in the urban area? These buildings are either not provided with Internet access or the charge is too high. Even if the occupants can access the Internet, the speed is extremely slow. The Government merely says "sorry", stating that Internet service is an economic activity of the urban area and thus the highest bidder wins, so there is nothing it can do if the Internet service providers are reluctant to provide service for tenement buildings. I would like to remind Members that in today's world, access to Internet is a human right.

As for the provision of subsidies for electric vehicles under the green economy, the Government highlights that electric vehicles are cheap and environmentally friendly on the one hand, but keep reducing parking spaces on the other hand. Bigwigs' limousine vehicles always occupy both sides of the roads, and it is not uncommon to see them occupying an entire lane of two-lane or three-lane roads. Other vehicles which fail to find any available parking lot have to keep driving around. In that case, the pollution caused by vehicle emissions actually outweighs the benefit of using electric vehicles. Green economy? It only results in more emissions.

With regard to Dongjiang water, the Policy Address is silent on this matter. However, Hong Kong has actually paid at least $4.5 billion more to buy Dongjiang water over the past 10 years. Simply looking at the money spent, the sum of money paid by Hong Kong to purchase Dongjiang water is more than that of Shenzhen and Dongguan, which is puzzling. Worse still, water is not purchased on a need basis, but by an agreed amount, which has resulted in a waste of money. As at October last year, we have wasted at least $4.5 billion and if this sum of money is recorded in this year's expenditure, the total expenditure might exceed $5 billion.

Apart from wasting money, the Government has also failed to achieve the intended effect of a green economy. Why was the money spent in vain? Since we have purchased too much Dongjiang water, the reservoirs have overflown and excess water must be discharged to the sea. Is the Government aware that many places from Central America to California in North America are very dry lately? People in California are using the equipment for oil drilling to extract water from deep underground to water their Sunkist oranges, but Hong Kong is pouring fresh water into the sea. Green economy? The Government is only making some window-dressing gestures and no long-term plan has been made. Thank you.

**MR JEFFREY LAM** (in Cantonese):Deputy President, Chief Executive Carrie LAM has delivered her maiden Policy Address on the theme "We Connect for Hope and Happiness". This Policy Address not only covers issues of public concern but also has breakthroughs in many areas, such as tax reform, the promotion of innovation and technology, the rebuilding of a housing ladder and the support of youth development, demonstrating the new mindset of the new Government. The Business and Professionals Alliance for Hong Kong and I will therefore support the Motion of Thanks. I also hope that government officials and different sectors of the community will work together for the implementation of initiatives proposed in the Policy Address to promote economic development and improve the livelihood of Hong Kong people.

Today we are faced with competition from countries and cities all over the world. The business sector has long been urging the Government to improve the business environment and enhance the competitiveness of Hong Kong as a whole. The Policy Address proposes the implementation of the two-tier profits tax system, slashing the profits tax rate for the first $2 million of profits of enterprises from 16.5% to 8.25%. I consider the initiative pragmatic and progressive, and many small and medium enterprises ("SMEs") are overjoyed. In fact, the business environment in Hong Kong remains challenging owing to the expected interest rate hikes in the United States, uncertainties in the global economy and rising operating costs such as rentals and wages. The SAR Government should strive to ease the burden on SMEs, stabilize the economy and promote employment.

A comprehensive review of tax regime was last conducted by the Government in 1976. Over the past 41 years, there have been radical changes in the global economic environment. While we take pride in our simple and low tax regime, our neighbouring cities (including Singapore and Taiwan) have introduced tax incentives to compete with us for businesses and talent. Hong Kong is actually losing advantages in terms of tax regime.

In my view, the Government is moving in the right direction by establishing the Tax Policy Unit to review the competitiveness of our tax regime and the issue of a narrow tax base. I hope that the Government will maintain an open attitude and a new mindset in facing the current global landscape. Meanwhile, the Government and members of the community should not adopt a conspiracy theory in considering the proposals advocated by the business sector. For example, once the two-tier profits tax system is proposed, some people will immediately think that the business sector will set up different companies to avoid tax. As a matter of fact, setting up a company involves a lot of audit and legal efforts. It is not worth the effort to set up another company just for saving a meagre amount of tax.

The Hong Kong General Chamber of Commerce ("HKGCC") has all along advocated the introduction of "group tax loss relief" and "a tax loss carry back system". The Financial Services Development Council, Hong Kong has previously proposed the same in its paper entitled "A Proposal for the Introduction of Group Tax Loss Relief in Hong Kong". To me, this proposal is worth studying as it can attract corporations to Hong Kong to start business or set up regional headquarters. Although the Government has declined to consider this proposal for fear of tax avoidance, we should note that there are indeed sufficient safeguards and penalties against tax avoidance in section 61A of the existing Inland Revenue Ordinance, and this Ordinance can be amended when necessary. It is wrong for the Government to throw away the apple because of the core.

I am also glad that the Administration will provide additional tax deduction for expenditure incurred by enterprises on research and development ("R&D"). This new tax incentive will be conducive to promoting R&D of the many start-ups in emerging industries. However, in places like Shenzhen and Singapore, the authorities concerned have also introduced tax measures, such as tax cuts and tax reliefs on R&D expenses and royalties to attract innovation and technology enterprises. Japan and Singapore even offer an array of tax incentives to appeal to overseas investors and promote the development of major strategic industries. Hong Kong must catch up rapidly by, for example, introducing new rules and amending the existing laws to support the development of start-ups in Hong Kong.

In the medium to long term, the Government should consider lowering the profits tax rate to 15% so as to enhance the competitiveness of our tax regime. Although the Financial Secretary stated at a summit on taxation last month that the profits tax rate would not be further reduced, I think the Government should not hastily rule out this possibility. Nowadays, the world is changing fast. In the face of increasingly intense competition, we should not and must not refuse to make progress. We should not fail to see the forest for the trees. As remarked by the Chief Executive, we must be more open to suggestions. We should not fail to see the forest for the trees. I hope that the Financial Secretary will consider afresh our suggestion.

Regarding the expansion of the Hong Kong Convention and Exhibition Centre ("HKCEC"), it has been all talk but no action. The Policy Address proposes to demolish three government buildings and redevelop them into a new wing of HKCEC. This is a wise move. Members of the convention and exhibition industry have always complaint about shortage of exhibition venue and unavailability of exhibition time slots. Owing to venue shortage, HKCEC has to turn down each year dozens of exhibitions and conferences originally planned to be held in Hong Kong. The expansion of HKCEC should really brook no delay. I hope the Government and the Hong Kong Trade Development Council will conduct a comprehensive review and consultation on HKCEC's expansion plan and its future operation arrangements to maximize the economic and social benefits for Hong Kong.

Now, I will speak on the work of the Government on the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area") development. The Belt and Road strategy proposed by President XI Jinping covers more than 60 countries with a population accounting for over 60% of the world's population, and the combined GDP of these countries makes up 30% of the world's total GDP. The Bay Area, which forms an important part of the Belt and Road Initiative, will bring unprecedented opportunities to Hong Kong. The business sector welcomes the Government's proposal in the Policy Address to proactively support the national Belt and Road Initiative, including increasing the manpower of the Belt and Road Office, with the aim of entering into an agreement of Hong Kong's full participation in the Belt and Road Initiative with the National Development and Reform Commission by the end of this year. In my view, the Government should maintain closer ties with the Mainland authorities and propose innovative and bold ideas, such as introducing projects for early and pilot implementation in the Bay Area, so that Hong Kong people can develop successfully in the area.

Hong Kong residents are currently required to pay Mainland tax if their aggregate stay in a year exceeds 183 days. In this connection, I suggest the Mainland authorities adopt the practice of Europe to enact legislation on border city tax so that Hong Kong residents working in the Mainland will only be required to pay tax in Hong Kong. The Government should also review section 39E of the Inland Revenue Ordinance to grant Hong Kong businessmen with depreciation allowances if their machinery and plant are made available for use by the Mainland enterprises rent-free.

Many members of HKGCC have great expectations on the Bay Area development. With the support of the Central Government, Hong Kong can leverage its edge to provide professional service platforms in various fields such as accounting, law, consultancy, arbitration, financing, high value-added transportation services industry and R&D. I hope the Government will work with other stakeholders to help Hong Kong enterprises extend business opportunities in the Bay Area under the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"). It should make a "master key" to open doors, big and small, for enterprises in business operation.

Lastly, the Guangzhou-Shenzhen-Hong Kong Express Rail Link Hong Kong Section, a major cross-border infrastructure in the Bay Area, still attracts incessant arguments on the co-location arrangement. In contrast, Shenzhen and Guangzhou are very aggressive. The China Academy of Urban Planning and Design has been working on a plan to enhance land reserve in Shenzhen, improve the efficiency of old industrial areas and promote the efficiency of space resources utilization in order to maximize the efficiency of the Bay Area development. We must stop wasting time on internal attrition. Instead, we should make use of collective wisdom to assist the Government in finding ways to expand the advantages of Hong Kong and support the development of the Bay Area.

In the face of competition from neighbouring cities, Hong Kong must strengthen its competitive edge and give full play to our expertise as an international financial, shipping, logistics and offshore RMB centre. Given the vital role of Hong Kong in the Bay Area development, we can actually board the express train of rapid economic development of the Mainland, but the premise is that we must first have a new mindset and break away for institutional red tapes. I wish to facilitate the exchanges between the Government and the business sector in the future.

Thank you, Deputy President.

**MR WONG TING-KWONG** (in Cantonese):Deputy President, in respect of improving the business environment or providing assistance to small and medium enterprises ("SMEs"), this maiden Policy Address of Chief Executive Carrie LAM is indeed more detailed and pragmatic than those in the past. The most obvious is the introduction of a two-tier profits tax system, as promised during her election campaign, by lowering the profits tax rate for the first $2 million of profits of enterprises to 8.25%.

Hong Kong's SMEs are very sensitive to tax payments as the operators have very heavy financial burdens. Hence, the lowering of the profits tax rate for the first $2 million of profits will benefit them greatly. Also, to encourage people to start businesses and local enterprises to engage in research and development ("R&D"), the Policy Address also proposes that the first $2 million eligible R&D expenditure will enjoy a 300% tax deduction with the remainder at 200%. This proposal is also praiseworthy and I hope that the Government will implement it expeditiously. However, I must point out that the SAR Government seems to fail to fully grasp the difficulties faced by SMEs. As a matter of fact, SMEs are acutely short of resources for R&D and staff training in relevant areas. It is not easy to find employees who know how to operate new technology equipment. Hence, I expect the Government to allocate more resources in the future to encourage enterprises to have higher innovative incentives.

Deputy President, Hong Kong's economic growth has been slow in recent years and even the pillar industries, affected by the changing global economic trend, are facing a development bottleneck and are in need of transformation. Hence, the Belt and Road Initiative and the Guangdong‑Hong Kong‑Macao Bay Area ("the Bay Area") development strategies of our country have provided important and new development opportunities for Hong Kong. I am convinced that as long as we grasp the proper direction of development, give full play to our advantages in the service professions and well utilize our international status, there will be plenty of opportunities for Hong Kong's commercial and industrial sectors to develop and expand their business operations.

The Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") expects the SAR Government to capitalize on the relevant development strategies and make the right move so as to board the new economic vessel of our country, especially the development of the Bay Area. The relationship among Guangdong, Hong Kong and Macao has always been close in terms of geographical location, exchanges among the people as well as economic integration. Further cooperation of the three places will surely bring mutual benefits and enables them to contribute more to the country's economic development and opening up.

The Chief Executive states in the Policy Address that other than signing free trade agreements ("FTAs") and investment promotion and protection agreements ("IPPAs") with ASEAN countries this month, the Government will establish more bilateral and multilateral ties with the Mainland and overseas countries. It will also sign FTAs, IPPAs and comprehensive avoidance of double taxation agreements with various economies along the Belt and Road. I welcome these initiatives. DAB has also suggested the Government strive to sign more agreements that are beneficial to our development with countries along the Belt and Road. At the same time, I also hope the Government will focus on identifying 5 to 10 countries or places along the Belt and Road to set up Hong Kong Economic and Trade Offices ("ETOs") there to help Hong Kong people seek development opportunities. Moreover, I think the authorities should arrange young people to visit the countries and places along the Belt and Road, and maintain contacts with Hong Kong enterprises doing business there, so that young people can learn about the development potentials in those areas.

To facilitate Hong Kong's further expansion of the development opportunities in the Bay Area and attract Hong Kong people to seek development there, DAB suggests the Government relax the requirement for Hong Kong residents to pay Mainland tax if they work or stay in the Mainland for more than 183 days. For example, allowing Hong Kong residents working across the border to pay tax to the Mainland authorities at the tax rate of Hong Kong on an early and pilot implementation basis.

Moreover, at present Hong Kong residents can only apply for Mainland identity cards after they have settled in the Mainland. This requirement has caused much inconvenience to Hong Kong residents who frequently go to the Mainland. DAB suggests that the Government negotiate with the Mainland authorities on assisting Hong Kong residents settling in the Guangdong Province in applying for Mainland identity cards to facilitate their receiving education, working and living there. In this way, Hong Kong people can integrate in the local community more easily.

The Hong Kong Monetary Authority ("HKMA") is planning to launch the Faster Payment System ("FPS") next year to allow banks and stored-value facilities service providers to conduct real-time settlement and fund transfer on a single payment platform, thereby further promoting market development, facilitating transfer of funds between individuals, and encouraging merchants to adopt diversified innovative retail payment products for the benefit of consumers. I am pleased to see the introduction of FPS for the promotion of smart living facilitated by the electronic payment system. I also urge HKMA to take into consideration the operation costs borne by SMEs when formulating the cost details of the threshold system. I also expect the Government to ensure that FPS will be properly secured and widely promoted so that middle-aged and elderly people will also know how to use them.

In the medium to long run, DAB urges the Government to join hands with its counterparts in the Bay Area in the development of Fintech, so that through the studies and implementation of artificial intelligence and electronic payment methods, the operation efficiency of the financial institutions and the commercial and industrial sectors will be enhanced and the sectors will also be encouraged to explore new development modes. For example, through the interlinking of various electronic payment systems, a widely used regional platform will be established, thereby lowering the transaction costs within the region.

The commercial and industrial sectors understand that the Government will go ahead with abolishing the arrangement for offsetting severance payment and long service payment with Mandatory Provident Fund ("MPF") contributions, but I hope that the Government will take into full consideration SMEs' abilities to bear the costs when formulating the relevant reform measures.

Are employers and employees mutually dependent or totally incompatible? To a certain extent, it depends very much on the position of government policy. At present, the Government tends to require employers to set aside a provision to meet the additional MPF expenditure after the abolition of the offsetting arrangement. For big corporations, the problem and impact of this measure will not be too great. But for SMEs which only employ a small number of employees and salary costs already take up a large portion of total operation cost, if the amount of provision set aside is too big, SMEs will not have sufficient operating capital but if the provision is too small, it may not be able to cover all the expenses.

As a matter of fact, the operators of many SMEs or micro enterprises lead an even tougher life than their employees. Their financial burden is already very heavy and upon the abolition of the offsetting arrangement in the future, if their business fails, they not only have to bear the pressure of repaying debts, their financial difficulties will also be aggravated as they have to pay their employees severance payment which could previously be offset by their MPF contributions. Hence, I urge the Government to seriously look into the problems of people being discouraged to start up business, and subsequently, the monopolization of business upon the abolition of the offsetting arrangement.

Deputy President, for years DAB has been advocating the lowering of MPF charges and improving the MPF System. Even though the average expense ratio of MPF has now dropped to 1.55%, only about one half of all the funds have their expense ratio at 1.5% or below. Hence, there is still much room for reduction. I expect the authorities to further increase the number of permissible investments under MPF, such as products that are linked to the investment return of the Exchange Fund or the inflation rate, as well as products similar to bank deposits that do not charge any management fees; to actively study the possibility of requiring trustees to charge a fixed management fee, and also to look into the possibility of the Government bearing the management fees of the Default Investment Strategy.

Let me now talk about the development of the convention and exhibition ("C&E") industry, Deputy President. I am very glad that this Policy Address proposes the policy of promoting economic diversification. It mentions the macro measures of developing the C&E industry, supporting the development of innovation and technology industries and SMEs. The commercial and industrial sectors welcome the incumbent Government's commitment to actively develop our economy. Here I would like to express some of my views on the policies that the commercial and industrial sectors are concerned about.

First, I would like to talk about the development of the C&E industry. This industry has now gained increasingly attention of the world. The reason is that it is a "locomotive" industry that incorporates various industries such as trading, transportation, tourism and catering. Many countries have put in increasing resources for developing the C&E industry. From 2008 onwards, the development of the C&E industry has gradually tilted towards Asian countries, and these countries have built more C&E venues to enhance their reception capacities. I highly commend the incumbent Government's efforts in seizing this development opportunity. In the Policy Address, the Government affirms the plan to build a new C&E venue of international standard in the proximity of the existing Hong Kong Convention and Exhibition Centre in Wan Chai and also the development of a new convention centre above the MTR Exhibition Station of the Shatin to Central Link. These policies will bring great development opportunities to Hong Kong's C&E industry and make great contributions to the development of the local economy.

However, we should be aware that Hong Kong's C&E industry is facing great challenges from our neighbouring places and countries. In Macao, the C&E industry is a fast-growing emerging industry. According to official statistics, the number of visitors concerned had increased from 1.26 million in 2011 to 2.48 million in 2015. Also, our neighbour Shenzhen commenced the construction of a new C&E centre in September 2016, the first phase of which includes an indoor exhibition hall of 400 000 sq m and other ancillary facilities. Its exhibition area is 2.6 times the total exhibition area in Hong Kong. As for other Asian countries, the Singaporean Government published in 2014 the 2020 roadmap with the goal of developing Singapore into a smart tourism city and attracting talent for that industry. Unlike Hong Kong, eligible commercial event organizers will receive government subsidy of up to 70% of the cost that meets the subsidy criteria. As a result of the rapid growth of the C&E industry in these countries and places, the ranking of Hong Kong in the international C&E industry has dropped four places from 15th in 2015 to 19th in 2016. This is a warning to the C&E industry in Hong Kong. Therefore, I hope that the Government will speed up the construction of exhibition venues and ancillary facilities without delay, taking the initiative in its own hands and striving to take the lead again in the competition of the C&E industry in Asia.

At the same time, I also hope that the Government will, when planning the future development of the C&E industry, seriously examine Hong Kong's existing C&E resources and if such resources can be well utilized, the effect cannot be ignored. I hope that the Administration will readjust the positioning of the AsiaWorld-Expo ("AWE"). As AWE is situated next to the Airport, its transport connection is not as convenient as facilities in the urban area, its economic value has thus been greatly underestimated and its utilization rate is lower than expected. I hope that the Government will change its mentality in time as in the near future, with the completion of major infrastructure projects like the Hong Kong-Zhuhai-Macao Bridge, the Tuen Mun-Chek Lap Kok Link, the Tung Chung New Town Extension, as well as the Three Runway System of the Airport, Hong Kong will be closely connected to the Pearl River Delta Region. If these tourism facilities will be organically linked up with AWE, it will relieve the problem of insufficient C&E venues in Hong Kong. Also, these facilities will become a new driver of tourism and economic growth in Hong Kong, which will in turn strengthen the status of Hong Kong as an international hub of the exhibition, aviation, tourism, hotel, retailing, finance and trading industries. Of course, we must formulate a sustainable policy in order to strike a balance between development and conservation. Green economy is the future trend of development and hence we must make efforts to conserve our nature and environment so that while we can enjoy the fruit of economic development, we will not destroy the environment that our future generations depend on for survival.

Deputy President, apart from the development of the C&E industry, the commercial and industrial sectors are also highly concerned about the development of the local industry. Industrial production is of paramount importance to our future economic growth. It not only creates its own economic value but is also a driving force for economic growth in the long run. In today's world where autonomous innovation and technological development are highly emphasized, industrial production is the main source for innovation of skills and it is also the user and promoter of innovation and new technologies. The return of the industrial sector to Hong Kong is one of the latest trends of the development of local industries and I hope that the Government will attach importance to it.

First, regarding the traditional manufacturing industries, according to the Study Report on Relocation of Operations Back to Hong Kong for Manufacturing Industries, we learn in recent years, there is a trend of relocation of various industries back to Hong Kong, such as precision fabricated metal parts and tooling manufacturing industry, jewellery manufacturing industry, watches and clocks manufacturing industry, food products manufacturing industry, as well as pharmaceutical and medical equipment manufacturing industry. The enterprises engaging in traditional manufacturing industries are mainly SMEs and they have a keen demand for factories and practitioners in the industries concerned. I am glad to see that the Policy Address states that the Government will increase the sites for industrial use, introduce a refined two-tier profits tax system, as well as set up a Commission for the Planning of Human Resources for the training of talent for various trades and industries. These measures will create a favourable environment for the development of the traditional manufacturing industries. I hope that the Government will actively implement these policies to ensure that the intended goals are met, and that it will make persistent efforts to introduce more favourable policies and formulate a comprehensive plan to support SMEs on all fronts, including financing, taxation, human resources, and product development, so as to facilitate the manufacturing industries' relocation back to Hong Kong.

In addition, we also notice that among the industries that have relocated back to Hong Kong, apart from the above mentioned traditional manufacturing industries, the high technology industries have become the mainstream. This means that Hong Kong will no longer rely on labour intensive industries; instead industries with high added value, engaging in high technology and autonomous innovation will be a major force in the future development of industries in Hong Kong.

The incumbent Government attaches great importance to re-industrialization. As stated in the Policy Address, the Government will launch a $500 million Technology Talent Scheme and subsidize the staff of local enterprises to receive the "Industry 4.0" training. Besides, policies such as establishing the Inno Space and expanding the Science Park aim at creating a favourable environment for the re-industrialization of Hong Kong. The commercial and industrial sectors welcome such initiatives. I hope that the SAR Government will promptly implement these policies. The commercial and industrial sectors will also grasp this opportunity to invest large quantities of resources to restructure the operation mode and production line, so as to join hands with the Government to showcase to the world the fine quality of products "made in Hong Kong".

Lastly, from the topic of re-industrialization I wish to talk about the relationship between scientific research and the market. In the Policy Address, the incumbent Government talks at length about its policy on innovation and technology, its determination to increase the provision of R&D funding for higher education institutions, as well as its proactive effort to attract talent and institutions engaged in scientific research to settle in Hong Kong. These policies will create a world-class scientific research platform in Hong Kong, thereby promoting re-industrialization and providing an impetus for the continuous economic development in Hong Kong.

However, the commercial and industrial sectors are worried whether the scientific research projects will meet the market demand and have commercial value as the core of re-industrialization is the transfer of know-how. That is a process directed by the business market with the collaboration of the industry, academia and research sectors. Hence, if the higher education institutions put all their efforts on highbrow technologies that few people understand and their products are unmarketable, then the Government's policy of encouraging innovation will be meaningless. As the representative of the commercial and industrial sectors, I hope that the Government will, when considering the application of scientific research projects, consider the possibility of commercialization and production of scientific research results and encourage higher education institutions to engage in scientific researches with practical applications, so as to achieve the real integration of scientific research, market and production, and together they can promote economic development in Hong Kong.

With these remarks, Deputy President, I support the original motion and oppose all amendments.

**MR MARTIN LIAO** (in Cantonese): Deputy President, the first Policy Address of Chief Executive Carrie LAM shows that she has deliberately adopted a new style of governance. Instead of clinging to the bygone mentality of a "small government" and "not intervening in the market", she has kept abreast of the times and given the Government the new roles of a "service provider", a "regulator", a "facilitator" and a "promoter" with the purpose of promoting the long-term development of Hong Kong.

The Policy Address reflects a more proactive approach of the Government. It focuses on improving the livelihood of the people and addressing the housing problem, the prime concern of the public, by proposing to rebuild a housing ladder and increasing housing supply; it also proposes to actively invest in society and promote long-term economic development. This approach is particularly important in helping Hong Kong seize the new opportunities brought by the Guangdong-Hong Kong-Macao Bay Area development to foster its development.

The Policy Address has a dedicated section on Development of the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area"). Although there are only two paragraphs under that section, opportunities brought by the Bay Area development in various areas are mentioned throughout the Policy Address. These areas include innovation and technology, creative industries, professional services and nurturing talent. On 1 July this year, under the witness of State President XI Jinping, the governments of Guangdong, Hong Kong and Macao signed the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area. At present, a draft development plan for the Bay Area, with key measures and coordination platform, has been drawn and various sectors are being consulted.

Our country has attached great importance to the development of the Bay Area and Hong Kong has been included in the plan. I hope that the SAR Government and Hong Kong society will be adequately prepared in mind and in action to collaborate with other cities of the Bay Area for coordinated mismatched development and the introduction of innovation and technology industries, so as to establish the unique role and position of Hong Kong in the Bay Area. However, if Hong Kong continues to impede its own progress and does not treasure the new opportunities brought by the Bay Area, "opportunity never knocks twice at any man's door". Hong Kong will not only be marginalized, but also be turned into a second-rate city. For example, in the debate on the motion to take forward the follow-up tasks of the co-location arrangement at the West Kowloon Station of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") over the past two weeks in the Legislative Council, opposition Members raised objections for the sake of objection and resorted to filibustering by abusing the Rules of Procedure, which was extremely ridiculous. Opposition Members also smeared the co-location arrangement and delayed the process of rational discussion and voting on the motion. They were just wasting time for no reason. If they remain unrepentant, they will sacrifice the development opportunities for Hong Kong and the benefits of the general public.

Deputy President, the business environment of Hong Kong has all along been competitive in the world. This is evidenced by our rankings in various global reports. Hong Kong was ranked fifth in the World Bank's Doing Business 2018 Report; sixth in the World Economic Forum 2017-2018 Global Competitiveness Report; first again in the Annual Report on China's Urban Competitiveness published in 2016 by the Chinese Academy of Social Sciences; first again in the World Competitiveness Yearbook published by the International Institute for Management Development based in Lausanne, Switzerland in 2017; and it was named the world's freest economy by the Heritage Foundation of the United States for 23 consecutive years. Nevertheless, can Hong Kong be complacent with the above hard-earned reputations and rankings and ignore to leverage the opportunities brought by China's development to go from strength to strength? My answer is in the negative.

Although Hong Kong's annual economic performance this year is better than what was expected at the beginning of the year and a growth rate of more than 3.5% has been recorded, the traditional pillar industries have been facing competition and challenges from other economies and there are already warning signs in their development. Furthermore, with increasing risks of changes to the international monetary system and under complex and volatile geopolitical situations, global capital flows may suffer hard blows at any time. To strengthen the foundation of our pillar industries, we have to seize development opportunities brought by the Belt and Road Initiative and the Bay Area development, leverage our advantages and promote a more diversified development of our economy.

With the edges under "one country, two systems", Hong Kong can make use of the resources of the Bay Area to enhance its advantages in its financial, logistics and professional services. For example, Hong Kong is providing off-shore Renminbi settlement services as an offshore Renminbi centre. If the conversion limit is gradually relaxed, it will help in increasing the amount of Renminbi deposits. The Bay Area plan will also promote mutual access of financial services. The Policy Address proposes to provide an "eID" for all Hong Kong residents. This measure will be an infrastructure to dovetail our development into a smart city, but the Government may as well take a further step. It should explore the possibility of jointly developing a Know-your-customer Utility with all financial institutions and extending it to non-Hong Kong people so as to pave the way for reinforcing Hong Kong's position as a financial centre in the Bay Area.

The trading and logistics industries in Hong Kong are facing strong competition in the international market. While the Policy Address states that the Government will identify suitable sites for logistics use, in order to consolidate Hong Kong's status as an international maritime and aviation centre and a hub for people flows and cargo flows, I believe we must, apart from enhancing our complementary hardware and software, meet the biggest challenge of effectively integrating into the Bay Area development so that Hong Kong and other cities of the Bay Area can develop in a balanced manner.

Nevertheless, in order to coordinate and make breakthroughs in the development of the Bay Area, the SAR Government should not engage in empty talks about its new roles as a "facilitator" and a "promoter". Instead, it should make good use of the "government to government" (G2G) platforms to produce results and join hands with the other cities to capitalize on the well-equipped airports and ports to turn the Bay Area into a global maritime and logistics hub.

Deputy President, Hong Kong has all along been regarded as an advanced metropolis, but its slow development in innovation and technology has become an object of ridicule in recent years. The Policy Address proposes to double the Gross Domestic Expenditure on research and development ("R&D") as a percentage of the Gross Domestic Product. Though that is not entirely adequate, it is still a start and the Government's active attitude is commendable.

However, will injecting additional resources remedy Hong Kong's slow development in innovation and technology? It depends on the mindset and vision of the Government and whether the relevant laws and regulations can keep abreast of the times. How can civil servants have a stronger international sense of innovation and technology development and break away from the fetters imposed by laws and regulations? Recently, there is a good example worthy of consideration by the SAR Government.

Some time ago, the teaching staff and students of The Hong Kong University of Science and Technology ("HKUST") successfully developed the first driverless golf cart. Hong Kong has been lagging behind in R&D, but what surprised us most is that HKUST could not obtain the approval of the Transport Department to test the vehicle on the road. Thus, the HKUST Robotics Institute suggested the SAR Government follow the practice of Singapore and designate an area in the Lok Ma Chau Loop for testing the driverless vehicle. I hope that the Steering Committee on Innovation and Technology, led personally by the Chief Executive, will try to break away from conventions and remove obstacles in innovation and technology development. I also hope that by capitalizing on the country's development of the Bay Area, Hong Kong can expeditiously make a start in innovation and technology development to avoid being marginalized.

Deputy President, at present, 500 000 Hong Kong people have resided on the Mainland and 250 000 are working there. In addition, 15 000 Hong Kong students are studying in Mainland tertiary institutions. The development of a sizable economy requires a number of factors, including talent, resources, space and communication, etc. Development in innovation and technology can create jobs for more young people who have lower start-up costs. I believe the huge market of the Bay Area will help young people realize their dreams of getting a job and starting a business. However, it is not easy for young people to work and start a business on the Mainland. Apart from lacking funds, young people's inadequate understanding of the Mainland government structure and work culture has also posed many problems to them.

According to a study report published earlier, young people of Hong Kong studying in tertiary institutions or working in three major Mainland cities pointed out that they have encountered many problems in finding placement and they believe the reason was a lack of connections. Besides, as some Mainland employers would not apply for work permits for them, they could not stay on the Mainland to work and put their learning to good use. Thus, the SAR Government should proactively provide assistance to effectively help young people work or start a business in the Bay Area.

Deputy President, the GDP of the Bay Area last year was about US$1,400 billion, which was comparable to those of other world famous bay areas such as the Tokyo Bay Area, the New York Bay Areas and the San Francisco Bay Area, but the GDP per capita of the Bay Area was only US$20,000 which was lower than these three bay areas. Thus, the Bay Area has a huge development potential. The industries of finance, logistics, trading, professional services and innovation and technology in Hong Kong can capitalize on the Bay Area for further development, but are Hong Kong people willing to embody the visions of the Bay Area, or will they remain complacent and conservative and let Hong Kong be overtaken and eventually be marginalized by other Mainland cities? With the edges under "one country, two systems", Hong Kong should be confident that it can make good use of the advantages brought by the Bay Area for development and promote its economic development. Thus, I urge the Hong Kong society and Members of the Legislative Council to "make a bigger cake" and participate in the development of the Bay Area, so that nine plus two equals more than 11.

Deputy President, I so submit.

**MRS REGINA IP** (in Cantonese): Deputy President, the Policy Address of the incumbent Chief Executive has responded to the longstanding aspirations of the business sector and the technology sector, such as reducing the profits tax rate. It has also proposed eight major measures to facilitate the application of innovative technology in the entire economy of Hong Kong. I greatly welcome these moves.

However, in the chapter entitled "Diversified Economy", the Government has not provided any comprehensive discussion on what a "diversified economy" is. This has nothing to do with the Chief Executive because she has not been responsible for economic policy before. Besides, as Mr Martin LIAO said just now, the Government economists give people the impression that they have indulged too much in the past and like to boast about Hong Kong's rankings as a free economy. Nevertheless, they have not expounded on the meaning of a diversified economy and its objectives, and have not proposed any new economic models.

I suggest that officials of the SAR Government should take reference from the speech of the State President at the opening of the 19th National Congress of the Communist Party of China. He made a good diagnosis of the national economy. He made a self-criticism by pointing out that the country's economic development was still unbalanced and inadequate, and he set down some objectives to promote the economic development of the country in terms of quality and quantity. These objectives include expediting the building of a powerful nation, accelerating the development of advanced manufacturing industries, promoting the deep integration of the Internet, big data and artificial intelligence with the real economy etc., as well as making improvements in areas such as high-end consumption, advancement in innovation, green and low-carbon development, shared economy and the modern supply chain. In other words, the state leader has proposed a new economic model which is something that the SAR Government has not done for a long time.

Although I am not an economist, I suggest the Government consider the meaning of a diversified economy. The model of a diversified economy should be more inclusive. It should allow the involvement of people or corporations with different capabilities and conditions. Since the economy is diversified/inclusive, it should not allow the domination of one or two industries. Our country also considers that development should be relatively balanced instead of allowing one or two industries to dominate, right? That is what a diversified economy should be. New industries will be developed in a diversified economy. To develop new industries, new markets and products must be developed. I hope that government officials will respond later by telling us the meaning of a diversified economy in their speeches.

Furthermore, what are the objectives of a diversified economy? In my view, apart from enhancing the overall economic development of Hong Kong in terms of quality and quantity, the wealth gap should be narrowed and domination by one or two industries should not be allowed. Then, a diversified economy will have the effect of bringing benefits to the public.

On developing a diversified economy by the Government, I have the following views. First, there are actually many objective limitations for Hong Kong, e.g. a serious shortage of land supply for both residential or economic development, which cannot be solved in the short term. There is also a lack of talent. At present, many industries face a serious shortage of labour and cannot recruit a sufficient number of people. To develop high-end industries, we need high-end talent. Since there are many objective limitations, it is most important for us not to adopt a "me too" attitude, thinking that we should do what the others are doing. If the Mainland is developing the automobile industry, do we have to follow suit? We do not have any land to build automobile plants.

Recently, I heard a public official criticizing Hong Kong for giving up the manufacture of chips, given the success of the Semiconductor Manufacturing International Corporation in Shanghai. However, Hong Kong does not have the conditions for manufacturing chips. Setting up a factory for manufacturing chips often requires billions of dollars. To attain success, a company needs to struggle for 10 to 20 years, and it can only gain a firm footing after losing a large amount of money. We should not engage in areas in which we lack advantages. Besides, some people criticize Hong Kong for not establishing Chinese medicine factories to produce Chinese medicinal products. In fact, there are already a number of Chinese medicine factories in Hong Kong, but we certainly have to understand that before establishing a pharmaceutical manufacturing centre, it is most important to solve the problem of the market. Even if we want to export Chinese medicine manufactured in Hong Kong to the Mainland, we have to overcome many regulatory problems. Hong Kong needs to develop new industries, new products and new markets, but many people say that Hong Kong lacks new areas of economic growth. In fact, apart from lacking land and talent, the biggest problem is the small size of our market. After all, Hong Kong only has a population of 7 million-plus. Even when Hong Kong was still under British governance, the Hong Kong Government was already well aware of the problem of a small market, thus it had all along upheld the free economy belief, and developed Hong Kong as a free port for the purpose of entering the world market. With this advantage, we have created miracles in the manufacturing industry.

If Hong Kong is to maintain its momentum in economic growth―it is wonderful that the Financial Secretary is now present to listen to my speech―we have to find new markets, and a very good opportunity has now arisen. As mentioned by many Members, we really must ride on Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area"), particularly the latter. Undoubtedly, the Belt and Road Initiative will bring many new opportunities. The Belt and Road Innovation and Development Forum was held in Hong Kong last week in which representatives of the Shanghai Cooperation Organisation ("SCO") and its members attended. The Financial Secretary was present and he delivered an intriguing speech. That was the first meeting in which Hong Kong interacted with countries of Central Asia. In fact, those countries wish that high-ranking public officials of Hong Kong can visit them. They have many inexpensive and fine products and possess rich natural resources and they can work with Hong Kong complementarily in many areas.

The Belt and Road Initiative certainly covers a wide geographical area and many infrastructure projects require huge investment which are risky and have a long payback period. I am very glad that some companies have already participated in these projects.

However, opportunities arising from the development of the Bay Area are at our doorstep. Hong Kong is part of the Bay Area geographically, historically and culturally. Investment by Hong Kong people on the Mainland has all along facilitated the development of the Pearl River Delta Region and as a result, Hong Kong has gained huge momentum of economic development. Thus, Hong Kong should step up its effort in participating in the development of the Bay Area.

Let me repeat my suggestion put forward at the meeting of the Panel on Financial Affairs last Monday. The Government should consider setting up a Bay Area investment fund. On that same day when I was discussing this issue with Mr Norman CHAN, Chief Executive of the Hong Kong Monetary Authority ("HKMA"), I also told him that many countries with huge reserves had set up national sovereign wealth funds to engage in investments for longer terms with higher risks and they have obtained considerable returns. Norway has obtained good returns and countries of the Middle-east are the earliest to invest in these funds.

I asked Mr CHAN for his views on the suggestion. He said that HKMA has been investing in such funds. After the financial tsunami in 2009, HKMA accepted the proposal of the Legislative Council. During the discussion at a meeting of the Panel on Financial Affairs back then, it was proposed that HKMA did not need to invest all the resources of the Exchange Fund in United States Dollar assets. He said that currently, HKMA has put $300 billion into long-term investment funds and recorded an internal rate of return of 12%. HKMA obtained good investment returns this year and a rate of 5% was recorded in the first nine months. However, regarding long-term investment funds, the Financial Secretary is well aware that the return rate of investing in properties in the United Kingdom and Europe and the Mainland is as high as 12%. I believe if the SAR Government allocates some funding (according to some private equity investment experts, the amount needs not be huge), say US$1 billion or US$2 billion to set up investment funds similar to national sovereign wealth funds, it can buy land, shares, all kinds of funds, and Pre-A round funding for start-ups. I heard that the Singaporean national sovereign wealth fund has attained very good returns by investing in the Alibaba Group earlier. Perhaps for those who have bought Tencent's China Literature earlier, the returns will even be greater.

Why do Mainland enterprises have such rapid growth? The reason is that they have very big markets, e.g. the markets of news network and online fictions. The Mainland situation is that if one idea works, it works in the whole country. The scale of business is large. Thus, the development of the Bay Area will really bring many opportunities for Hong Kong. First, the Government can invest a small part of its sizable reserves in this respect. Second, it should actively assist Hong Kong businesses, be they the more advanced manufacturing industries or the outbound Hong Kong service industries, to develop markets in the Bay Area. I believe these measures can bring new areas of economic growth for Hong Kong.

Finally, I would like to respond to a very good point made by Mr CHAN Chun-ying earlier. He said that the Government has, unfortunately, failed to discuss the future global economic trends. I agree. I think the high-ranking government officials, as leaders of society, should pay attention to the global trends in macro-economics and technology. The book entitled *The Fourth Industrial Revolution* was released recently. I think the Financial Secretary would know that it is written by Klaus SCHWAB, founder of the World Economic Forum. The author mentioned many new technology trends, including various kinds of implant technology, wearable technology on arm and body, Internet of Things, artificial intelligence, big data and 3D printing, etc. I hope that the Government will pay attention to dovetailing its policies with these new trends. Apart from taking note of the economic trends, the Government should also consider how new technological trends will affect the job types of Hong Kong and their side effects on the career paths of young people.

Experts have pointed out that with the continuous use of big data, artificial intelligence and blockchain, some positions in the finance industry have been adversely affected, such as positions responsible purely for data analysis, economic analysis, risk management, tax calculation may be replaced by machines. Nevertheless, I have good news to tell Deputy President and Honourable Members, the book pointed out that one position which will not be replaced, namely, parliament members. The reason is that we are doing human work. I hope the Financial Secretary will also pay attention to this. Thank you.

**MR LUK CHUNG-HUNG** (in Cantonese):Deputy President, I will mainly speak on the tourism policy and the Life Annuity Scheme in this session.

"Diversified Economy" is the theme of this session. Among the four pillar industries in Hong Kong, tourism accounts for 5% of GDP and employs more than 300 000 workers, many of whom are in junior posts. Hence, when the Hong Kong Federation of Trade Unions ("FTU") proposed the policies of diversified economy and employment first in the past, it has repeatedly advocated the enhancement of the tourism industry and warned of the risk of resting on our laurels. Hong Kong, though renowned as the Pearl of the Orient, must improve itself to avoid falling behind.

Over the past few years, the global tourism industry has been dominated by a major trend, i.e. the rise of Internet makes it increasingly convenient for tourists to book tours, air tickets and hotels, as well as to find tourist attractions, hence bringing in an increasing number of new and premium tourists. Our tourism industry really cannot rest on its laurels anymore. The Government must face up to the problem of the industry emphasizing quantity over quality.

In the past, we always criticized against zero or ultra-low fare tours for they lead to coerced shopping and other sales malpractices. Yet, the Government and the Hong Kong Tourism Board ("HKTB") have been ineffective in supervision. Even if guidelines are set, they have never been enforced. As the problem of zero or ultra-low fare tours remains rampant, visitors arriving in high spirits are disappointed when leaving; the reputation of Hong Kong―the Pearl of the Orient―as a tourism city is damaged. When bad money drives out the good, it is time for the Government to face this problem squarely.

In my view, experiential travel and in-depth travel are the major trends in the new economy. Nowadays, travellers love to enjoy the nature and experience local culture when visiting other countries. Hong Kong is a multicultural city where urban and rural areas are in close proximity. This is a unique characteristic of Hong Kong which is rarely found in other cities of the world. I have in hand a brochure entitled "Old Town Central" published by HKTB on the special attractions in Central and Sheung Wan, as well as the history and culture of Hong Kong.

I specially mention this brochure because it is so popular that it often runs out of stock. Experiential travel, which I describe as searching for special places, indeed offers greater development potential than traditional tourism such as going to theme parks, shopping at brand shops and dining at famous restaurants. Tourists nowadays look for wider choices. Apart from producing promotional brochures, HKTB and the Government may use Internet or other channels to carry out promotional and marketing activities. Some accessory shop owners in PMQ told me that many customers were guided by the brochure "Old Town Central" to their shops.

FTU welcomes the Government's formulation, for the first time, of the Development Blueprint for Hong Kong's Tourism Industry which sets out short-, medium- to long-term initiatives and proposes the development of cultural tourism, heritage tourism, green tourism and creative tourism. We urge the Government to practically implement these initiatives, with inter-departmental coordination being particularly important. While the promotion of tourism falls under the purview of the Commerce and Economic Development Bureau, complementary support from different Policy Bureaux is necessary. For example, the Development Bureau may help tackle issues concerning the conservation and development of natural resources, and the support of the Transport and Housing Bureau is needed for the provision of transport services to unique attractions. In the case of Geopark, taxi is one of the transport modes recommended by HKTB, reflecting the lack of public transport to this scenic spot. Po Toi Island and Tung Ping Chau are also not conveniently accessible, with inadequate supply of water and electricity. Even local residents are suffering, not to mention receiving more tourists. Meanwhile, the Home Affairs Bureau should play a role in exploring the characteristics, monuments, cultural features and traditions of each district.

We can thus conclude from the above that the development of tourism in effect requires cross-bureaux and inter-departmental efforts to attain success. The Government should not consider the issue solely from an economic perspective which focuses on how to make the maximum profit. However, the development of tourism is more than money and jobs. It is also about building a sense of belonging and pride among Hong Kong people and facilitating exchanges between overseas visitors and local residents. With this thought in mind, both the professional tourism practitioners and the general public can make visitors feel at home. However, all these require great efforts from the Government. A free market is not same as laissez-faire. The Government must have a clear positioning in the promotion of tourism.

The authorities should, in addition to improving policy formulation and promotional efforts, give support to frontline tourism staff and package tours. According to HKTB, the proportion of tourists joining package tour has declined sharply over the years from 14% in 2012 to 6% in 2016. As I said just now, the zero or ultra-low fare tours have, to a certain extent, damaged the reputation of Hong Kong package tours, deterring some people from joining such tours. The emergence of self-guided tours has also hit the traditional package tours, posing direct impact on the livelihood of tour guides. Therefore, we suggest that the Government enhance its efforts to improve the New Tour Product Development Scheme under HKTB and encourage overseas travel agents to develop in-depth tourism activities with Hong Kong as the destination.

It is learnt that the Government will provide to HKTB $12 million for launching a pilot scheme to support tourism activities showcasing Hong Kong's local characteristics and $5 million for implementing a pilot scheme to promote in-depth green tourism. However, we consider these schemes insufficient. The provisions for these two schemes pale in comparison with the Government's injection of more than $5 billion to Disneyland expansion. As a matter of fact, the development of special or in-depth tourism products cannot solely rely on travel agents. Government resources, as well as assistance of local bodies, voluntary groups, rural organizations such as Rural Committees and local residents are also required. For example, it is a good attempt to launch the recent guesthouse project at Lai Chi Wo. How can we have more attempts of this kind? I think it can be done with more bottom-up efforts and greater support from the Government.

For visitors to have an enjoyable trip, the importance of people outweighs tourist attractions. For young people who intend to join the industry, factors such as whether frontline practitioners in the tourism industry can attain professional development, and whether the dignity and rights of the industry can be safeguarded, are vital. Over the past few years, frontline practitioners in the tourism industry have complained to me incessantly about some long-standing problems, such as unlicensed tour guides. Moreover, for tours via Hong Kong to the Mainland, local guides are very often not employed due to various reasons; hence local tour guides are losing job opportunities. Moreover, owing to the extremely low wages offered to tour guides by certain travel agencies, tour guides are indirectly compelled to coerce tour group members to shop by unscrupulous practices. As such, the quality of the tourism industry will be affected, and the interest of frontline practitioners in the tourism industry will not be safeguarded.

The Chief Executive highlights in the Policy Address that the Government will seek the Legislative Council's early approval of the Travel Industry Bill ("the Bill"). The Bill is well-intended as it seeks to step up the regulation of the industry and address the various issues mentioned above. However, as the representative of the labour sector, I must highlight the need to take into consideration the well-being and protection of frontline practitioners in the tourism industry when formulating the Bill. For example, as many frontline tour guides and escorts are not employees of travel agents, they are not even entitled to employees' compensation insurance. Nevertheless, when being abroad, risks may arise any time. For inbound tour guides and outbound tour escorts leading outbound tours, they can only submit themselves to fate and take out insurance at their own cost. The travel agents they work for may not provide them with any support in case of problems. In fact, this arrangement is very unfair to staff and may discourage people from joining the industry, impeding the development of tourism. In this regard, I think the Bill should set out clear rules and guidelines, particularly on the provision of employees' compensation insurance for frontline tour escorts and guides. It is far from sufficient to merely encourage travel agents to take out insurance for their staff. I must say that encouragement alone is ineffective. There must be clear guidelines so that tour guides and escorts, after joining the industry, can rest assured and work safely. In case of accident, they can have the necessary protection and assistance.

We are also concerned about issues related to outbound tour escorts. We may recall that in September, a one-day tour group to Panyu had an accident. As there was no accompanying Hong Kong tour escort to provide assistance, outbound local tourists were unfairly treated and many factors of uncertainty might arise. How will the Bill respond to this concern? In my opinion, the Government must respond to the aspirations of frontline practitioner in the industry. FTU will, depending on the situation, seriously consider if it would support the Bill.

I have spent quite a lot of time talking about tourism. Now, I will turn to discuss the issue of annuity. The last-term Government proposed a public annuity scheme to offer retirees with one more desirable option. The proposed annuity scheme will be operated by the Hong Kong Monetary Authority ("HKMA") instead of being privately-run. We think this proposal is in the right direction. The return rate under this annuity scheme is about 4%. I have asked many elderly friends and they are interested in this scheme.

Earlier, the Hong Kong Clerical and Professional Employees General Union published a report, stating that 75% of the respondents did not think their current personal savings, investments and retirement protection were sufficient to meet their retirement needs. We are thus greatly concerned about the retirement issue. Of course, we consider the introduction of a non-means-tested universal retirement protection scheme as the most desirable option. However, before such a scheme can be implemented, an annuity scheme run by HKMA can actually serve as a partial remedy, allowing retirees to receive a stable monthly income by putting a moderate amount of money into the scheme.

Yet, it is vital that the annuity received by the elderly should not be counted as part of their assets in the asset tests for social benefits, including the Old Age Living Allowance ("OALA") and the enhanced OALA. As a non-means-tested elderly benefits scheme is yet to be implemented at present, the means test is indeed a kind of punishment to those elderly persons with some savings. After a lifetime of hard toil, elders with a saving of several hundred thousand dollars cannot apply for any allowances, except the "fruit grant" to be provided for all elders aged 70 or above. The existing system is very unfair to those elders with some savings and have well managed their finances.

While the Government now proposes to implement a public annuity scheme to encourage investment by the elderly, can the amount of money invested into the scheme be exempted from being counted as assets? For instance, if an elderly person has an asset of $1 million and after he has put several hundred thousand dollars in the annuity scheme, he should be eligible to apply for various old age allowances. If this is the case, I think the elderly can enjoy a more stable retirement life before the introduction of comprehensive retirement protection. I hope that the Government will disclose the details of the annuity scheme as soon as possible and implement corresponding policies to tie in with the scheme.

I will speak again in other debate sessions on some other initiatives. I so submit and state in advance that I will support the Motion of Thanks. Thank you, Deputy President.

**MR WU CHI-WAI** (in Cantonese):Deputy President, the World Economic Forum published the Global Competitiveness Report ("the Report") in September this year, ranking 138 countries and places in the world. After the release of the Report, many media reported the high ranking of Hong Kong, highlighting that Hong Kong had moved up three places to the sixth this year. However, if we read through the Report carefully, we will find that Hong Kong only ranked 25th on "Innovation" and 28th on both "Capacity for innovation" and "Quality of scientific research institutions" under the item of "Innovation".

We have all along believed that tertiary institutions in Hong Kong are good at researches. Given that the Government has invested heavily to set up funds for promoting research and development ("R&D") in the past few years, we wonder why Hong Kong still failed to perform well in respect of "Innovation", "Capacity for innovation" and "Quality of scientific research institutions". This also reflects that by merely increasing the expenditure on R&D as a percentage of GDP from 0.73% to 1.5% in five years without formulating a clear direction, the resources invested may not the right remedy for enhancing the international competitiveness of Hong Kong in respect of "Innovation", "Capacity for innovation" and "Quality of scientific research institutions". This will be one of our major concerns in the next few years.

The Democratic Party therefore hopes that the Government will expeditiously set specific targets and produce some successful cases, so that members of the public and the sector will be convinced that it is not all talk but no action; instead, the Government is resolved to remove red tape and create a favourable environment for the development of innovation and technology. In fact, the removal of red tape is usually not that difficult technically. The key is how to break down the barriers of vested interests. Therefore, how to rebuild public confidence in the Government, effectively ease social confrontation and mend social dissension are surely the issues that the new Government must face squarely; otherwise, the removal of red tape will be greatly hindered by social conflicts and confrontation.

Unfortunately, regarding the most important task of reactivating the constitutional reform, the new Government has failed to provide any roadmap. On the contrary, it has stated that should circumstances allow, it will positively deal with the legislation for Article 23 of the Basic Law. The administration of Carrie LAM has not rightly identified the causes of social dissension and confrontation and has not addressed deep-rooted conflicts. These are the major reasons why the Democratic Party will not support this Policy Address. I will further elaborate on this point in the coming session on governance.

In the face of international competition, we must have sufficient talents for developing creative and technology industries, as well as the traditional pillar industries. Through exchanges, integration and complementarity, a favourable environment is created to enable the transfer of ideas into products with the support of technology, thereby Hong Kong can take the lead in the industries.

In the past, the Government often talked about the Silicon Valley in the United States, and today Shenzhen is mentioned instead. New York and London were also mentioned in the past. The success of these places actually lies in their ability to pool talents. This is the determining factor for a city to succeed in its economic development, especially in the development of diversified economy, creative industry and new economies. When I heard the Government saying that "the HKSAR Government will actively participate in taking forward the development of the Bay Area, so as to create favourable conditions for diversifying our industries, in particular for promoting innovation and technology development", I cannot help but ask how we are going to create favourable conditions for diversifying Hong Kong's industries.

In the 1980s, the reform and opening up of the Mainland attracted Hong Kong's entrepreneurs to go northward for investment and business start-up. These investment activities spurred the development of manufacturing industries in the neighbouring Pearl River Delta and yet hollowed out our local industries. Although the economy of Hong Kong was later restructured to focus on the service sector, the restructuring could not stop the hollowing out of Hong Kong's industries. In recent years, many Mainland talents have come to Hong Kong to pursue studies or engage in R&D projects but they eventually return to the Mainland for career development. It is known to many that the founder of the world's largest unmanned aerial vehicle manufacturing company once studied in The Hong Kong University of Science and Technology; however, he has achieved success only after his return to Shenzhen for business start-up and further researches.

This Policy Address proposes many initiatives on the future directions of Hong Kong's economic development. Nevertheless, on the most important issue, i.e. the pooling of talents, the Policy Address has failed to provide a clear roadmap as to how the Government can ensure that Hong Kong will not once again "sew a wedding-gown for another bride to wear" when it seeks to "empty the cage for new birds" and participate in the promotion of economic development in the Bay Area. I do hope that the SAR Government will understand this point and find effective ways for Hong Kong to pool talents for a true industrial diversification and prevent Hong Kong from repeating the hollowing out of industries in the 1980s. Currently, the economy of Hong Kong relies on the tertiary sector and the financial industry of this sector can easily move out of Hong Kong. We should therefore seriously guard against the hollowing out of Hong Kong's industries when we take this approach in economic development.

In our past discussions on the development of innovation and technology, the Democratic Party and I insisted on integrating such development with re-industrialization to include the elements of industrial production. This can tally with the characteristics of Hong Kong. In the process of re-industrialization, smart machinery, precision instruments or some advanced modes of production can be used in industrial production. These production modes can tie in with our desired industrial structure where high value-added industries take the lead; otherwise, Hong Kong, being a small place, does not have sufficient manpower to engage in general industrial production. The Hong Kong Government is duty-bound to provide sufficient incentives for the adoption of smart machinery, precision instruments or some other advanced modes of production in Hong Kong so that we can develop a production base to commercialize our R&D results.

This process requires the support of talents at different levels and in different fields. We must also give them room for development in Hong Kong. If the threshold we set only brings in R&D talents at the top echelons, the shortage of talents at other echelons will hinder the further development of Hong Kong. We must nurture a wide range of talents for every part of the industrial chain and encourage them to join the innovation and creative industries, giving them a vision of job opportunities and room for development. In order to attain success in the development of Hong Kong, an important factor of industrial diversification is that we must not only focus on nurturing top level R&D talents. We should instead establish a top-down industrial chain for talents at different levels to give full play to their strengths so as to improve the overall social atmosphere, thereby making Hong Kong an ideal place for the cooperation among the industry, academia and the research sector.

Lastly, I would like to talk about why the Democratic Party considers that a diversified economy is of vital importance. As I said earlier, a society is composed of individuals with different interests and capabilities and it is therefore vital for a society to develop in a pluralistic manner for different people to contribute to the community in different ways. Yet, apart from social factor, economic consideration is even more important. Some may suggest that Hong Kong should focus on the development of the financial industry as we have stronger edges in this area. Personally, I have no objection to making enhanced efforts for promoting the financial industry, but that is not enough. It is very risky for us to put all eggs in one basket. As a matter of fact, no one knows the onset of another financial crisis, and it will take us a long time to recover from another financial turmoil.

If we compare Hong Kong with Singapore, we will find that Hong Kong has been relying too heavily on the service sector. According to the statistics of the Census and Statistics Department of Hong Kong in 2015, the service sector accounted for nearly 90% of Hong Kong's GDP, among which the finance and insurance industry made up 17% and the import/export industry took up 22%. Meanwhile, the manufacturing sector only constituted 1.1% of our GDP. These figures clearly reflect the need for industrial diversification. In contrast, the service sector of Singapore only accounted for 70% of the country's GDP in the same year, with the manufacturing sector taking up 20%. The various industries in the manufacturing sector will become new impetus for economic growth at different times in response to global economic development and cycles.

In case of any economic turmoil or changes in the Mainland economy, the financial and other service industries of Hong Kong will inevitably suffer. Therefore, in my view, it is very important to develop a diversified economy, especially re-industrialization and reconsideration of factors of industrial production. I wish the Government will respond later by telling us how it will develop innovation and creative industries, invest its resources and pool talents together for implementing re-industrialization in Hong Kong in the new era of industrial diversification. Thank you, Deputy President.

**MR JIMMY NG** (in Cantonese):Deputy President, I speak in support of the Policy Address released by the Chief Executive on 11 October. Over the past one month, the community and the sector I represent have generally had a very high opinion of the Chief Executive's Policy Address, and they have at the same time placed great expectations on certain creative ideas in the Policy Address.

Following the delivery of the Policy Address, quite a number of organizations have conducted various public opinion polls, among which a telephone survey conducted by the Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong indicated that both the SAR Government and the Chief Executive enjoyed high popularity ratings, the performance rating of the Chief Executive stood at 57.2, and 43% of the respondents found her Policy Address satisfactory. In addition, 35% of the respondents expressed satisfaction with the SAR Government, a satisfaction rate that was 20% higher than that enjoyed by the previous Government in the same month last year. Regarding trust in the Government, 36.3% of the respondents indicated trust, a percentage higher than that of one year ago.

In addition, the Public Opinion Programme of The University of Hong Kong likewise conducted a telephone survey following the delivery of the Policy Address to ascertain the popularity ratings of the Chief Executive and the Government. According to the outcome, the net satisfaction rate concerning the performance of the SAR Government surged from a mere 1% in early October to 16%, a record high since 2008. The net satisfaction rates with livelihood and economic conditions increased by 9% and 7% respectively, and the net trust rate with the SAR Government increased by 7%. The popularity rating of Chief Executive Carrie LAM among the respondents even increased to 62, the third increase in a row since mid-September.

Deputy President, Mrs LAM has returned to the tradition as she chose to deliver her Policy Address at the first meeting of the legislative session of the Legislative Council. Such a move not only serves as a token of respect towards the legislature but also indicates the importance attached by the Chief Executive to improving the relations between the executive and the legislature. At the same time, the Policy Address mainly focuses on promoting economic development and improving people's livelihood, drawing on collective wisdom in a pragmatic and proactive manner to gradually fulfil her election pledges and manifest her new governance philosophy. This is conducive to encouraging people to step out of the political shadows of the past few years and promoting social harmony and stability. More importantly, in this year's Policy Address, the Chief Executive has accepted and responded to a series of proposals made by the industrial and commercial sectors, including myself and the Chinese Manufacturers' Association of Hong Kong that I represent. It is indeed commendable that the Government attaches great importance to the aspirations of the sector and adopts an open and pragmatic style of governance.

It can be said that removing obstacles is an important prerequisite for innovation in policy implementation. The industrial and commercial sectors have long been urging the Government to remove obstacles to facilitate the development of innovation and technology, and to provide assistance to small and medium enterprises ("SMEs"). We are pleased to receive a positive response this time around, such as the implementation of a two-tier profits tax system, which enables SMEs, including start-ups, to enjoy a profits tax rate of 8.25% for the first $2 million of their profits, and the increase of gross domestic expenditure on research and development as a percentage of our gross domestic product from 0.73% to 1.5%. Apart from benefiting local SMEs, the implementation of a two-tier profits tax system will also be conducive to attracting non-local venture capital enterprises to establish their bases in Hong Kong. This, coupled with the fact that Hong Kong is the biggest financial market in Asia, exactly caters to the demand of start-ups, thus ultimately bringing new momentum to the Hong Kong economy. Certainly, the sectors also hope that the Government will continue to formulate a long-term mechanism to support the development of industries in Hong Kong, and create a more favourable policy environment for re-industrialization.

I still recollect that in June this year, I raised an oral question on the structure and functions of the Belt and Road Office in this Council. This Policy Address has made a further reply, saying that to ensure that the Commerce and Economic Development Bureau will be able to take forward the work on the Belt and Road Initiative more effectively and on a sustained basis, the Government will provide additional resources to reinforce the manpower for its Belt and Road Office. Certainly, this is a good start, but at the same time I also think that the Belt and Road Office should coordinate various departments in providing tax assistance, so as to assist Hong Kong businessmen in conducting offshore production in countries and regions along the Belt and Road.

Offshore production involves a familiar subject, that is, under section 39E and section 16EC of the Inland Revenue Ordinance, no taxation deduction is allowable in respect of fees arising from the purchase of machinery, equipment and intellectual property rights, thus leading to the increase in operating costs of many manufacturers. While the commercial sector and taxation profession believe that the aforesaid situation does not represent the intent of the relevant legislation at the time of its enactment, such unfavourable consequences in terms of taxation nevertheless seriously affect the competitiveness of Hong Kong enterprises.

Earlier the Government announced the establishment of the Committee on Innovation, Technology and Re-industrialization to coordinate various issues, and the tax policy unit to be established will also explore the expenditure on innovation and technology. Despite the various positive initiatives proposed by the Government, the two sections of the Inland Revenue Ordinance I referred to just now will inhibit the possibility of business expansion on the part of local enterprises, such as the installation of production facilities in the neighbouring regions of Hong Kong under the blueprint for the Belt and Road Initiative.

As we all know, the Belt and Road Initiative is a national policy that our country is determined to pursue, and Hong Kong enterprises are encouraged to invest and set up businesses in countries along the Belt and Road. The commercial sector generally welcome the opportunities arising from the Belt and Road Initiative to deepen their development in the neighbouring regions of Hong Kong, but as Hong Kong enterprises are not allowed taxation deduction in respect of costs arising from the purchase of machinery and equipment, they probably have reservations about setting up plants and investing in machinery and equipment in countries outside Hong Kong. For this reason, under the principle of tax symmetry, Hong Kong enterprises, as the purchaser of machinery, equipment and intellectual property rights, should naturally be entitled to tax deduction in respect of the relevant costs. Assuming that Hong Kong enterprises and foreign processing parties agree on a transaction price which complies with the principle of transfer pricing, the profits earned by Hong Kong enterprises should have reflected the factor that they provide machinery, equipment and intellectual property rights to foreign processing parties.

Deputy President, the policy on industrial buildings has recently aroused great concern in various social sectors. In this connection, the Chief Executive has proposed to increase housing supply and perfect the home ownership ladder, and the specific proposal includes "exploring the wholesale conversion of industrial buildings into transitional housing with waiver of land premium". This policy not only responds to the aspirations of the industrial and commercial sectors but also alleviates the tight supply of housing for Hong Kong people, gaining two ends at once. At the same time, the Policy Address also mentions that the Government is reviewing the definition and coverage of "industrial" and "godown" uses in land leases. I think that the readiness of the Government to accept good advice will help resolve the thorny issue of lease breaches involving industrial buildings.

Alarm has again been sounded for our business environment, in which Hong Kong has always taken pride in. As indicated by a colleague of mine just now, according to the Doing Business 2018 Report released by the World Bank on 1 November, Hong Kong, with an overall score of 83.44, was already overtaken by South Korea, and dropped by one place over last year to the fifth place. While Hong Kong takes a high place in terms of business environment, we cannot deny that its ranking in this regard has been trending lower over the past several years. From 2011 to 2013, Hong Kong took the second place, being able to challenge Singapore, which took the first place. But from 2014 to 2016, Hong Kong dropped to the third place, and even further dropped to the fourth place in the ensuing 2017. Now it can only take the fifth place, having obviously been lagging behind. The SAR Government must be vigilant and strives to improve the business environment of Hong Kong.

In fact, a major factor leading to the drop of our ranking is the exorbitant fees for setting up offices in Hong Kong. Our lower scores in certain areas have led to the drop of our overall ranking to the fifth place. As a matter of fact, I queried, in my press article today, why the Government abolished last year the waiver of business registration fees, a measure which had been implemented over the past several years. I hope that in the upcoming Budget, the Financial Secretary will consider waiving business registration fees again. Such a move may help us take a higher place in the business environment report next year.

As an ancient saying goes, "one should correct mistakes if he has made any and guard against them if he has not". As Chief Executive Mrs LAM has kicked off her term of office in an innovative manner, I hope that the new Government will truly connect with Hong Kong people and embrace a better future.

Deputy President, I so submit.

**MR CHAN KIN-POR** (in Cantonese):Deputy President, the Policy Address comprehensively examines various important policy areas, and actively follows up various problems. Having assumed office for only several months, the new Government has performed so many tasks, reflecting that the Government is bold and resolute in making Hong Kong better. I sincerely hope that all policies that benefit Hong Kong will ultimately be implemented.

First, I would like to talk about the issue of the economy. Over the years I have all along advocated developing headquarters economy, which not only attracts foreign enterprises to Hong Kong to stimulate our economy but also creates many quality job opportunities for young people. Regrettably, the number of foreign companies or regional headquarters in Hong Kong in recent years has been trending lower instead of the other way around. I have put questions to the Government many times, and at the consultation exercise for the Policy Address I have advised the Chief Executive to explore ways to restore the confidence of foreign investors.

Finally, the Policy Address gives us some good news. This year the decline in the number of foreign companies in Hong Kong has reversed and the number is now increased to 8 200. Among them, 1 413 have their regional headquarters in Hong Kong, representing an increase of 2.5% over last year and a record high in recent years. I think such an achievement is attributed to the many tasks performed by the Chief Executive and officials in charge of financial and monetary affairs, including Financial Secretary Paul CHAN and his team. I hope they will continue with their hard work to produce good results for Hong Kong. I think the Government must make continuous effort to create a favourable development environment, relinquish passive approaches to investment promotion, and adopt the practices of certain countries, such as Singapore, in playing a proactive role, so as to attract companies all over the world to come to invest in Hong Kong.

In addition, the Policy Address says that the Government is actively encouraging the commercial sector of Hong Kong to participate in the development of the Belt and Road Initiative. In a recent interview, Secretary for Commerce and Economic Development Edward YAU indicated that a working team would be established to coordinate the Belt and Road Initiative, so as to promote business opportunities arising from the Belt and Road Initiative among the commercial sector of Hong Kong, and enable them to grasp opportunities to go global. In fact, it is a common practice in foreign countries that the government would assume a leading role in promoting economic and trade development, and the SAR Government has gradually changed the passive approach adopted in the past. I hope that the a coordinating team will not only undertake promotion work, but also take further steps to explore business opportunities for the commercial sector and lead them to explore local markets. In fact, if we can capitalize on the opportunities arising from the Belt and Road Initiative, the Hong Kong economy will have a new development engine, and many quality jobs will be created for young people. For this reason, Hong Kong should learn to adopt proactive approaches and grasp our opportunities.

Regarding the insurance issue, the Policy Address does not say much. Now, I would like to talk about problems that are of concern to the insurance sector. As one of the important industries of Hong Kong, the insurance industry has developed quite well over the past several years. But to facilitate the sustainable development of the industry, we must act correctly in terms of major policies. We must integrate with the Mainland and strive to become the bridgehead for international insurance companies to enter the Mainland. Given the huge insurance market on the Mainland nowadays, Hong Kong insurance companies need to develop the Mainland market in the long run, but non-local insurance companies, including Hong Kong-invested companies, must establish joint ventures with Mainland companies if they intend to start up business on the Mainland, and their shareholding shall not exceed 50%, thus deterring Hong Kong-invested insurance companies.

I believe that the Government should expeditiously seek approval from the relevant Mainland departments to allow Hong Kong-registered insurance and reinsurance companies or foreign-invested insurance companies with global headquarters or regional headquarters in Hong Kong to operate wholly-owned business on the Mainland or to allow them to have a majority shareholding in the joint-venture company. In addition, as Hong Kong-registered insurance companies have yet to enjoy national treatment and are still treated as non-local companies on the Mainland, the sector hopes that the Government will strive for better terms for Hong Kong, so that Hong Kong insurance companies will likewise enjoy national treatment. Even if they have yet to be granted full national treatment, a treatment better than that accorded to non-local companies will already be of great help. Not only do these proposals enable the insurance industry of Hong Kong to explore the huge market on the Mainland, but they also induce international insurance companies to establish regional headquarters in Hong Kong, so that Hong Kong may further develop into an insurance and reinsurance centre, and create more quality insurance jobs for young people, gaining various ends at once.

In addition, the insurance sector hopes that the Government can proceed with the mutual recognition of compliance requirements between the Mainland and Hong Kong. As Hong Kong and the Mainland has a separate set of compliance requirements for their insurance market, an insurance company operating simultaneously on the Mainland and in Hong Kong will have to follow two different sets of compliance requirements, and its operating costs will naturally be increased. In particular, following the operation of the Insurance Authority ("IA"), Hong Kong insurance companies have to face more compliance requirements. In addition, since the total amount of premiums on the Mainland is far higher than that in Hong Kong, foreign-invested companies naturally choose the Mainland, instead of Hong Kong, for establishing their presence in Greater China or when conducting organizational restructuring. This will be detrimental to the development of the Hong Kong insurance industry in the long run. For this reason, the sector hopes that the Government will promote a mechanism for mutual recognition of compliance requirements of the two places, so as to save huge compliance expenses, facilitate the operation of companies in the two places simultaneously, and enhance our competitive edge to attract foreign-invested insurance companies to establish regional headquarters in Hong Kong.

(THE PRESIDENT resumed the Chair)

The development of financial technologies is a general international trend, and the insurance industry also actively participates in it. According to the Policy Address, IA just introduced the Supervisory Sandbox in September. Insurance companies can conduct pilot trials of their technological initiatives before introducing them in the market, thus obtaining actual market data and information, and facilitating the expeditious launch of products and services. The sector welcomes this development. However, I must reiterate that following the introduction of more technologically-advanced products and services in the market, the manpower demand in the industry will naturally drop, and the loss of jobs will be inevitable. I hope the Government will face up to the problem by, for example, providing retraining opportunities, lest employees affected will not be victimized due to technological development.

According to the Policy Address, the Government plans to implement the Voluntary Health Insurance Scheme ("VHIS") in 2018 and will offer tax incentives for members of the public who procure such products. The insurance sector hopes for an expeditious implementation of VHIS and the provision of favourable tax deduction by the Government to encourage more public participation. In addition, the Government can also continue utilizing the mode of insurance to address the ageing problem in society. VHIS has become a good precedent to prove that the mode of insurance can be used to help address social problems, particularly social problems arising from population ageing. Such a mode has long been adopted in foreign countries. In fact, the Government can, through offering tax concessions, encourage members of the public to take out insurance related to people's livelihood, such as annuities, health insurance and education insurance, so as to make preparations for their future, thus reducing their reliance on public resources.

Finally, I would like to summarize my views on the Policy Address. I always think a society should treat families as its core. If most families live happily and joyfully, society as a whole will be happy and joyful, so the Government should treat families as the core in its policy implementation. Quite a lot of proposals in the Policy Address are oriented toward families, such as enhancing maternity leave, perfecting the Low-income Working Family Allowance and the Old Age Living Allowance, setting up a Commission on Children, providing more assistance to patients with uncommon diseases, increasing the supply of transitional housing, and introducing the Public Transport Fare Subsidy Scheme. I think these schemes will alleviate the pressure faced by different family members in their lives and address the existing social ills. If the pressure faced by various members of a family can be alleviated, the overall pressure faced by that family will be alleviated, and social grievances will naturally be alleviated. For this reason, the direction of the Government is absolutely correct, reflecting that the Government is resolute in making Hong Kong better.

My only disappointment is that the new Government has failed to incorporate "work-life balance" into its Policy Objectives. Given the immense livelihood pressure in Hong Kong, and the lack of upward mobility opportunities for young people, considerable grievances have been accumulated in society. In the face of such a situation, the Government can follow the practices of European countries and America in implementing "work-life balance" measures to help people enjoy life and cherish their families in addition to working, so as to enhance their satisfaction with life. The implementation of specific measures may be led by the Government, including flexible working hours, special casual leave, work from home and cultivation of hobbies. Regrettably, the Government has failed to do so. I believe that apart from striving to pursue economic development, we need to accord equal importance to "work-life balance" measures. Only by adopting a two-track approach can social grievances be dispelled.

I so submit.

**DR KWOK KA-KI** (in Cantonese):President, first of all, I should congratulate Carrie LAM because rumour has it that the Motion of Thanks in respect of this Policy Address will be passed. We certainly understand the reason for that. It is the first time that the Motion will be supported by a majority of Members returned by geographical constituencies and those returned by functional constituencies after six Members were being disqualified by the Government. However, does the Government feel ashamed that the Motion of Thanks can only be passed under such a circumstance?

It is unacceptable or even unpardonable for the Government to take the lead to influence the legislature as that is an important step to infringe or influence the separation of powers. Now that this shameful Motion of Thanks is passed under such a condition, I do not see why the Government should be happy. The Government claims that it has done a great deal to help the ordinary people, but I think the most eye-catching measure in this year's Policy Address is the monthly public transport subsidy of $300. Carrie LAM has demonstrated how to buy popular support with $300, but we all know that she is trying to use $300 in exchange for our hard-earned "one country, two systems".

Is the Financial Secretary leaving now? I am going to discuss with him the financial issues. Everyone sees how the Government is harming the people of Hong Kong. When the incumbent Government indicates its wish to resolve the housing problem, Carrie LAM talks about the Green Form Subsidised Home Ownership Scheme ("GSH") and caps the number of public rental housing units at 800 000. Why does she bring up this issue when talking about a diversified economy? The Government is very clever. As we all know, whenever we discuss economic issues, the Government instantly asks us where the money comes from. Over the years, the most outrageous or shameful practice of the Government is that it has all along relied on the revenue generated by real estate transactions. The Government on the one hand denies that it implements the high land price policy, but on the other hand what has it given us? Take for example the Land Sale Programme of the third quarter. The Government is going to provide 1 100 residential units and considers the number sufficient as 18 000 units were provided last year.

Members of the public have suffered great hardships over the years. Though the Government states that resolving the housing problem is its top priority, it has failed totally. Why do I say the Government is very clever in dealing with the economic issues? Hong Kong is formidable as it is the city where housing is the least affordable in the world, with the property price to income ratio standing at 18.1 times, meaning that people must go without food for 18 years before they can afford to buy a residential unit. We know that property price in Tokyo is high, but its property price to income ratio is only 4.7 times. As for Singapore which the Government always wants us to learn from, the ratio is only 4.8 times. Hong Kong's property price is threefold or fourfold of theirs. As such, how difficult it is for the Government to attain a diversified economy? All it needs to do is to ramp up property prices, together with the revenue from stamp duty and land premium, it will never lose. The only losers are all Hong Kong people and young people.

The current GSH is nothing but cheating more people. The Government on the one hand keeps saying that property prices are too high, advising people earnestly not to buy properties, and making unrealistic comments; yet, on the other hand, it builds more flats for young people, saying that they aspire for home ownership. Do young people really want to buy their own homes? Of course not. They aspire for home ownership because they are ineligible for public rental housing, and either their incomes have exceeded the income threshold for Home Ownership Scheme ("HOS") flats, or they may be unsuccessful in the ballot time and again, thus not being able to buy HOS flats. Without rental control, the landlord is only one who benefits. Young people, realizing that they have no future, can only live frugally for buying their own homes. They do not aspire for home ownership. The Government confounds right and wrong and arbitrarily says that young people aspire for home ownership. In fact, they just want a roof over their head. Many of them are forced to live in subdivided units or even subdivided units in an industrial building. It is easy for the Government to attain a diversified economy; all it has to do is to keep living off our past gains. Speculation in both the stock market and the property market is rampant and the Government reaps huge profit at others' expense.

Yesterday, at the meeting of the Bills Committee on stamp duty, I learned that the Government could collect over $60 billion tax revenue under the "curb" measures. In fact, the Government and property developers benefit most. Since property developers can provide a second mortgage, there are always buyers for their properties no matter how high property prices are. In other words, the Government and property developers jointly make money while all others are victimized, not only young people, but small and medium enterprises ("SMEs"), or even micro enterprises are being driven to a tight corner by the Government. How then can we have a diversified economy? As soon as the Government announced the conversion of the whole industrial building for transitional housing, property prices surged again, and even prices for industrial buildings have been pushed up. Will operators of small workshops in industrial buildings not be driven out as a result? Although a floor area of some 90 000 sq ft will be made available, the demand can hardly be met by the limited supply. The Government pretentiously claims that it is trying to help the people and commends some property developers for their generosity to allocate small areas of space in industrial buildings to be let out at low rents. All these are nothing but pretentions and hypocritical acts. We always hope that young people, as well as SMEs and micro enterprises can stand firmly on their feet, and it is a well-known fact that they are affected by high property prices and taxes.

Carrie LAM is very smart. Like "689", she announced the tax reform before the delivery of the Budget by lowering the profits tax rate for the first $2 million of profits of enterprises by 50%. Business operators of course are happy, but what about SMEs or other people? Some SMEs can never make a profit of $2 million. They are already hard-pressed by rent and property price. Mr SHIU has no reason not to know that. How can an enterprise make a profit of $2 million? What about the salaries tax? Even though only business operators are benefited, the Government thinks it has done its part.

Isn't it right that the Government has always been telling us that our tax base is narrow and that it must be widened? However, while saying that the tax base should be widened, the Government lowers the profits tax rate. When we press the Government for implementing universal retirement protection, it refuses for there is a lack of public funds. The Government does not have sufficient funds for elderly welfare and for health care services. As such, what good has the Government done to the people of Hong Kong? Why should we now have to thank the Government?

What exactly has the Government done? The various policies listed in the policy agenda are either old wine in a new bottle, or rectifications of the current major blunders. For example, in the past, applicants of Old Age Living Allowance or Low-income Working Family Allowance were required to fill out many forms, and now this requirement has been amended. The Government is simply correcting its past mistakes or doing what it should have done, but it acts as if it is granting great mercy to the people. More outrageously, the Government describes these measures as showing meticulous care. I really cannot bear with it anymore. Is killing people also a kind of meticulous care? How glorious can it be when the Motion of Thanks is passed at the Council with some Members being disqualified? What is worth happy about? What has the Government done that deserves our thanks?

The Government encourages young people to engage in enterprises that are "big lies and empty talks". According to the latest statistics, the Government on the one hand admits 6 000 to 7 000 professionals annually, and forces local young people to look for jobs in the Mainland on the other. Has the Government given them any support? Besides admitting 7 000 professionals, has the Government provided placement services for young people in Hong Kong? Without sufficient places in local universities, young people are forced to enrol in associate degree programmes. Under the so-called diversified economy, what measures has the Government taken to help the young generation who has lost hopes? They do not even have the chance to start businesses because the Government only cares about doing big business with property developers.

We told the Secretary for Development at the last meeting that at present there were 1 300 hectares of brownfield sites and over 1 000 hectares of land for Village Type Development uses over the territory. If these sites can all be used for housing construction, the problem of public or private housing can be solved. The Government must be aware of that but it takes no action and puts forward some unrealistic suggestions, trying to divert our attention to artificial islands in the central waters. How much time is needed to reclaim the land? Do we have to wait 10 or 20 years before such land is ready for occupation? I am afraid the site is still not ready for occupation until the day I die, and the 1 300 hectares of brownfield sites will still lay barren under the sun. The total area of the reclaimed artificial islands in the central waters is not even 1 300 hectares. The Government only asks people to do useless things.

What matters most to the overall economy is to ensure that there is money for big business. For example, in the past few years, there are a number of "white elephant" infrastructure projects involving billions of dollars. The Government will of course make sure that the bidders will benefit and hence many companies with Chinese background have bid for the contracts. However, it seems that such works projects are not enough as the works of the Guangzhou-Shenzhen-Hong Kong Express Rail Link Hong Kong Section and the Hong Kong-Zhuhai-Macao Bridge are about to complete and only the Three Runway System is in the pipeline now. Therefore, the Government must reclaim more land and implements more infrastructure projects to fatten up big consortiums. Members of the public want to have more protection. The last-term Government, hypocritical as it was, still proposed the implementation of universal retirement protection, though eventually it just procrastinated; but the incumbent Government is so shameless that it simply refuses to discuss universal retirement protection.

When we discuss the economy, we ask the Government to prescribe the standard working hours so as to enable the public to have a better living. However, the Government has turned a deaf ear and held no discussion with us. This Government is really rotten. While it keeps throwing out vague suggestions and asking people to do useless things, it gives no thoughts to solving the practical problems concerning the basic necessities of life, namely clothing, food, shelter and transportation. It just keeps putting up a show, thinking that the provision of $300 as public transport subsidy will make everyone happy and they will show gratitude to the Government. Yet, even a beggar from the Mainland got $500, but we get only $300, even worse off than a beggar. Worse still, one has to spend at least $1,600 on transportation a month before he is eligible to apply for the $300 subsidy.

I think this Government is not worth our support because it makes people now living in misery remain in dire straits. For those who have not fallen into an abyss of suffering, they have to thank the Government for GSH and other subsequent schemes, because they will very soon fall into great misery as they will have to work incessantly to repay the mortgage loans for the next 30 years. Eventually, owing to their negative asset, the Government will have to support them till they die.

I so submit. Thank you, President.

**MR ANDREW WAN** (in Cantonese):President, I am going to speak on the Motion of Thanks for the Policy Address. Just now in the Chamber or during the live broadcast, many fellow colleagues pointed out the various inadequacies of the Policy Address in different areas, such as people's livelihood, economy, housing, land, labour and welfare, etc. President, it is indeed somewhat difficult for us to thank the Chief Executive on behalf of the electors.

In this session, I will mainly speak on the area of economy. Since the Chairman of the Democratic Party, Mr WU Chi-wai, has already shared some views in his speech just now, I would like to focus on consumers' rights and interests. This topic was not touched upon by many Members. Amongst the stakeholders of the economy or economic activities, consumers and traders have opposite positions. However, it seems that not many fellow colleagues have spoken on this topic. Hence, I would like to talk briefly about this issue.

As far as the Policy Address is concerned, I think there are inadequacies in the work of the Government. The Policy Address talks a lot about the development of innovative technology and housing; but oddly, it has not mentioned consumers' rights and interests. President, after making strenuous effort, I can only find the word "consumers" in paragraph 80 where reference is made to promoting "eID", "foster the development of a new economic service model that place emphasis on direct interface with residents and consumers". That is all. What does that mean? Probably, people do not have a clear idea. Certainly, we guess Carrie LAM means that the new economic service model should be improved to catch up with new transaction model; but even if that is the case, it is still inadequate. At least, the Government has to focus its efforts on three aspects: first, the protection of consumers should keep pace with the times; second, the monitoring of consumer credit; and third, which has also been proposed for years, the cooling-off period for consumer agreement.

I have discussed with relevant departments and stakeholders on this subject during these two years when I served as a Member, but the progress has been slow. As we all know, with the advancement of technology, legislation on protecting consumers' rights and interests should keep pace with the times. However, most disputes that happened in recent years were related to online consumption or pre-payment mode of consumption. Over the past few years, the Democratic Party alone has already received many requests for assistance, involving major consumer traps or complaints. Amongst the cases that my office received last year, the one involving relatively more people―probably the Secretary knows about it as well―is related to the closure of an online shopping company. More than a hundred people thus approached us for assistance, and some $4 million worth of goods were involved. Going further back in time, when a fitness company ceased business, we had contacted some 300 to 400 victims and provided help to them to pursue the matter.

In fact, the above cases all ended miserably. According to statistics, over 35% of consumers failed to get back their money. As for those consumers who managed to get back their money, does it mean the cases were successfully settled? Not really. Luckily, those consumers paid by credit cards. Under the credit card chargeback mechanism, if consumers failed to receive the services or goods after making the pre-payment, they are entitled to certain protection. Therefore, protection is actually insufficient for the consumption chain as a whole or in this regard.

The Democratic Party has always advocated the establishment of a compensation fund for online purchase and pre-payment mode of consumption. The concept is actually very simple. For instance, the source of funding can come from the levy of a certain percentage from the business registration fee, and with government funding, the compensation fund can be activated. However, this proposal was not accepted by the Government. Although the Government now keeps encouraging the new economic mode and online consumption, many stakeholders or members of the public say that Hong Kong lags far behind in this respect as we only have Octopus. I might not agree to this comment. Does it mean that a place with massive electronic spending is mature in economic transaction? President, this is a myth. Why do we lag behind the Mainland? Why does the Mainland consider its development in this area is faster? In fact, as there is counterfeit money in the Mainland, people would rather trust electronic money than real currency. They prefer trusting Alipay to real currency. Nevertheless, from another perspective, Hong Kong is actually very fortunate and has its edges.

We ought to have a balanced mode of consumption. Online consumption is obviously a new model. While the Government should give encouragement, it should also strengthen the monitoring and look into ways to prevent fraudulent use. However, unfortunately, the relevant measures indicate that Hong Kong lags behind the prevailing situation, and that it is detached from the reality and the present modes of consumption. The Government is not doing enough in this regard.

The second point that I mentioned just now is the regulation of consumer credit. President, I trust you have also noticed that in recent years, the amounts involved in many pre-payment modes of consumption have amounted to some $200,000 to $300,000, not just several hundred dollars or $20,000 to $30,000. Such modes of consumption involve membership of beauty parlours or fitness clubs. When such a large amount of money is involved, consumers seldom―I will not say never―pay in cash; and the companies concerned often offer interest-free instalment plans to encourage spending. Therefore, consumers will easily be trapped. Just now, I also mentioned that consumers will be protected by the chargeback mechanism if they pay by credit cards. However, they will not be protected if they pay by interest-free instalments. This is because a new party, the money lender, has come in between the consumer and the service or goods provider, i.e. the seller. The transaction is actually paid by the money lender on behalf of the consumer. Therefore, the consumer actually owes the lender money, just that the latter does not charge an interest. Besides, there is a contract or a profit-sharing arrangement between the money lender and the service provider or seller, which is obviously a loophole.

A long time ago, the United Kingdom enacted the Consumer Credit Act. I have shared this information with Secretary Edward YAU. This is actually not a new concept. Great minds think alike. The Consumer Council has later made similar proposals. President, unfortunately, the Government stated in its response that it has not formed a view on this issue and would not make any commitment. It would conduct more studies. In this year's Policy Address, this issue is not listed as one of the topics for studies. I am thus rather worried that consumers' rights and interests will be lagging far behind and cannot be well safeguarded.

President, my last opinion on this issue is that the most effective way of protecting consumers is to implement the cooling-off period for consumer agreement as soon as possible. I trust you have heard about incidents concerning shops locking up consumers and not allowing them to leave; or beauty parlours promoting their products to clients who are wrapped in a towel after taking a shower, and not allowing clients to leave unless they spent money; or adopting semi-coercive means to market products by taking away clients' credit cards or mobile phones, or even holding them hostage and tiring them out. If the cooling-off period for consumer agreement is set, consumers can have a last line of defence during the consumption process and lawbreakers will not succeed.

In this connection, I have all along failed to understand why the Government is unwilling to implement the relevant measures. In fact, the Government put forward similar ideas when conducting the consultation on enacting legislation to enhance consumer protection against unfair trade practices in 2011. After looking up the record, I learnt that two serious problems occurred back then, involving timesharing vacation products and consumer transactions concluded during unsolicited visits. At that time, the Government proposed to introduce a cooling-off period, but the proposal remained a proposal as such. President, the study was conducted in 2011, but nothing is mentioned in the current Policy Address. No follow-up action has been taken after the completion of the study. I think this is a failure. Unfortunately, 50 people sought my assistance last month because of the time sharing vacation products that I just mentioned. I do not know how many times this vicious circle has to repeat itself before the Bureau comes to realize that the crux of the problem is the failure of setting a cooling-off period for consumer agreement. Hence, I hope the Bureau will not procrastinate anymore, and stop deferring specific livelihood issues or improvements of legislation concerning people's livelihood under the pretext of "conducting studies".

I so submit. Thank you, President.

**DR CHIANG LAI-WAN** (in Cantonese):President, every year when we discuss this topic, I feel quite frustrated and even very upset. Why? We often talk about a diversified economy. The Government talked about promoting a diversified economy in Hong Kong 20 years ago and many schemes were introduced then, but to our regret, all the schemes came to nothing and were all vanished today.

Let us look at Shenzhen, which is only separated from us by a river. Hong Kong's GDP was seven times that of Shenzhen 16 years ago but today, Shenzhen is catching up with Hong Kong. According to the latest statistics, Hong Kong's GDP is HK$2,480 billion and Shenzhen's is HK$2,200 billion. Those are the figures of 2017. President, Shenzhen will definitely overtake Hong Kong in 2018.

There were many opportunities available to Hong Kong over the past two decades. We had many opportunities but we missed them. I recall that in 1999, the Government proposed the Internet development project and the Cyberport project was introduced to develop Internet technology. However, the Cyberport project was eventually turned into a real estate project. At that time, the founder of Google was still doing research in a garage in California, and Facebook and Twitter were not yet known to the world. In the Mainland, Alibaba and Tencent were only in the development and research stage carried out by a dozen or so young people in an office. At that time, Hong Kong already had the software technology and talent, as well as a huge capital, but we fail to seize the opportunity.

I remember Mr TUNG once talked about his hope of developing Hong Kong into a "Silicon Port". At the time, such an idea got a lot of applauses but there were also people who raised objection. I remember when Taiwan Semiconductor Manufacturing Company Limited planned to manufacture silicon chips in Hong Kong, the project was flatly rejected for reason of lacking land. The company then set up business in Shanghai. Today Shanghai's silicon chip manufacturing industry ranks fourth in the world.

Besides, I still remember the Government's proposal to develop a Chinese medicine port. At that time I was responsible for the consultation work on the admission of professions under the Immigration Department, in the hope of identifying professionals for the development of the Chinese medicine port or Internet technology in Hong Kong. I remember that we admitted many top Chinese medicine professionals from the Mainland but what happened to the Chinese medicine port now? It has disappeared without a trace.

However, the Beijing Genomics Institute has taken root in Shenzhen, which situated on the opposite bank facing Hong Kong, and it has now grown into the biggest genome research centre in the world. Let us imagine: had we seized those three opportunities then, Hong Kong would have become the Internet centre, the silicon chip manufacturing centre and biotechnology research centre of Asia and the biggest exporter of Chinese medicine in the world.

The Government has always been convinced that Hong Kong must develop the financial industry. Two decades ago, the financial industry contributed 11% or 12% of Hong Kong's GDP. Now, 20 years on, it contributes 17.8% of GDP. The percentage has only risen a few percentage points in 20 years. What have been done by those developing the financial industry? I recall that Alibaba once wished to be listed in Hong Kong, but unfortunately, due to the non-compliance of certain conditions and systems, it could not be listed in Hong Kong. That is the attitude of Hong Kong: if you were not happy, you could go elsewhere for listing. So, in the end, Alibaba was listed in the United States. It is disheartening to see the loss of such opportunities.

What Hong Kong missed or discarded, Shenzhen accepted them all. Today, the excellent performance of Shenzhen is not only attributed to the Mainland policies, but also the fact that Hong Kong had not well developed those industries. Shenzhen has taken over the relevant industries and all Shenzhen officials should thank Hong Kong for that.

Today, many people have said in this Chamber that the development of Guangdong-Hong Kong-Macao Bay Area ("the Bay Area") provides a great opportunity for us. I wish to point out that many people from Hong Kong have gone to the Bay Area for employment and development in the past few decades. I think the Government should see clearly what major opportunities the Bay Area can offer. The major opportunity is to enable the products of the Bay Area to go global and that is our main direction of the development of the Bay Area.

At the 19th National Congress of the Communist Party of China, State President XI Jinping stated very clearly that enterprises which perform well in the Mainland must go global via the service industries of Hong Kong as Hong Kong is the biggest and best window to help the Mainland go global. Mainland enterprises not only come to Hong Kong for financing, but also for going global via Hong Kong. Hence, I hope the Government will continue to organize and conduct studies, telling Hong Kong investors what kind of quality products are available in the Mainland, and then providing help to make such products go global. There are actually many salespersons in Hong Kong, President. I used to be a good salesperson, travelling all over China and the world, selling Hong Kong products. Hong Kong used to be the biggest export port. Today, I will not talk about Hong Kong being an export port, transport port, etc. It is saddening when we mention that.

What is lost is lost; it is no use crying over spilt milk. Let bygones be bygones. But I very much hope that the Government must capitalize on this opportunity and no longer let opportunity slip by. What I am talking about is the development of an inno-tech park in the Lok Ma Chau Loop. The Government must not treat this as a real estate project. Not again. We must get a share of it, take up a piece of land and truly develop it into the Hong Kong-Shenzhen Silicon Valley, which will be bigger than the Silicon Valley in California. That is real business and it is the only way forward for Hong Kong. The products from the Bay Area are the future of Hong Kong's export business. I must make it clear here.

There is another very important thing. I have been talking about it for years. I am glad to see several Directors of Bureaux present here. There is a tremendous opportunity for Hong Kong to be the exporter of pharmaceutical products. Today, the technologies for manufacturing pharmaceutical product are very well developed in the Mainland. In particular, in 2000, the registered patents of many common drugs are beginning to expire. As far as I know, Mainland enterprises have imported many such drugs and are producing them in large quantities, mainly for local consumption at the moment and such products are yet to be exported. These enterprises are now satisfied as business is now very good. I have contacted some of these companies and encouraged them to set up production plants in Hong Kong. They replied, "We can only do so if Hong Kong welcomes us, right? There are no polices or measures in Hong Kong to attract us to invest there (in Putonghua)." As a matter of fact, these enterprises are very eager to have some part of their production done in Hong Kong, or have the final production process carried out in Hong Kong so that their products can be exported after packaging. Hong Kong is going to establish the Government Chinese Medicines Testing Institute and a building will be built for such purpose, right? This is what we should do. May I ask when the building will be built? I hope construction will soon be completed.

If we can develop one or two industries and bring in Mainland products by providing incentives for those enterprises, it is possible to raise our GDP, provide better welfare for the people, improve their livelihood, etc. We can also have plenty of money to implement more policies for the benefit of the people.

The financial industry is a direction for development but we must be aware that the industry is also faced with one problem, which is Shanghai or other places can take over Hong Kong anytime. Hong Kong is not the only place that can provide the relevant services. Other places can take over Hong Kong anytime. Hence, Hong Kong must have its own manufacturing industries. This is a chance, and if we do not seize it firmly, opportunity will not knock twice. Therefore, we must develop the Lok Ma Chau Loop and the Government must get a share of it by all means and truly invest in that region.

Moreover, we can also develop Chinese medicines or pharmaceutical products in the Mainland by making good use of Hong Kong's testing and certification services. If Hong Kong's testing institute can gear to the standards of international testing institutions, such as the FDA of the United States, or similar organizations in Europe, these products can truly go global.

Thank you, Directors of Bureaux and President.

**MR HOLDEN CHOW** (in Cantonese): President, I will express my views on the economic development.

President, I am always highly concerned about the development of the high value-added maritime services in Hong Kong, and I am glad to see the Government making more effort to develop this industry. In the last two decades after the reunification, the ship registration business in Hong Kong has experienced a rapid growth. The gross tonnage of ships registered in Hong Kong ranks fourth in the world. About 10% of all vessels in the world are registered in Hong Kong. However, in respect of the development of the high value-added maritime services industry, ship registration alone is not enough. We should also develop the industries of ship financing and marine insurance, etc.

It is pointed out in a study report published by the Financial Services Development Council, Hong Kong ("FSDC") in March this year that the total marine premium purchased in Hong Kong only represents 0.6% of the global premium, which totals at over HK$200 billion. Obviously, there is much room for further development in marine insurance business in Hong Kong. The FSDC report suggests the Government consider providing tax incentives to companies/organizations providing marine insurance services in Hong Kong. It is also pointed out in the report that Singapore is offering a concessionary tax rate of 10% to insurers for writing both onshore and offshore marine hull and liability risks and these incentives proved to be one of the success factors attracting international marine insurers and brokers to set up their businesses in Singapore. Hence, Hong Kong should also consider introducing this kind of tax concessions to marine insurers and brokers to attract them to set up businesses in Hong Kong.

President, it is worrisome that the marine insurance business in Hong Kong is showing signs of continuous shrinkage, as indicated by statistics. The number of authorized marine insurance companies in Hong Kong has fallen from 127 in 2000 to 80-odd in recent years. Apart from marine insurance companies, it is doubtful whether certain marine insurance organizations, including the protection and indemnity clubs, commonly known as P&I Clubs, can establish business operations successfully in Hong Kong. Some of these organizations have been operating for a long time and are world-renowned.

According to what I learn from members of the industry, the insurance regulating authorities in Hong Kong are highly inflexible, and sometimes even to the extent of nitpicking. President, according to members of the industry, the regulating authorities require companies to resubmit their annual reports just because they contain some trivial misspellings and typo mistakes. It is evident from this example that the regulating authorities may have overdone to the point of driving business away. President, if that is the way the work is handled, it is no wonder that Hong Kong cannot attract world-renowned international marine insurance underwriters and brokers to come here and set up business. Therefore, I hope that the authorities will follow up and review this situation and remove obstacles as appropriate. Only in so doing can we promote the development of the marine insurance industry and more effectively boost the growth of the high value-added maritime services.

President, it is pointed out in this year's Policy Address that the Government will provide timely services to overseas shipowners through its Economic and Trade Offices ("ETOs") overseas and in the Mainland, thereby enabling their Hong Kong-registered ships to set sail promptly. In fact, in June this year I proposed a related motion at the meeting of the Panel on Economic Development and the motion was passed. I welcome the Government's prompt response to this request in this year's Policy Address. However, I must point out that the relevant work is not sufficient. We have requested all along the Government to strengthen the 24-hour support, coordination and authentication services provided by the Marine Department for ships registered in Hong Kong. We have also proposed that the Marine Department should study as soon as possible whether part of the Director of Marine's power to sign the papers for exemption from authentication can be granted to other senior personnel of that Department to further enhance the efficiency. At the same time, I also urge the Government to look into the possibility of inviting more international maritime organizations to set up offices in Hong Kong to promote the development of high-value added maritime services in Hong Kong.

President, as regards the development of tourism, after years of waiting, the SAR Government has finally published a five-year development blueprint for Hong Kong's tourism industry and I believe the blueprint will have the approval and support of the tourism industry and the public. In order to urge the Government to more actively promote the development of Hong Kong's tourism industry, the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") also submitted a proposal this summer in the hope that the Government will consider its recommendations when implementing the blueprint for the tourism industry. Let me talk about some of our recommendations here. One of our recommendations is to compile big data of the tourism industry to help us understand the behaviour and preference of international and Mainland visitors, so that we can analyse the trends of the tourism market more effectively. It will also help the Government implement policies and measures more effectively in the future. We also hope that the Government will introduce the online visa application service to further facilitate travellers' visits in Hong Kong.

Moreover, I hope that the Government can also consider making more efforts in promoting multi-destination itineraries. I proposed a motion at the last meeting of the Panel on Economic Development urging the SAR Government to actively discuss with the Mainland authorities the facilitation visa arrangement for overseas visitors travelling to the Guangdong province after visiting Hong Kong. If the time limit can be extended, say from the present 6 days to no more than 10 days, more international visitors will be attracted to Hong Kong for experiencing a multi-destination travel.

President, as regards the Kai Tak Cruise Terminal, we hope that the Government will continue to introduce more measures to raise the utilization rate of the Terminal. We suggest that the Government introduce water taxi sight-seeing services in the neighbouring waters of the Terminal in the hope of attracting more visitors to use the Terminal.

In respect of regional cooperation, , the incumbent Government has, under the leadership of Chief Executive Carrie LAM, further strengthened the cooperation with certain places in the region to enhance Hong Kong's competitiveness. I approve and support this initiative of the Government. We notice that the Government is going to sign the free trade agreements as well as the investment promotion and protection agreements with the Association of Southeast Asian Nations ("ASEAN") this month. I believe that the Government realizes the importance of strengthening the cooperation with ASEAN countries to Hong Kong's future economic development.

President, since the Government is about to set up the third ETO in ASEAN countries, that is, set up a new ETO in Thailand apart from the existing ones in Singapore and Indonesia. I hope that the Government will give some more consideration to the future distribution of work among the three ETOs, especially the one in Thailand. I would like to express some of my thoughts in this regard.

Besides ASEAN, Southeast Asian countries and places have also formed the Greater Mekong Subregion ("GMS"), which covers Cambodia, Vietnam, Lao PDR, Myanmar, Thailand, as well as the Yunnan and Guangxi Provinces of China. GMS is expected to become another focal point of economic growth. Most importantly, Thailand is actively striving to become the centre and hub of GMS. According to statistics, Thailand's GDP per capita has jumped from US$1,997 in 1992 to US$5,815 in 2015. Under such circumstances, Thailand is actively striving to become the hub of GMS while flexing its muscles of economic growth.

After the ETO in Thailand is in operation, I hope that it will concentrate on dealing with the affairs of GMS. It is hoped that through the ETO in Thailand, Hong Kong will further strengthen its financial and economic relations with Thailand. If Thailand becomes the regional hub, we should make a head start in seizing the opportunities thus arise.

President, concerning the functions of ETOs, I have put forward certain opinions before, and today I would like to take this chance to talk about them again. I know that ETOs of the Hong Kong SAR Government have done a good deal of work but I still wish to put forth some suggestions which I hope they will consider. I have searched online how other countries' embassies help their fellow countrymen promote the economic and trade relations with the countries that they are stationed in. For example, we can draw reference from the practices adopted by the embassies of the Government of the United States in different places to help promote the country's economic and trade relations. For example, there is a programme called "Direct Line for American Business". The United States embassies will make appointments with officials of the local governments responsible for economic and trade affairs to answer online questions raised by American businessmen, including exporters, on problems they may encounter in exporting goods to that particular country.

President, I understand that ETOs have done a good deal of work and they may also have similar arrangements. But if such arrangement is not made, I hope ETOs will consider the above programme and see how they can assist the Hong Kong businessmen in increasing their exports or providing more services effectively. They may even help Hong Kong businessmen make effective investments in the ASEAN region too.

President, in the last part of this session, I would like to talk about the protection of consumers' interests. DAB has always wanted to expand the coverage of the cooling-off period in the contract and requested the Government to expeditiously set a timetable for follow-up actions in the hope that consumers' interests can be further protected.

I have the following suggestions as regards the enforcement of the Trade Descriptions Ordinance ("the Ordinance"). The amended Ordinance was implemented in 2013. As the coverage of the Ordinance gradually expands, members of the public have deeper understanding of the Ordinance, leading to an increase in the numbers of complaints filed and of the cases of law enforcement. In the past four years, the Customs and Excise Department ("C&ED") has prosecuted 300 cases, among which, the defendants in 28 cases were convicted. Such a result can be considered rather successful in terms of enforcement and prosecution. Between 2014 and 2016, C&ED handled 1 000 complaints on average each year by invoking the Ordinance, 975 cases in 2016 and 1 098 cases, the highest number of cases, in 2015.

President, I would like to point out that as more and more people know about the Ordinance, the invocation of the Ordinance will become increasingly extensive. The manpower establishment of C&ED should be increased accordingly but I notice that the number of C&ED staff responsible for enforcing the Ordinance has remained unchanged at 190 in the last three years. Hence, I hope that the Government will look into this situation: as more people have gained more knowledge about the Ordinance, the Ordinance has been more widely invoked. To protect the consumers more effectively, will the authorities consider increasing the number of C&ED staff or allocate more resources to C&ED so that it can maintain its efficiency in law enforcement? In this way, C&ED can further combat unscrupulous trade practices and better protect consumers' interests.

President, I so submit.

**MR CHRISTOPHER CHEUNG** (in Cantonese): President, Chief Executive Mrs Carrie LAM has, in her maiden Policy Address, put in much thought to strive for economic development and improve people's livelihood. She is also committed to solving the housing problem, an issue of grave public concern. Meanwhile, the Policy Address proposes to step up communication with young people to give them more opportunities to participate in government affairs, and seeks ways to mend social rifts. All these explain why the Policy Address has, since its delivery, been well-received and supported by the public.

In my opinion, the Chief Executive's vision for the future of Hong Kong has hit the nail on the head. She proposes that Hong Kong should capitalize on its strengths (i.e. the support of the strong Motherland and the characteristics of "two systems") and make all-out effort to support the national strategic plans, including the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area") development. At the same time, she suggests that innovation is important for maintaining the impetus of our economic growth and improve our living standard for a better future.

I would like to speak on the initiatives which seek to improve business environment and enhance our competitiveness. The Chief Executive has, in the Policy Address, shown great concern over the difficulties facing small and medium enterprises ("SMEs") and taken a bold move by introducing a two-tier profits tax system under which the profits tax rate for the first $2 million of profits of enterprises will be lowered to 8.25% instead of 10% as initially proposed. This initiative will ease the hardship of SMEs operating with minimal profits, and thus effectively enhance the competitiveness of Hong Kong.

Moreover, the Chief Executive proposes a significant increase in tax deduction for expenditure incurred by enterprises on research and development ("R&D"). Under this proposal, the first $2 million eligible R&D expenditure will enjoy a 300% tax deduction with the remainder at 200%. She has also set aside no less than $10 billion as funding for university research, showing her determination in promoting innovation to give Hong Kong new impetus in its future economic growth. This is the right direction which merits our support.

I am particularly impressed that the Chief Executive has stated explicitly in the Policy Address that the Government will take up the new role of a "facilitator" and a "promoter" in addition to its traditional role of a "service provider" and a "regulator". In other words, the Government is going to take a step forward and play a more active role in promoting economic development. Members of the sector and I myself have high expectations for the Financial Leaders Forum led by Financial Secretary Paul CHAN, hoping that it can act as a "promoter" to lead Hong Kong into the era of innovation and technology.

In this connection, I have earlier submitted a proposal to the Steering Committee on Taking Forward Bay Area Development and Mainland Co-operation, chaired by Chief Secretary for Administration Matthew CHEUNG, on the financial development of the Bay Area. I hope the Government will consider adopting some of the recommendations therein to enable our financial services sector to give full play in the Bay Area development and the Belt and Road Initiative, given that Hong Kong's competitive edge in the financial sector is interrelated with the development of both the Bay Area and the Belt and Road.

In August this year, under the framework of the Mainland/Hong Kong Closer Economic Partnership Arrangement ("CEPA"), the Central Government and Hong Kong signed the Agreement on Economic and Technical Cooperation ("Ecotech Agreement") to take forward new cooperation activities, including promoting the realization of Mainland enterprises issuing RMB-denominated stocks in Hong Kong, making use of Hong Kong platform to raise capital and promoting the full circulation of H-shares. The Ecotech Agreement further states that Hong Kong securities dealers will be given more opportunities to develop in the Mainland. Many of the measures proposed in the Ecotech Agreement can actually be introduced in the Bay Area under the early and pilot implementation approach to unleash the advantages and potential of Hong Kong. We can then board the economic express rail of our country and share the fruits of economic prosperity.

Following the introduction of Stock Connect between the Mainland and Hong Kong in 2015, the two places have increasingly frequent financial cooperation. In July this year, Northbound Trading of Bond Connect was launched in Hong Kong, giving us high hopes for the future two-way mutual access of financial products. I expect the SAR Government will step up its efforts to discuss with the Central Government to expand expeditiously more financial products for two-way mutual access, including the introduction of Southbound Trading of Bond Connect, Exchange Traded Fund ("ETF") Connect and even Primary Equity Connect. If these initiatives cannot be rolled out nationwide, they are suitable for early and pilot implementation in the Bay Area.

With the continuous development of the market, whether Primary Equity Connect can be launched expeditiously in Hong Kong is a prime concern of the sector. Once Primary Equity Connect is launched, foreign enterprises, as well as enterprises engaging in infrastructure construction along the Belt and Road countries, can capitalize on the advantages of our financial market to raise funds. Backed by a large liquidity pool in the Mainland, our financial market can give full play under this initiative, and our position as an international financial centre can hardly be challenged.

As the Central Government has recently signed the Ecotech Agreement with Hong Kong under the CEPA framework to give more room for Hong Kong securities dealers to develop in the Mainland, I hope that the Mainland will really open up its market to Hong Kong securities dealers, allowing us to set up offices in the Bay Area, exclusively operating the trading through southbound links under the current security system established for mutual stock market access, and assisting Mainland enterprises in financing by offering financial services such as listing in Hong Kong.

If Hong Kong securities dealers are allowed to set up offices in the Bay Area, they will have a better understanding of the Mainland market, which in time will facilitate their introduction of A-shares to the world. In other words, allowing Hong Kong securities dealers to provide services in the Mainland will not only open ups new business opportunities, but also facilitates outbound development of residents and enterprises in the Bay Area, as well as the development of the A-share market. The SAR Government should strongly recommend this win-win proposal to the Central Government.

President, the full circulation of H-shares promoted under the Ecotech Agreement is vital to the development of the financial market. It will greatly increase the liquidity of Hong Kong stock market as all the legal person shares and state shares held by the Mainland enterprises listed in Hong Kong will then be available for public investors in the form of H-shares. It is my hope that the ambit of this initiative will not be confined to the newly-listed H-shares but will include listed H-shares as well. Only then can the economic benefits of promoting the trading and reform of H-shares be maximized. Amid the fierce competition in this fast-changing world, we should capitalize on the sole strength of Hong Kong, which is the finance industry.

Meanwhile, I agree that all members of the Bay Area should push ahead with the development of green finance. On the one hand, this is in line with the country's recent policy of attaching importance to environmental protection and improving people's quality of living, and on the other hand, as residents of Guangdong, Hong Kong and Macao in the Bay Area live under the same sky, it is our bounden duty to work together to protect the environment and promote green finance. Moreover, our country has vigorously promoted green bonds in recent years, and banks, private enterprises and state-owned enterprises have given ardent support to this national policy. In 2016, the total amount of green bonds issued in China was valued at RMB200 billion, making the country leaped instantly to the top position in the world in terms of total issuance of green bonds. In view of this, Hong Kong, as an international financial centre, should make good use of the "first-mover" advantage to strengthen the development in green finance.

As for the insurance industry, it shares some similarities with the financial services industry in respect of development. With the increasingly frequent exchanges among residents of cities in the Bay Area, and coupled with continuous economic development in the region leading higher living standards, people naturally want to have wider choices of investment and insurance products. Therefore, I hope that in the near future, our insurance industry will be allowed to develop their business in the Bay Area moderately as in the case of the financial industry.

Finally, I must highlight that our overall economic development must move further towards the new economy by optimizing the use of innovation and technology to extend development opportunities. Take for example online authentication. There is indeed much room for development in Hong Kong, as the high standards of performance of various trades and industries in Hong Kong have gained worldwide recognition. With strong support from the Government, various trades and industries can make use of the boundless online platform to provide different services with the aid of verification or authentication technology, and support the development of the Belt and Road Initiative. Therefore, I expect the SAR Government to strongly support the trade to develop online authentication technology, and set up a Know-your-customer Utility for shared use. I hope that the current-term Government will resolve to help the financial sector open up the market in the Bay Area to bring a bright future.

With these remarks, President, I support the Policy Address of Chief Executive Carrie LAM.

(Mr CHAN Chi-chuen stood up)

**PRESIDENT** (in Cantonese):Mr CHAN Chi-chuen, what is your point?

**MR CHAN CHI-CHUEN** (in Cantonese): I request a headcount.

**PRESIDENT** (in Cantonese): Will the Clerk please ring the bell to summon Members back to the Chamber.

(After the summoning bell had been rung, a number of Members returned to the Chamber)

**PRESIDENT** (in Cantonese): Dr Junius HO, please speak.

**DR JUNIUS HO** (in Cantonese): President, I am very glad; I thank Mr CHAN Chi-chuen for ringing the quorum bell for me to summon more Members back to listen to my speech.

The theme of Chief Executive Carrie LAM's maiden Policy Address is "We Connect for Hope and Happiness", as opposed to "Make Best Use of Opportunities, Develop the Economy, Improve People's Livelihood, Build an Inclusive Society" of the Government of the previous term. The Policy Address is all-encompassing, covering housing, innovation and technology, education, poverty alleviation and participation of young people in politics. I believe that the majority of colleagues would agree that this has highlighted the pragmatic work style of the Chief Executive. I would also give special support to the Motion of Thanks.

With regard to economic development, the Chief Executive has expressly stated in her Policy Address that the Government would promote innovative economy while consolidating and enhancing the traditional economic industries and services. I support the Government's move to draw on the collective wisdom of relevant industry stakeholders through various channels and means so as to jointly sustain Hong Kong's economic achievements and seize the immense opportunities arising from the National 13th Five-Year Plan, the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area") development.

During the debate on the Policy Address of the last-term Government early this year, I talked about ways to complement the national Belt and Road Initiative. I would like to share with you my views on finding a way out for Hong Kong's legal services today. We can further complement the development of peripheral economies and complement the country's keynote of ruling by law by delivering legal services to their doorstep.

I will first talk about Hong Kong's current situation. As we clearly know, the Hong Kong Government has been spending considerable manpower and resources to formulate various policies to facilitate arbitration and mediation. The Department of Justice has also spared no effort in setting up a number of working groups to steer the work in this regard. However, while we are striving to provide cross-boundary enterprises with a quality business environment underpinned by the rule of law, we should never forget about developing good infrastructure. To put it simply, upon completion of their conversion works, the West Wing of the former Central Government Offices and the Former French Mission Building are expected to attract more foreign arbitration and mediation bodies to set up a branch or an agency in Hong Kong. However, in my opinion, our infrastructure in fact pales in comparison with other places. At present, an international innovation and technology hub would be developed in the Lok Ma Chau Loop ("the Loop") to promote innovation and technology. We should never forget that law is the basis of all industries. If the legal foundation is not properly laid, there will be dire consequences. It is said that the financial banking sector is the mother of all trades; I would rather call the legal sector the father of all trades.

Most of the infrastructure facilities in Hong Kong are currently located in Central. While talking about the convention and exhibition industry, a Member has just noted that only an area of 40 000 sq m would be released upon demolition of the three government buildings. However hard we may try, our convention and exhibition industry is basically no match for the Mainland's. Similarly, in terms of legal infrastructure, we have to be forward-looking and deliver our services to the doorstep of customers. Given that all eyes are now on the Bay Area, and thanks to our proximity to Shenzhen's Qianhai, if we do not strive to become the first mover in providing legal support services for the country, it is highly likely that we will be marginalized.

In fact, Hong Kong's strength lies in the rule of law. In the past 20 years, many people said that the rule of law had been turned into a mess, citing the multiple judicial reviews, unnecessary struggles and political disputes. However, in all fairness, the concept of the rule of law is still reasonably upheld in Hong Kong. While winning a court case would make us happy, we would accept the verdict even if we lose the case―which is the spirit of the rule of law. Hong Kong can lay a good foundation for our country's 1.3 billion people by providing a means to resolving disputes. As mentioned at the 19th National Congress, in order to sustain our development, it is necessary for Hong Kong to uphold the basis of "one country" and capitalize on the "two systems", take the needs of the country into account, explore our own strengths and constantly enhance our competitiveness.

Hong Kong's strength lies in our spirit of the rule of law, whereby many legal affairs have been handled in an orderly manner. Cross-boundary legal services predominantly involve arbitration and mediation. To further enhance our services, we should go beyond Central and make preparations for the construction of a large-scale, institutionalized mediation and arbitration centre in the Loop area next to Qianhai. The provision of one-stop services there will definitely contribute to the future GDP of Hong Kong. Although legal services only account for slightly more than 1% of the GDP at present, the crucial and important role of legal services, which support various sectors and industries, should never be neglected.

Let us compare with other places again. As I have just mentioned, Hong Kong has been constrained by its physical environment. Since our hardware infrastructure is far from satisfactory, we must make good use of and strive for new spaces. We may take a look at the international trend by using Singapore as an example. The arbitration centre of Singapore is of considerable scale. Some colleagues have just talked about its services. The Singaporean Government has been actively taking the initiative. For example, in view of the imminent Brexit, it had already identified this opportunity in advance. To seize the opportunity, it then sent representatives to the United Kingdom to ask if any help would be needed and to explore ways to sustain bilateral cooperation in the future. This well indicates the agile mindset of the Singaporean Government.

In 2016, the Singapore International Arbitration Centre received 343 new cases from parties hailing from 56 jurisdictions. The aggregate sum for all case filings amounted to US$11.85 billion. Among the cases, the highest amount involved in one single case was US$3.47 billion. From this, we can see that the Singaporean Government has given full support to the development of this industry without reservation. In fact, this industry has a direct bearing on the lifeline of the local economy.

Let us take a look at the situation in China. Take the year 2016 as an example. The China International Economic and Trade Arbitration Commission ("CIETAC") has handled 2 183 cases, nearly 80% of which are foreign-related. CIETAC's performance has far surpassed Hong Kong's arbitration services, which had processed a total of 460 cases in 2016. From this, we can see that the Mainland has already caught up and surpassed Hong Kong. Given its remarkable efficiency, CIETAC's arbitration work has established very strong credibility and international recognition. In view of this, we should grasp the current opportunity which may only knock once. An expert has forecasted Shenzhen's GDP to surpass Hong Kong's for the first time in the first quarter of next year. What do we feel about that? Before she assumed office as the Chief Executive, Mrs Carrie LAM had said that she would retire and no longer stay in her position as the Chief Secretary for the Administration. However, subsequently, she was not reconciled to the fact that Hong Kong might be defeated by Singapore despite our excellent conditions in general.

In fact, instead of losing heart, we should work even harder in order to catch up from behind. I support the Motion of Thanks. Using baby blue as its main tone, the Policy Address comes across as very soft and very positive. Although the Policy Address is not comparable to the Work Report delivered by the Chinese President at the 19th National Congress in terms of length, depth and width, it still contains some insightful and sound elements.

Lastly, I hereby make an appeal. Today's debate in the Chamber has been conducted in an amicable atmosphere. It would be the most desirable situation if Members could bury the hatchet and truly work for the well-being of the broad masses. Without any Member endlessly requesting a headcount today, the Council has more or less resumed to its normal state. The demeanour and style exhibited are commendable. I extend special thanks to Mr CHAN Chi-chuen. His request for a headcount just now has resulted in more Members returning to the Chamber to listen to my speech. He is well-intentioned from the outset. I so submit. Thank you, President.

**MR KENNETH LAU** (in Cantonese): President, Chief Executive Carrie LAM has been in office for three months. She emphasizes that she wants to focus on development, promote harmony and concentrate on improving the economy and people's livelihood. The first Policy Address delivered by the Chief Executive runs to some 49 000 characters and 275 paragraphs in total, answering the needs of different social sectors on all fronts. Its discussions of the economy, housing, education, innovation and technology, youth affairs and reform of the executive authorities, among other things, demonstrate the Chief Executive's new thinking and new style of governance. It is believed that the initiatives proposed in the Policy Address will help boost our economic growth, improve our business environment and solve the housing problem for our people.

Overall, this year's Policy Address does respond to the major demands of ordinary wage earners and small and medium enterprises ("SMEs"). As far as wage earners are concerned, the Policy Address actively responds to people's demand for "a roof over their heads", which is their prime concern, by proposing the regularization of such public housing schemes as the Green Form Subsidised Home Ownership Scheme ("GSH") and the Interim Scheme of Extending the Home Ownership Scheme ("HOS") Secondary Market to White Form Buyers, as well as the introduction of "Starter Homes" for Hong Kong residents. Covering transitional housing, public rental housing, GSH, HOS, "Starter Homes" and private housing, the Policy Address attends to the housing needs of people from all social strata.

As regards tax concessions for SMEs, the Policy Address boldly introduces a two-tier profits tax system whereby the profits tax rate for the first $2 million of profits of enterprises will be lowered substantially from 16.5% to 8.25%, while profits above $2 million will remain subject to the current tax rate of 16.5%. This will help reduce SMEs' burden and operating costs.

Next, I will talk about economic development first. President, there are some 330 000 SMEs in Hong Kong, accounting for over 98% of all local business units. They have created nearly 1.3 million jobs, which make up almost 46% of total employment. Given their flexibility and mobility, SMEs are often a driving force for social innovation, providing a platform for young people to show their creativity and start their businesses. Currently, all SMEs are talking about the development opportunities arising from the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area"), hoping to get a slice of the action under the country's policies. On 1 July this year, the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area was signed in Hong Kong between the National Development and Reform Commission, the Hong Kong SAR Government, the People's Government of Guangdong Province and the Macao SAR Government. Can our Government's policies and resource allocation, as well as our laws and regulations, help Hong Kong people seize the opportunities arising from the Bay Area? I wish to take this opportunity to talk about the policy on innovation and technology.

President, I would like to "rewind the tape": when I spoke on the previous Motion of Thanks and Budget last year, I already said that it was necessary for the Government to review legislation that impeded the development of innovation and technology and to provide incentives to encourage Hong Kong enterprises to increase spending on research and development ("R&D"), so as to catch up in the innovation and technology race. In fact, I am not the only Member who has expressed this aspiration. It is shared by Mr Charles Peter MOK, who moved a motion on "Reforming outdated legislation and promoting the development of innovation and technology" in the last legislative session.

A few months have passed; I am very glad to see that the Chief Executive has taken on board the opinions of Members and the sector, and proposed in this Policy Address eight major initiatives to promote the development of innovation and technology. These include increasing R&D resources by setting a specific goal to increase the Gross Domestic Expenditure on R&D as a percentage of the Gross Domestic Product from 0.73% to 1.5% a year, and providing additional tax deductions for R&D expenditure incurred by enterprises, with the first $2 million eligible expenditure enjoying a 300% tax deduction.

Moreover, in the Policy Address, the Chief Executive discusses attracting innovation and technology talent, technological research infrastructure, reviewing outdated legislation, opening up government data, popular science education, and so on. This shows the importance she attaches to the development of innovation and technology, but at the same time, it should be noted that as it takes time to implement such initiatives, the question boils down to whether the Government can overcome internal resistance and whether it has an innovative mindset. As the Secretary for Innovation and Technology once said, Uber's smartphone-based ride-hailing service is illegal but Uber's food delivery service is not. While this is legally explicable, this is something that users cannot make head or tail of. It is very important for Hong Kong to have a review of the relevant legislation, as it bears on SMEs' future survival and room for creativity.

President, today's world is experiencing a great era of big data and the Internet of Things. At a time when our country is advocating such strategies as the Belt and Road Initiative and the Bay Area, enterprises are thirsting for R&D professionals. Will Hong Kong's innovation and technology industries have enough practitioners in the next 5 to 10 years to realize the Chief Executive's vision of "connecting the upstream, midstream and downstream sectors of innovation and technology industries, thereby developing an international innovation and technology hub in the Bay Area"?

At present, I can see that the Government is determined to devote resources to achieve the vision, such as through the proposed $500 million "Technology Talent Scheme", but it seems that the Government has yet to formulate a directional strategy for innovation and technology human resources. How many data administrators, system analysts, designers, programmers and the like will Hong Kong need in the future? If there is a manpower shortage, what kinds of professionals are in short supply? In what ways should we bring in R&D professionals? How should we devote resources to nurturing such professionals? I hope that Secretary Nicholas W. YANG can answer my queries.

Innovation and technology is not only an industry but also a culture that affects people's way of life. I suggest that the Government should provide more opportunities for young people to go to the 11 cities in the Bay Area through exchange and internship programmes, which will allow them to come into contact with the innovation and technology development measures and regional cultures of different places, so as to acquaint them with the latest developments of our country on all fronts and broaden their horizons.

Next, I would like to talk about tourism. President, we should not look at tourism only from an industry perspective, for it is closely related to the policy areas covering the environment, transport and the city's liveability. The Policy Address proposes developing and exploring tourism products and projects with Hong Kong characteristics, including cultural tourism, heritage tourism and green tourism, with a view to offering diversified travel experiences under a sustainable economic model. To be honest, for villages in the New Territories, this is in fact an opportunity to drive infrastructural development through economic activities.

Given their unique topography, culture and history, many remote villages in the New Territories are very suitable for developing characteristic tourism. From October to December this year, the Heung Yee Kuk N.T. organized a total of five local guided tours, namely the "Tour of Double Haven in the Northeast", the "In-depth Tour of Long Valley and Tsung Pak Long", "A Walk on Tung O Ancient Trail", the "Tour of High Island Reservoir in Sai Kung" and the "Tai Tong Red Leaves and Heritage Tour", so as to enable more people to understand our rural tourism resources, village cultures, ecology and so on. The "Tour of Double Haven in the Northeast" in October took the participants to Lai Chi Wo and Kat O, and among the participants was Dr Bernard CHAN, Under Secretary for Commerce and Economic Development.

Actually, many places in the New Territories have potential for developing characteristic tourism. The Government should therefore deploy more resources to improve the facilities in those places and step up its efforts to promote those places to foreign visitors. Take Kat O, Sha Tau Kok, for example. It already has a tourist centre, and the Tin Hau Temple and cuttlefish balls made to a secret recipe on the island are worth recommending to visitors. If the Government can allocate resources to improve the pier, roads and tourist facilities on Kat O, not only can the island receive more visitors, but the Government can also improve the living environment for the local residents and revive the local economy. In that case, visitors can have one more choice and the villagers can have one more way out.

Speaking of remote villages, the Government has finally started facing up to the problem of inadequate facilities in villages in the New Territories and on outlying islands. The Policy Address proposes that the Government should, as part of its efforts to develop a smart city, provide subsidies to encourage telecommunications companies to extend the fibre-based network to villages in remote locations. This is expected to benefit nearly 170 000 villagers in 380 villages. Am I very happy? I actually have mixed feelings. On the one hand, I am gratified because this is a measure that benefits the people after all, but on the other hand, I cannot help but bemoan the fact that water, roads and sewerage systems are still lacking in remote villages in Hong Kong, a developed city. President, I want to cite two examples: in the case of Chek Keng Village, Sai Kung, which is situated within Sai Kung East Country Park, villagers often have to use the kaito ferry service to enter or leave the village, to which there is no direct vehicular access; and in the case of Tung Ping Chau, a designated Global Geopark, it is still very backward today, lacking running water and electricity.

From the villagers' point of view, the demand for infrastructure facilities is more pressing than that for broadband Internet access. Actually, I am not the only Member who has expressed concern about infrastructure facilities in remote villages. I know that Ms Alice MAK is also very concerned about this issue. How come the Policy Address says nothing about increasing the supply of water and electricity or building more roads and sewerage facilities for remote villages? Is it the case that the Government wants to isolate remote villages, so except for continuing to improve the public piers in the villages, it is not willing to pledge additional resources to improve rural infrastructure? I hope that the Secretary for Development can explain how the entire rural planning strategy is to be taken forward, and the priorities involved.

The Policy Address proposes establishing a Countryside Conservation Office to coordinate conservation projects that promote the long-term sustainable development of remote countryside. The Government will carry out relevant projects in Lai Chi Wo and Sha Lo Tung on a pilot basis, and has earmarked $1 billion for conservation and revitalization works. According to the briefing given by the Secretary, it seems that the Office and the $1 billion fund seek to accord priority to places of ecological value with a view to creating a few more successes like Lai Chi Wo. As for other villages of lower ecological value, I believe it will be fairly difficult for them to apply for government resources. An example is Kau Sai Village, Sai Kung: earlier, it managed to secure the assistance of the Lions Club, a community organization, only because of its own efforts.

President, I agree that Lai Chi Wo is an example of making good progress in conservation. The Hong Kong Jockey Club has also devoted quite a lot of resources to it, including allocating $50 million to restore the village houses there. Should the Government consider devoting a certain amount of resources to places of lower ecological value? Suppose we are unable to find any rare species of dragonflies or butterflies in a particular village; does it mean that we can ignore that village and let it perish? This will only make "the poor poorer and the rich richer". If not revitalized, many villages in the New Territories, regardless of whether they have so-called ecological value in the eyes of conservation experts, will be quietly consigned to the scrap heap of history after a generation.

President, the best approach is to keep both the houses and the residents. Only by doing so can the Government win applause. The last thing I want to see is a village left with only decrepit houses, broken bricks and gravel paths after the departure of all the villagers who have moved to urban areas to live and work. What is the point of conserving a village which has no house or resident but is only visited by tourists for Facebook check-ins, photo taking and war gaming on holidays?

After talking about rural conservation, I would like to turn to industrial land planning and brownfield sites. Many years ago, as there was a surplus of industrial land, the Government gradually rezoned industrial land for business use by revitalizing industrial buildings. But times have changed. In recent years, the Government has been encouraging the development of innovation, technology and high value-added industries, and the demand for warehousing, logistics and modern industrial sites has become increasingly keen. Besides, given the new policy recently implemented by the country against foreign rubbish, I believe the proportion of local recycling operations is bound to increase.

According to the estimates of the long-term land requirements as set out in "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030", there is still a shortfall of 300 hectares of commercial and industrial land in Hong Kong. The Policy Address does not propose any specific measures to solve the problem of inadequate industrial land. This has led to concerns about whether Hong Kong's land reserve is sufficient to meet the medium- to long-term land requirements and support the new re-industrialization initiative.

The Task Force on Land Supply has recently published data from a consultancy study commissioned by the Planning Department. It is estimated that there are some 1 300 hectares of brownfield sites in the New Territories. 540 hectares of them are located in Fanling North, Kwu Tung North, Hung Shui Kiu and suchlike areas, and have a higher potential for being consolidated for the release of land.

When it comes to handling brownfield sites, I wish to point out that when re-accommodating brownfield operations, the Government has to be cautious, pay close attention to policy developments in our country and peripheral regions, and reserve a sufficient number of sites for the recycling industry, logistics industry and high value-added industries for the purpose of industrial transformation or expansion. The Government should reserve more sites in this regard, and should not restrict the development of them. If it is necessary to use brownfield sites in the planning of new development areas, the Government must properly relocate brownfield operators, give them certain compensations, and reserve a sufficient number of sites to accommodate them and their operations. As for the proposal to accommodate brownfield operations in multi-storey buildings, the authorities should make calculations based on actual circumstances and reserve development space to allow operations of economic value to develop in the long run.

Lastly, I would like to talk about education and youth policies. As the saying goes, young people are the future pillars of society. We must properly nurture our next generation to lay a solid foundation for the future of Hong Kong. Since taking office, the Chief Executive has already rolled out $3.6 billion worth of education measures. This shows that the Government attaches considerable importance to investing in the future.

I am very glad that the Government has finally put things right by making Chinese History an independent and compulsory subject at junior secondary level. I recall that in the last legislative session, the first Member's motion that I took part in debating was the motion on "Requiring the teaching of Chinese history as an independent subject at junior secondary level". Some people may query whether this is a move to promote patriotic education, but in my view, it is a basic obligation of the people of a country to have a clear understanding of their country's history.

President, as I mentioned during the debate on that Member's motion, some schools have been teaching Chinese History and other subjects as a combined subject, leading to insufficient teaching hours for Chinese History. As a result, it is only taught in a perfunctory and superficial manner that can hardly arouse students' interest. This has in turn caused the number of students taking Chinese History at senior secondary level to hit record lows repeatedly. For this reason, and given that arts subjects are considered increasingly unimportant in society, the teaching of Chinese History is seemingly trapped in an endless vicious circle. The better one understands the country's history, the better one understands the inextricable relationship between Hong Kong and the country. Nonetheless, this move actually only seeks to make up for past deficiencies and mistakes, thereby allowing students more time to understand the historical evolution of their own country, as well as the development history of the Chinese nation.

President, apart from Chinese History, vocational and professional education and training ("VPET") has also been considered unimportant all along. According to a study report released by the Bauhinia Foundation Research Centre in September this year, nearly 70% of the students and parents surveyed had never heard of VPET. Although many respondents recognized the practicality of vocational education, they merely regarded it as an inferior option. President, this just goes to show that while a lot of people understand the message behind the saying "every trade has its master", they do not wholeheartedly agree with it.

The Policy Address undertakes that the Government will implement the recommendations made by the Task Force on Promotion of Vocational Education in 2015 for upgrading and promoting the existing vocational education to VPET, creating a professional image for it, and removing the existing bias in society. I very much hope that the Government can persevere and achieve a closer interface with manpower projections in launching programmes that can better meet future needs, so as to provide more pathways for young people and change the notion that "to be a scholar is to be the top of society".

As far as I am concerned, there is a rather significant breakthrough in youth policy. The Chief Executive pledges to address young people's concerns about education, career pursuit and home ownership, and encourage their participation in politics as well as public policy discussion and debate. As regards the Government's proposals to recruit young people to join the Policy Innovation and Co-ordination Unit, introduce a pilot member self-recommendation scheme and increase the ratio of youth members in government boards and committees, I think these are a good start, as they can directly bring in the voice of the younger generation so that the Government can more promptly and thoroughly understand the needs and aspirations of young people when formulating policies. As a first step, the Government has set the overall target ratio of youth members at 15%. This is an appropriate ratio, but in the long term, I hope that the Government will further increase the ratio by including more young people in different advisory bodies on a continuous basis. In doing so, the Government can nurture political talent while getting assistance in policy formulation and implementation.

President, as I said during the Budget debate in the last legislative session, even one case of student suicide is already too many. However, since the day I said it, eight more students had committed suicide. The Government cannot evade this issue. Earlier, in response to such incidents, some groups marched barefoot from the Legislative Council Complex to the Chief Executive's Office. The demands put forth by them are not unjustified. For example, regularizing the stationing of social workers in primary schools is a very reasonable demand. Under the current policy of hiring guidance personnel or social workers through tendering, coupled with the requirement of conducting one tendering exercise every three years at most, it is difficult for students and parents to build a good and relatively long-term relationship with social workers. I am no expert in this regard, but as a parent, I also feel that the existing system only permits superficial guidance. Given that primary students are faced with more problems today than ever before, is the Comprehensive Student Guidance Service still really effective? I hope the Government will think about this carefully and commence an in-depth study of student suicides expeditiously. More support is needed to prevent such tragedies from happening again.

With these remarks, President, I support the Motion of Thanks moved by Ms Starry LEE.

**MR SHIU KA-FAI** (in Cantonese):Regarding economic development, the slogan of the previous Government is that it aimed to be a "super connector", and the slogan of the current Government is that it aims to perform the roles of a "facilitator" and a "promoter". I am pleased to hear such slogans. As Hong Kong is a small economy, we will not be able to enter another market without the help from the Government.

Regarding the two major development projects of our country in the future, namely the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area, government support on various fronts is needed. Many members of the commercial sector hope to participate in the two projects, but they do not have a good understanding of the policies and laws concerned. How should Hong Kong perform the roles of a "facilitator" and a "promoter"? I know that the Hong Kong Government has already set up offices in various major cities, and I believe such offices will take the pulse of the cities where they are located, and bring the information on the relevant policies and laws back to Hong Kong. The Government should organize more seminars to enable the commercial sector of Hong Kong to better understand the relevant situation.

In fact, the Mainland is our biggest market, and the wholesale and retail sector to which I belong is facing various problems involving the Mainland. For example, live chickens and other live poultry of the Mainland have not been supplied to Hong Kong for 30 months, and the local sector and the relevant Mainland authorities are unable to reach a consensus through negotiation, so the Government must provide assistance.

My second point is related to the dried seafood industry. Since the promulgation by the Mainland government in 2012 of the Catalogue of Animals and Plants, and Animal and Plant Products Prohibited from Being Carried or Posted into the People's Republic of China (Announcement No. 1712), many aquatic products have been prohibited from being carried into the Mainland. However, many dried seafood products in Hong Kong are imported from the Mainland, so why are our products prohibited from being transported to the Mainland? I believe the SAR Government should perform its role as a "facilitator" in this regard.

Third, the value of products allowed to be carried across the border back to the Mainland by a Mainland visitor is subject to a ceiling of RMB5,000, which has not been raised since 1996 when the policy was introduced. However, as we all know, the living standards of people on the Mainland have been greatly improved since 1996. If this requirement can be relaxed to allow Mainland visitors to carry more products back to the Mainland, retail sales in Hong Kong will, I believe, benefit, and in turn Hong Kong people will benefit.

In addition, the SAR Government talks about the removal of obstacles. I know that the authorities will soon review the restriction on powdered formula. I would like to point out that the authorities imposed the restriction on powdered formula for the purpose of ensuring the adequate supply of powdered formula for local mothers and children. At present, the Hong Kong Infant and Young Child Nutrition Association and the [Hong Kong General Chamber of Pharmacy Limited](http://www.google.com.hk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=0ahUKEwjospOR3uXXAhVKxrwKHfbbA0wQFggyMAI&url=http%3A%2F%2Fwww.fhb.gov.hk%2Fdownload%2Fpowderedformula%2Fsubmissions%2FO008.pdf&usg=AOvVaw34bEcNTeotcBi3TQd1GIuQ) have both undertaken to ensure that Hong Kong mothers can get adequate supply of powered formula within three days. For this reason, I hope that the SAR Government will expeditiously abolish the restriction on powdered formula, so that the world will once again see Hong Kong as a free economy.

Just now certain Members talked about setting cooling-off periods. I think the imposition of cooling-off periods is not suitable for every industry. If cooling-off period is imposed, I believe it will run counter to the proposal of the Policy Address on removing obstacles. As such, I hope that the authorities will think it through.

Finally, I would like to talk about foreign labour. Hong Kong will simply be unable to pursue economic development if there is a shortage of labour. Since all industries such as retail, wholesale, catering and transport face manpower shortage, we will be unable to pursue economic development if we fail to import foreign labour. I will talk about this issue again at the next session. Thank you, President.

**DR PRISCILLA LEUNG** (in Cantonese): President, this is the first Policy Address delivered by the Chief Executive after assuming office. Hong Kong has been governed by four Chief Executives since the reunification. During my service as a member of the Legislative Council, Hong Kong has been governed by three Chief Executives.

The first-term Chief Executive Mr TUNG Chee-hwa, who came from the business sector, had tried hard to find a way forward and encountered a lot of difficulties. The second-term Chief Executive Mr Donald TSANG was a former civil servant. His financial management and governance philosophies fully reflected that we were crossing the river by feeling the stones before the reunification, trying to solve whatever problems that had arisen. This is actually the first lesson we learnt when we studied public administration at university. However, Mr TSANG lacked long-term planning. The third-term Chief Executive was Mr LEUNG Chun-ying, a professional from the political sector. It seemed that he wanted to take some remarkable actions. I once pointed out that he seemed to be moving a mountain with a shovel when he took office. There were many big mountains in front of him and the difficulties were immense at that time. We acknowledged the efforts he made in some respects, especially in respect of people's livelihood and housing.

The incumbent Chief Executive is Mrs Carrie LAM. I trust her for she has extensive experience in public administration. Her nickname is "a good fighter" but I think that Mrs LAM is not only "a good fighter" but also extremely hardworking, and she intends to make some achievements. The district visits she made are certainly comparable to those made by Legislative Council Members. In response to her appeal, Secretaries of Departments and Directors of Bureaux have also frequently visited the districts and they are warmly received by the public.

During the Chief Executive election, Mr LI Ka-shing once used the analogy "Nuwa patches up the sky" when referring to new Chief Executive, and asked who was going to patch up so many problems and shortfalls in Hong Kong. Everyone seemed to think that he was alluding to Mrs LAM. Nowadays, the Chief Executive must be able to see things far ahead and hear voices a long way off. Public officers can hear well as they have frequently visited districts to listen directly to the voices of the public. In this way, they can win the heart of the people and hear the real needs of the community so that the Government will not work behind closed doors. However, if they only hear well but are not farsighted, society may still be riddled with many problems.

Crossing the river by feeling the stone has it merits, as evidence by the fact that Hong Kong was successful in the past, yet the demerit is that the previous governments had left behind the housing and education problems. Some problems were not apparent back then, but they are apparent 10 years later. When discussing how to solve the livelihood and welfare problems in Hong Kong, we should make reference to the provisions of the Basic Law. The Basic Law stipulates that Hong Kong must maintain the capitalist system and the status of a free port; it must strive to achieve a fiscal balance and maintain a low tax policy. I believe these are important bases for Hong Kong to become the Pearl of the Orient. Therefore, I do not want Hong Kong to lose these advantages.

On this premise, the Chief Executive has once again risen to challenges and created a new situation. It seems that the Policy Address is highly supported and well understood by members of the public. This may have something to do with the frequent district visits by public officers; at least, my constituency has benefited.

Shortly after assuming office, the Chief Executive inspected the Whampoa waterfront in my constituency. When she was the Secretary for Development, she was responsible for the development of the Whampoa waterfront, turning the deserted land into a waterfront area. She took the initiative to tell me that she was also concerned about water quality and the problems relating to ferries and water-borne transport in the area. I think she is pretty good and she remembers the needs of the community. On the same day, she also visited some residents in Ka Wai Chuen. Although these actions may not have immediate effects, the importance of listening is emphasized. The civil servants concerned and District Officer are going to visit every place. I think this is really a good practice and should carry on.

(THE PRESIDENT'S DEPUTY, MS STARRY LEE, took the Chair)

In the long run, when facing immense difficulties such as the housing problem, an ageing population, downward mobility of the middle class and the youth problem, which is the prime concern, how can we grasp the opportunities for development? If we fail to grasp the opportunities for development and just focus on discussing how to solve the existing problems, 10 or 20 years later, when we formulate policies, we have to bear the consequence of today's shortcomings.

The youth problem is the prime concern and it should be discussed first. Hence it is listed in the first and second debate sessions. In fact, the problems of retirees and an ageing population are also related to the first and second debate sessions. When we consider how to deal with these problems and achieve a fiscal balance, we must consider the economic structure which falls within the scope of futurology. Various trades and industries including the business sector, professionals, universities and the political sector are considering the issue of passing the baton to young people. The prosperity of Hong Kong today is attributed to the efforts made by the previous generations. Although there are difficulties at times, such as Occupy Central and Mong Kok riots, Hong Kong fares fairly well on the whole. When I visited the Mainland, I told Beijing officials that the present problems were not too serious and could be dealt with. We only had to address such problems squarely and resolve them.

When compared with the neighbouring regions, Hong Kong's political stability and sound economic structure are still appealing. The question is how we can do better. In particular, we should be most concerned about young people. When we talk about great opportunities, can young people see such opportunities? We are now making efforts for them but can they take up the baton? After two to three decades, it is time for them to take the lead.

I would like to tell young people of Hong Kong that the whole world is changing, and the whole generation is also changing. We all say that the Mainland economy is blooming; yet a friend of mine from the Mainland, who worked in a major firm after becoming a qualified accountant, suddenly quitted his job and went to Wuxi to learn how to make teapots. He attained some success later. His teapot is sold at RMB10,000 each as Wuxi teapots are really famous. It turns out that nowadays, young people think differently. I will discuss the issue of assisting young people in acquiring properties if I have a chance later on. Young people want to get job satisfaction and they are passionate about life; can we satisfy them? I have a student who became a pupil after graduation, but he told me after completing the Bar Examination that he did not want to be a barrister. Instead, he wanted to run a wine cellar and spend a year or two experiencing life because he thought that attending court frequently was boring. That is how young people think; they want to make their own choices. His decision may be conducive to his future development because he may choose to develop in a particular profession after he has engaged in other industries.

The Chief Executive mentions in the Policy Address "Connecting with Young People" and she also proposes that young people may become members of specified boards and committees by self-recommendation. The Government will also revamp the Central Policy Unit and appoint 20 to 30 young people. A large number of people attended the consultation forum yesterday.

However, I think that is still not enough. Unfortunately, there is a popular saying in the community: "Carrie LAM has the heart to achieve something, but young people do not care". I feel sad upon hearing that. Where are their hearts? This is a red heart and I believe we all have the heart. It seems that there is only one Member present on the other side. There is a lock in the heart of young people, how can we open the lock? In fact, there are many keys, including the housing and education policies, as well as informing young people how hard the former generations worked. I believe there must be a key that can unlock the lock in the heart of young people. I do not want to say there is a ghost in their heart as the situation may not be so negative. Young people are just a little confused. After Occupy Central, I believe at least 80% of young people really want to get out of the deadlock and we should help them.

Many trades and industries, including the business sector, are keen to help young people. I have met with some young people with different political views. They have no idea about their next move. They asked me what exactly they had done wrong. When they saw enthusiastic young people being imprisoned for political ideals, they asked me again what they had done wrong. I told them that I had also joined the student union and had also criticized the Government. Young people at the age of 17 or 18 must have critical thinking and they dislike the Government and the establishment. This is really very normal, but they must bear in mind that only the minority are in such a plight. If they have the chance, they should take a wide path but not a narrow path or even a high-risk path leading to jail.

The imprisoned young people have made three mistakes. Although we are willing to give them some room, they had crossed three bottom lines. First, the bottom line of the rule of law; second, the bottom line of civilization; third, the bottom line of the country. Needless to say, they crossed the bottom line of the rule of law during Occupy Central. When the student movement started, they followed the saying of Prof Benny TAI of the University of Hong Kong, took the risk and violated the law. They were wrong at the outset.

The second bottom line is the bottom line of civilization. We saw on the Internet that some young people using vulgar language to hurl abuses. Some of these young people, being chairmen of student unions, should have lofty ideals. Why did they insult Chinese people when they spoke? They had crossed the moral bottom line of Hong Kong people and that was very offensive and annoying.

The third bottom line is the bottom line of the country. There are many things that can be done, why should they promote "Hong Kong independence"? While smart people make commands, stupid people take actions. Some young people, holding banners, booed the national anthem. As their actions have been shot, they have to shoulder responsibilities. We know someone behind the scene provoked such actions, but as the saying goes, "the intelligent speaks, the idiot takes actions". They are accused of colluding with the most radical "Hong Kong independence" advocates. We must use different tactics, both soft and tough, to deal with these young people. While we can be lenient to young people, we must act tough if they have violated the law. I hope the Government will address this issue from several aspects such as education.

I commend this year's Policy Address for Mrs LAM has really honoured her promise by giving the Chinese History subject an independent status. We have discussed this issue in this Council many times and teachers of Chinese history have asked us to strive for making Chinese history an independent subject and not to be taught with Western history. Hence, we put forward these views and Mrs LAM has now honoured her promise, which is commendable.

However, the Liberal Studies subject is not mentioned in the Policy Address. I hope this subject will be dealt with in the next policy address or before the delivery of the next policy address. The Chief Executive also mentioned in her election manifesto that the Government should review the assessment criteria. As a mother of two children, I experienced in 2009 how difficult it was to study the Liberal Studies subject.

I do not want to talk too much about the past but I would like to state my viewpoints. First, we have seen today the aftermath of the Liberal Studies subject. University students sat for the Liberal Studies examination when they were senior secondary students. Too bad, Liberal Studies is a compulsory subject and students have no choice but to sit for the examinations. I would like to tell the pan-democrats, whenever I visit the districts, other than the middle class, some secondary students will enthusiastically ask us to keep voicing their views. They hope that Liberal Studies will not be a compulsory examination subject because studying this subject has taken up all their time, and they do not have time to revise other subjects such as Physics and Chemistry.

This compulsory subject exerts immense pressure on students. I often say that students should be given choices; will the Government consider changing Liberal Studies into an elective subject? In addition, the compulsory questions in the examination are often about highly controversial political issues. Therefore, I propose setting a syllabus. As a compulsory examination subject cannot suddenly become an elective subject, a syllabus must be set. Besides, compulsory questions should be deleted, and if we must have compulsory questions, we should not ask students about issues that are not conclusive in society or highly controversial. Students may not have the experience for the assessment. If a compulsory question is "the relation between democracy index and economic competitiveness", can the Secretaries answer this question? Is the person who designed the question paper highly detached from reality or is he assessing doctoral students? Regardless of political views, these questions are inappropriate for secondary students. The authorities can set up workshops for those who are particularly interested in certain subjects, but inconclusive issues should not be asked in examination or included in the curriculum. Hence, a syllabus must be set and I hope that Mrs LAM will honour her relevant pledges made in her election manifesto.

Second, in respect of education, we have to nurture our students to have international and national perspectives. International perspective means competitiveness. I hope that education in Hong Kong will not be spoon-fed. If the Government wants to include the national anthem in primary and secondary education, an outcry will immediately be aroused because the public will immediately think of spoon-fed education, and students may have to sit for examination as well. Everyone says that education in Hong Kong is a failure, do we need to make some changes?

*Super China* is a documentary series produced by a South Korean television station. It is reported that more than 67 000 companies started business on the Mainland and the directors of these companies are all young people. The documentary specifically mentions LEI Jun instead of MA Yun whom many people are familiar with. LEI Jun has always dreamt of becoming Steve JOBS, so he researched day and night with some young people and he eventually created Xiao Mi, a very competitive mobile phone. He is just an ordinary person, but he has a dream and his dream has eventually come true.

In recent years, many young people have dreamt of home ownership. I understand that they want to buy properties to solve the housing problem. I will discuss the housing problem later in another debate session. I do not think that buying properties can solve the housing problem, instead I think it is a risky investment. Young people should not give up their ideals for the sake of buying properties. In fact, there are many kinds of ideals. LEI Jun and Steve JOBS initially only worked in a garage, they succeeded because they had enthusiasm for their work and they had ideals. They might not necessarily be bound by the traditional academic system.

Therefore, education drives economic development. We often talk about the Guangdong-Hong Kong-Macao Bay Area and the Belt and Road Initiative. Professionals and entrepreneurs have also visited these countries. However, do young people think that these initiatives have anything to do with them? How can we make them realize that these initiatives have something to do with them? Traditional academic education may not be the best way out. Perhaps we can arrange more successful people to share with young people how they have attained success. I heard that some people run advertising businesses in some countries and they are very successful because they almost have no competitors. These people may not have attended universities but they are very talented.

As I mentioned earlier, education drives economic development. I once visited a small town near Hangzhou known as Deqing. Honourable colleagues may not have heard about the place but the famous Mogan Mountain is in Deqing. I have a deep impression of this place; there are a lot of cultural heritage and many young people start their business there. Young people really like the place because it is quiet and beautiful and they do not sense any pressure. The Government also encourages business start-ups by young people.

On the other hand, there are many high technology centres in the town. The Government provides artificial intelligence, driverless vehicles and big data to attract young people who have ideals and want to start high technology businesses. Young people do not have to invest their own funds. The local government also builds schools to attract young people as their next generation can study there. The town has the most advanced artificial intelligence technology and also turns the most ancient culture into a brand. Such a double-track system can also preserve the characteristics of the town. Should Hong Kong learn from this town?

Many people say that they want to be environmentally friendly but they have not thought of how to achieve transformation. It is good for them to have the idea of breaking a new path, making criticism and taking risks. If they can transform this thinking into creating Hong Kong brands, enterprises and productivity, this will be our wealth.

Young people blame us for not understanding them while we blame them for not understanding us. We should not blame each other but we should try our best to fill up the gap. As in the case of the Liberal Studies subject that I have just mentioned, we should try our best to help students.

Lastly, I would like to talk about the elderly. As the Chief Secretary is present, I would like to commend him for his popular proposal. If an insured person pays a lump sum premium of $1 million, he will receive an annual pension of about $5,800 per month. I hope the Chief Secretary will enhance this proposal to benefit middle-class retirees.

Furthermore, we conducted a survey. Among the 319 respondents, 70% were male and 236 were retirees; 90% of the respondents stated that government support was inadequate; 50% hoped that the Government would help them find jobs. Basically, all of them were retirees aged over 65 but 50% of the respondents still had to work, i.e. they did not choose to work but were forced to work. They hoped the Government would consider providing them with more support. I think people aged around 60 who are about to retire strive to make progress, so the Government must consider developing the silver hair industry. The Government should not merely consider how to spend money and give out money. It must know exactly "how to spend" and "how to earn." To earn money is not money-oriented; instead, it reflects that the Government has long-term vision and is ready to help capable retired elderly people to join the workforce again. These elderly people can act as advisers and help young people with their experience, abilities and networks. The Government can consider introducing policies that allow two generations to give full play to their strength and expertise.

Lastly, I hope that the Chief Executive, besides being able to hear voices a long way off and see things far ahead, can also help open the lock in the heart of young people, so that young people will no longer think that society is not treating them well. I hope that the Chief Executive, the Government and young people will jointly open the lock in the heart of society

Thank you.

**IR DR LO WAI-KWOK** (in Cantonese): Deputy President, 2017 is an extraordinary year for Hong Kong. This year not only marks the 20th anniversary of Hong Kong's return to the Motherland but also the smooth establishment of the fifth SAR Government. All sectors of society naturally have high expectations on the first Policy Address delivered by the Chief Executive, Mrs Carrie LAM.

Honourable colleagues from the Business and Professionals Alliance for Hong Kong ("BPA") and I have submitted a total of 225 proposals to the Chief Executive. We are pleased to see that this Policy Address has responded to quite a number of aspirations of the community. For example, it has adopted over 100 proposals of BPA and introduced a series of measures to support small and medium enterprises, promote innovation and technology industries, increase the supply of housing and land, improve the housing ladder as well as promote social welfare, people's livelihood and youth development. This shows that the Chief Executive is gradually honouring the pledges in her Election Manifesto. She has portrayed a blueprint for the administration of the current-term Government and demonstrated her new thinking and new style of governance. The public's general impression of the Policy Address is that it is pragmatic and proactive, focusing on development and improving people's livelihood. The responses from all sectors of society are rather positive. BPA expects the SAR Governmentto work out policy details as soon as possible and make adequate provision of resources in the Budget to be announced at the end of February next year. The detailed policies will then be submitted to this Council for discussion. We also hope that Members from different political parties and groupings will take into account the overall interests of Hong Kong when conducting practical deliberation, so that the relevant policies can be implemented expeditiously to open up a new situation in the development of Hong Kong. I believe this is also the general public's reasonable expectation of the SAR Government and the Legislative Council.

According to the Chief Executive, in the face of competition from other economies, Hong Kong must develop a high value-added and diversified economy, capitalize on the opportunities arising from the national Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area and leverage our edge under the "what the country needs, what Hong Kong is good at" policy in order to generate new impetus for our future economic development. I believe this is also the consensus reached between the business and the professional sectors. The question is how this can be done and how this can be done in a better way. The Chief Executive states that the Government will actively create favourable conditions for this purpose; in particular, it will step up efforts to develop innovation and technology in eight major areas. We are pleased to see that the Government has responded to the aspirations of BPA by proposing that the first $2 million eligible research and development ("R&D") expenditure will enjoy a 300% tax deduction with the remainder at 200%. The Government will also increase resources for R&D and it has set a goal to double the Gross Domestic Expenditure on R&D as a percentage of the Gross Domestic Product ("GDP") from 0.73% to 1.5% within five years. However, given the aggressive R&D investment by other neighbouring economies, BPA is of the view that the SAR Government should, having regard to the prevailing circumstances, set longer-term targets such as raising the relevant ratio to 2.5% in the next 10 years, so as to encourage the development of the innovation and technology industry. I am really pleased to hear the remarks made by Secretary for Innovation and Technology Nicholas YANG in reply to my relevant oral question at the Legislative Council meeting on 1 November that "our target to increase the percentage of R&D expenditure to the GDP to 1.5%, if not higher, is not out of reach".

Deputy President, the development of the innovation and technology industry involves the establishment of a holistic innovation system. This not only requires adequate allocation of resources and long-term development strategies, but also the recruitment and nurturing of talent in order to yield twice the result with half the effort. Regarding the relevant advisory bodies of the authorities, such as the Chief Executive's Council of Advisers on Innovation and Strategic Development to be set up, I opine that the membership should include world-class technology experts and entrepreneurs. The terms of reference of such bodies should include taking on board and responding to the aspirations raised by members of the technology sector of Hong Kong over the years; formulating long-term and comprehensive strategies for innovation and technology development; promoting the commercialization of technological achievements, industrialization of commodities and internationalization of industries, and formulating key performance indicators concerned. At the same time, the authorities should make innovation and technology manpower planning, such as compiling specific statistics and forecasts on the relevant manpower demand, formulating education and training strategies for local talent on this basis, as well as providing measures to attract overseas technological professionals to Hong Kong.

Deputy President, promoting the development of smart city is closely linked with the development of the innovation and technology industry. As announced by the Chief Executive, the Government will make public the Smart City Blueprint for Hong Kong within this year, ahead of the original schedule. It will invest $700 million to push ahead with key infrastructure projects. BPA welcomes and supports such measures. Nonetheless, I think the Government should speed up the implementation of the "Wi-Fi Connected City" programme in line with the development trend of a smart city and big data. It should also promote the opening up and application of public data, including fully opening up planning data such as the Territorial Population and Employment Data Matrix for reference by the industries concerned and application in public and private projects. The Government should also promote green infrastructure planning. When implementing new development zones, the Government should conduct advance planning for software and hardware infrastructure such as communications, pipe networks, smart home and green construction. It should also make use of innovative technologies and big data to conduct proper planning for transportation, health care, environmental protection and elderly services, striving to create a green and low-carbon smart community.

Deputy President, to fully capitalize on the opportunities brought by the national Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area"), the business and professional sectors in Hong Kong should develop the Lok Ma Chau Loop into the "Hong Kong-Shenzhen Innovation and Technology Park" and establish an international innovation and technology hub in the Bay Area. Another important task is to promote professional service cooperation between Hong Kong and the Mainland. I am pleased to see that the current-term Government has clearly stated in the Policy Agenda that the authorities will develop new markets for our professional services by extending our presence on the Mainland and along the Belt and Road. It will also allocate more resources to promote Hong Kong as a platform for providing professional services and a centre for dispute resolution services for the Belt and Road countries. In addition, it will continue to pursue with the Ministry of Commerce for provision of further opportunities for Hong Kong's consultant companies to take part in more and different types of construction projects, and expansion of their scope of work by allowing them to perform "full-range" Hong Kong-style services from project planning to completion.

I think the Government can at least start working in two major areas. Firstly, in order to meet the arduous demand for professional services arising from the Belt and Road Initiative, the Government must strive for the mutual recognition of professional qualifications in Hong Kong, in the Mainland and countries along the Belt and Road. In the long run, unified international standards must be set and the Government must strive for Hong Kong enterprises being given national treatment similar to Mainland enterprises and received relevant policy and financial support. Secondly, the SAR Government should actively discuss with the Mainland authorities to expand the cooperation in the provision of professional services between the two places. This includes providing one-stop consultation and support services to assist Hong Kong professional services companies in establishing companies in the Mainland; assisting Hong Kong companies and Mainland enterprises to jointly tender for large-scale national and multinational projects; assisting Hong Kong companies to participate in regional R&D cooperation and strive to become the preferred service platform for Mainland enterprises going global, so as to enable all kinds of professionals and enterprises of all scales in Hong Kong to gain more experience and grasp more opportunities.

Deputy President, Hong Kong has the unique advantage of "one country, two systems" and being in close proximity to the country, Hong Kong is in a favourable position to grasp the opportunities brought by the national Belt and Road Initiative and the Bay Area development. To turn such opportunities into business opportunities for cooperation between the two places, more active efforts should undoubtedly be made by the governments of the two places and the business and professional sectors. BPA has repeatedly urged the SAR Government to strive for the establishment of a coordination mechanism led by national leaders at a higher level with closer connections to solve the difficulties of "big doors are open, but small doors are shut" faced by Hong Kong sectors in developing the Mainland market. This will not only promote the sustained economic development of Hong Kong but also provide an excellent upward mobility opportunity for the new generation.

Deputy President, the amendments proposed by a few non-establishment Members are merely subjective political statements with biased wordings and contrary to objective facts. Honourable colleagues from BPA and I can hardly agree with these amendments, let alone support them.

With these remarks, Deputy President, I support the original motion moved by Ms Starry LEE who is Chairman of the House Committee.

**MR MICHAEL TIEN** (in Cantonese): Deputy President, I have a habit of following up with the relevant Policy Bureau for every subject and actively striving to get results. However, in recent years, I realized that very often, issues which have significant effect on the long-term development of Hong Kong cannot be solved by one single Policy Bureau; at least two Policy Bureaux have to work together to get better results. My speech today concerns all Directors of Bureaux present here. Whenever I put forward a proposal to a Director of Bureau, he always says that he can only do that much, as the other aspects of work are not within his purview. Can the Government set up a cross-bureau panel comprising of different Directors of Bureaux? Deputy President, things should not be done in that way.

The theme of this debate session is "Diversified Economy". Why is diversified economy relevant to all attending Directors of Bureaux? First, I will talk about the relationship between production and manpower. Which came first, the chicken or the egg? The Education Bureau provides talents through conventional education and vocational training, but whether people will enrol in a course depends on whether there is a career pathway upon their completion of the course. The Education Bureau has not assigned any public officer to attend this session today, which is most unacceptable as each area of a diversified economy requires talents, but the public officers responsible for providing human resources are absent now. I think this arrangement is most unwise. May I ask other government representatives to convey this comment to the Secretary for Education because whenever I discuss this subject with him, he will always refer the matter to other Directors of Bureaux.

To make things simple, I will first discuss vocational training. At present, two out of 10 Secondary Six graduates will enrol in vocational training courses. What do young people like to study now? Not mechanical maintenance, not lift maintenance or vehicle maintenance. Deputy President, you may not believe it. The most popular vocational training course among male students is, surprisingly, beauty care and hairdressing. Can you believe it? Many young people are interested in beauty care and hairdressing; they have no interests in academic studies, but beauty care and hairdressing allow them to give play to their creativity.

The Government has introduced pilot schemes for vocational training. When a person enrols in a course as an apprentice, the Government will pay the employer $2,000 a month for three years. As such, the employer is willing to employ an apprentice who is studying or an inexperienced person, while the apprentice can get a job and gain experience. The employer also has to commit to paying the apprentice a fixed salary in future so that he will get a full time job.

Two out of 10 Secondary Six graduates have keen interest to enrol in beauty care and hairdressing courses, but such courses are not available in our vocational training scheme. Thus, I asked the Secretary for Education how the problem could be resolved. Deputy President, what did he say to me? He said that the trades had to take the initiative to contact him. If they did not do so, what would happen if no company would provide the relevant job opportunities for the apprentices after he had provided funding for introducing the courses? The Secretary has a point, but the problem is that there is no one in some trades to assume a leading role. I do not know who will take the lead in the beauty care and hairdressing trades. Therefore, I now earnestly ask the Secretary for Commerce and Economic Development and the Secretary for Education to discuss and explore how to encourage more trades to participate in the pilot schemes. Young people like certain trades and the question is whether the Government will take the lead to do something. If the Secretaries have tried their best, but the trades ignore them and refuse to participate in the schemes, I will not make further comment. I am only speaking out the wishes of young people.

Deputy President, this session is not meant for discussing education issues, but why did I make such remarks? The reason is that after the apprentices have completed their vocational education, they should have opportunities to practise what they have learnt, right? Regarding conventional education, local students comprised half of all post-graduate students 10 years ago, but they account for only 20% now, why is that so? After the Education Bureau has subsidized students in taking post-graduate courses, no Policy Bureau has assisted them in finding jobs. Recently, the Innovation and Technology Bureau established the "Postdoctoral Hub" under which scientific research companies would be given a monthly subsidy of $30,000 to employ a doctor for two years. If the company pays $20,000, the doctor will get a total payment of $50,000 and they may be interested and will consider the option. This is a good measure and I believe the number of people interested in taking doctorate courses in innovation and technology will increase in the future.

(THE PRESIDENT resumed the Chair)

However, has the Government done the same for graduates taking subjects in Arts and Social Sciences? Which Policy Bureau is responsible for providing employment assistance to post-graduate students? If no Policy Bureau is responsible, what are the reasons for that? The theme of this debate is "Diversified Economy". Innovation and technology is one relevant area and there are other areas. Recently, a graduate with a master degree in Anthropology works as a cashier in a bookshop, earning $10,000-plus a month. Is that a waste of talent? Although I studied science and business courses, I understand that a society cannot do without humanities studies. At present, a very serious problem has arisen in Hong Kong, that is, fewer and fewer people are interested in humanities studies.

A society without humanities studies lacks a historical perspective, suffers from political apathy and lacks human care; all these may affect the development of industries. For example, in the creative industries, a good script makes a good movie while a change in the cast is not a big deal. Both the films *Little Big Master* and *Dangal* shown earlier have profound meaning concerning inter-personal relationships. They make us realize that choices considered important by some traditional societies or parents are not necessarily the best for the next generation. Thus, I ask other Policy Bureaux to support the Education Bureau in encouraging more local students to enrol in post-graduate courses in different fields so that Hong Kong people will have more substance. I hope that students will not only consider enrolling in MBA courses. If everyone is only interested in MBA courses, that will be disastrous, won't it? What shall we do about it?

President, I will now talk about new economic growth. The six new competitive industries mentioned earlier  I do not remember what they are, I think they include testing  I forget what such industries are and cannot name them now. Anyway, the Government considers that it has done the work by mentioning the competitive industries, and it does not mention them now. It does not matter that the Government has failed to promote the development of new industries; but what has it done regarding the four traditional pillar industries? Are there any breakthroughs in tourism which is one of the pillar industries? The last new initiative occurred in 2005 when Disneyland came to Hong Kong and built an international theme park here, was there any new initiative thereafter? New facilities have been added in a piecemeal manner. When tourists come to Hong Kong, they take a coach to visit the Disneyland and take some photos, is that it? Is that the way to develop tourism?

Many people have told me that at present, some businesses have great development potential. One is sports tourism and the other is green tourism. Hong Kong is very suitable for developing both businesses. Let me now explain to the Secretary for Commerce and Economic Development the reasons for that. The China National Tourism Administration has set the objective of increasing the consumption on sports tourism to RMB1,000 billion by 2020. We are very concerned about the Five-Year Plans of our country. For example, Qinghai is now planning to develop off-road racing and in fact, Hong Kong can consider doing the same. I have great expectations on the Kai Tak Sports Park. If mega sports events can be held there in the future, many tourists will surely be attracted to Hong Kong. At present, the problem with holding such events is a shortage of venues. In this connection, I have spent much time discussing with Secretary LAU Kong-wah how we can recruit the best organizers by tenders and contracts to boost sports tourism in Hong Kong. Apart from venues, the provision of other facilities has to be considered too.

Recently, someone has put forward a suggestion to me which I have also mentioned many times, that is, to build multi-purpose venues for holding road events, i.e. motor racing circuits. As we all know, Singapore and Japan enjoy one benefit for holding F1 races. After building the circuits, they do not have to do anything for the next 20, 50 or 100 years. Races will naturally be held and people will come to watch the races. However, as races will not be held every day, these circuits will sometimes be used as training grounds for cyclists or long-distance runners. A 5-km circuit can be used for holding marathon races and participants of the full marathon race will be required to complete 10 laps. In fact, this kind of event which everyone can participate can be held regularly without having to block the roads.

Some may ask where we can get the land. The Secretary for Development will surely say that no land is available, but I have identified a site for him and the Secretary for Commerce and Economic Development can build a multi-purpose venue on that site. The Development Bureau once indicated an intention to reclaim land in Sunny Bay. I asked the Bureau what the limitations were. The answer was that Sunny Bay was located in the vicinity of the flight paths and could not be used for residential purpose. When I further asked about the possible uses of the reclaimed land, the answer was that the land would not be of much use. I think building a racing circuit there has the advantage of not having to worry about noise pollution. The disadvantage of building a racing circuit is that no one likes to live in its vicinity. Thus, we should turn the disadvantage to our advantage. Since there will be noise pollution in the place in any case, we should develop an industry which tolerates noise pollution. Besides, a racing circuit will bring in tourists every year; why do we not give due consideration? The economic benefits which a racing circuit can bring are enormous.

Young people have suddenly become interested in automobile studies. Recently, some students of The Hong Kong Polytechnic University have created an F1 car. In fact, many people are interested in this area. If we have our own racing circuit, it will be more fun. The Commerce and Economic Development Bureau and the Development Bureau can put their heads together, and perhaps they have to include the Home Affairs Bureau as well. Are we missing two out of the three Directors of Bureaux? Let me see. The Secretary for Development is not present, and the Secretary for Home Affairs is absent too. They are not present in this session and the other Director of Bureau will not be here in the next session. Actually, it will be best if we can complete our discussion on this matter in the same session, with all the Directors of Bureaux present. Sometimes, I have to ask my colleagues which government department is responsible for a certain area of work. I have no idea.

Finally, I have a very good idea which involves the Constitutional and Mainland Affairs Bureau, the Financial Services and the Treasury Bureau, the Financial Secretary, the Innovation and Technology Bureau and the Transport and Housing Bureau. Can you guess what it is? They can really participate in the work and their involvement is much needed. I am talking about the development opportunities brought by the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area"). When I visited the districts, many young people said to me that they knew they could not solely rely on the real estate trade to earn a living in the future because the trade could not support a large number of real estate agents. They were aware that not many positions could be created by large consortiums which acquired land for development. Young people told me that they were interested in innovation and technology, but knowing that the market in Hong Kong was too small, they hoped that the Government would liaise more with the Shenzhen authorities. That is really what they have said.

Concerning the current highly controversial Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") project, the travel time from Kowloon Station to Futian Station will equal that from Austin Station to Tsuen Wan West Station. In the future, young people who work on the Mainland can reside in their homes in Hong Kong. If the co-location arrangement is implemented, they can travel to and from work on the same day. What are their worries at present? They are worried that they have to spend $3,000 to $4,000 a month on XRL. Thus, they asked me to make enquiries with the Secretary concerned. This question will be under the purview of the Transport and Housing Bureau, as well as the Financial Services and the Treasury Bureau for the Government has financed the construction of XRL. The question raised is whether monthly tickets from Guangzhou to Shenzhen at a cost of $1,000 will be issued? To be eligible to buy these tickets, young people may have to provide proof that they are working or starting their own businesses on the Mainland.

Even more people have raised questions about taxation. According to the current regulations, if a person resides in Hong Kong but works on the Mainland, he has to pay Mainland tax if he stays on the Mainland for more than 183 days a year. The rate of salaries tax is 33% on the Mainland and 16% in Hong Kong, representing a difference of 17%. Many Mainland companies will not recruit Hong Kong people because they have to pay more for tax equalization. Hence, they will only employ local people. What then will be the way forward for Hong Kong? I have discussed this issue with the Secretary for Financial Services and the Treasury, the Secretary for Commerce and Economic Development and the Secretary for Constitutional and Mainland Affairs. The Financial Secretary is the only officer with whom I have not directly raised the issue. When I raised this issue with each of the Directors of Bureaux, the answer was "it depends on the other two". Now that all three public officers are here, I hope that they will consider this very good suggestion of mine.

If I am still a Hong Kong deputy to the National People's Congress ("NPC") in March next year, I will certainly make a request in this connection to Beijing. However, I think that the authorities should discuss it with the State Administration of Taxation. The suggestion is that for persons who reside in Hong Kong, work on the Mainland but do not have permanent residence on the Mainland, if they travel to and from work on the same day, they will be considered as staying half a day on the Mainland. These people will probably not stay on the Mainland on Saturdays and Sundays. Under this mode of calculation, they certainly will not stay on the Mainland for more than 183 days in a year. Nevertheless, it is necessary to get the consent of the Mainland taxation authorities for this way of calculation. After looking up some past documents of NPC, it seemed to me that this point was discussed in a document in 1990. However, this calculation method is subject to certain conditions, such as the company has to provide proof that the employee is required to do certain work in Hong Kong. Consequently, although there is such a taxation provision, it has not been widely applied. I very much hope that the three Directors of Bureaux will consider this arrangement as many young people will be benefited and it can promote the development of the Bay Area.

Regarding the Innovation and Technology Bureau, I also hope that it will discuss with the Shenzhen authorities in relation to matters such as setting up funds and helping people to start their businesses on the Mainland. Can other measures be considered apart from offering tax concessions? I think there are a lot of potential in this area.

I will pause for a while and speak on the other areas later.

Thank you. I so submit.

**MS ALICE MAK** (in Cantonese): President, I will spend more time in the discussion on housing later, but I will first talk about the logistics industry, seeing that the Directors of Bureaux responsible for this area are present today.

Logistics is an important industry in Hong Kong, for the trading and logistics industry contributes 22.3% of the Gross Domestic Product. Members may be surprised why I am talking about the logistics industry for which Mr ‍Frankie YICK is responsible. Let me explain. When I was a student studying in Kwai Tsing, I entered an essay competition and won a prize. The title of my essay was "The Development of Kwai Chung Container Terminals". For many years, I have paid attention to the development of the Kwai Tsing District and the logistics industry of Hong Kong. Regrettably, the Kwai Chung Container Terminals, which I proudly described as having the greatest throughput in the world back then, now only ranks the fifth in throughput. Besides, many residents of Kwai Tsing were practitioners in the logistics industry in the past. A China-Hong Kong container truck driver in the family could support a number of families and could even send his children to study overseas. By a number of families, I meant the man could support his own family, the family of his parents and of his wife's parents, etc. Anyway, at that time, China-Hong Kong container truck drivers earned good income and they could support everyone in their clan.

Unfortunately, the real wage index of practitioners in the logistics industry has dropped from 111.4 in the fourth quarter of 2012 to 102.9 in the second quarter of 2017. However, the Government's support for the industry has been extremely limited. At present, we want land for development, and people often mention the problem of brownfield sites. In fact, do they know that many operators on brownfield sites in the New Territories are actually practitioners in the logistics industry? Without the support of government policies, these operators could only rely on their own effort to change for the better. Hence they found inexpensive sites in the New Territories to continue with their operation, giving rise to the current problem.

Since representatives of the Bureaux concerned, including the Commerce and Economic Development Bureau and the Transport and Housing Bureau, are present today, I ask the Government to seriously consider formulating a policy to promote the development of the logistics industry. The Government should not let the container terminals and the logistics industry of Hong Kong, which I took pride in as a student, keep facing various challenges and difficulties without getting effective policy support from the Government. Just now, Members have put forward various suggestions, such as establishing a committee, and Mr ‍Frankie YICK has also mentioned this point in his speech. Hence, I shall not repeat.

However, the crux of the problem is how to reduce the operating costs of the industry. The Government can consider adopting the proposal put forward by the Hong Kong Federation of Trade Unions ("FTU") time and again over the years which will bring instant results, i.e. abolishing the toll for the Lantau Link. Members of the logistics industry may query why they have to set up an office in Tung Chung if they have to pay every time they use the Lantau Link. The Government has proposed to develop the East Lantau Metropolis and indicated that it would earmarked land for commercial and trading development, but given the high toll of the Lantau Link and that toll booths will be set up at the Tuen Mun-Chek Lap Kok Link, high transportation costs will actually hinder the development of the logistics industry as well as the commercial and trading development in Tung Chung and Lantau in the future.

Having spoken for a few minutes, I would like to take this opportunity to urge Directors of Bureaux and Secretaries of Departments to consider FTU's proposal of abolishing the toll for the Lantau Link, so as to help practitioners in the logistics industry by reducing their operating costs so as to get instant results. I will speak again in the other sessions. Thank you, President.

**PRESIDENT** (in Cantonese): Does any other Member wish to speak?

**DR ELIZABETH QUAT** (in Cantonese): President, this is the first Policy Address since the Chief Executive assumed office. It is a lengthy policy address with a broad scope and it contains quite a number of innovative ideas and breakthroughs. It vigorously promotes innovation and technology and shows concern for the underprivileged. I am particularly touched by the Chief Executive's decision to take the lead in setting up a "special needs trust" to take care of children with special needs. The Chief Executive's dedication to Hong Kong should be well supported and recognized.

President, this session is on diversified economy. To promote the development of diversified economy, we should not just live off our past glory but should also let the younger generation see prospects and hopes and enhance Hong Kong's competitiveness. Such remarks have been made over the years. To develop diversified economy in Hong Kong, an economic society, we must not become isolated and refuse to make progress; instead, we must open ourselves to the outside world and absorb capital and talents from various parts of the world.

President, Hong Kong faces the world with the Motherland as our backbone, and our development advantages are envied by countries over the world. In addition, our country's vigorous economic development in the Bay Area and the Belt and Road Initiative will bring unlimited opportunities to Hong Kong. As long as Hong Kong acts in line with the policy of "what the country needs, what Hong Kong is good at", Hong Kong can certainly maintain momentum in development.

Unfortunately, some Hong Kong people including academia, media owners and Legislative Council Members have anti-Chinese sentiments. They constantly vilify China, stir up anti-Chinese and anti-government sentiments and even promote "Hong Kong independence". According to the remarks they made, the Central Government and the Hong Kong Government are always wrong in their deeds and officials are always wrong in their words. They constantly incite hatred in society and attack the Government by law-breaking actions and radical comments. They also constantly make trouble and create social dissension. In the Legislative Council, Members oppose China indiscriminately and oppose for the sake of opposing. As a result, the Legislative Council has become idling, the Government is weighed down with work and social development is slowing down. While the whole world are having their eyes on China, learning Chinese and wanting to go to China, these people are teaching young people to distance themselves from their own country, have a narrow view and give up the development opportunities and vast space they already have in pursuit of the unrealistic "self-determination" and "Hong Kong independence" that undermines "one country, two systems". It is distressing to see the younger generation and the future of Hong Kong being seriously affected. I hope members of the public will clearly see for themselves, when many Legislative Council Members oppose the development of Hong Kong, oppose China indiscriminately and oppose for the sake of opposing, it is very difficult for Hong Kong to move ahead at a fast speed and we will be overtaken by the neighbouring cities.

If Members really want to do something good for Hong Kong, I hope they will not oppose China indiscriminately; they will not filibuster whenever they are not happy and they will not resort to taking illegal action such as Occupy Central. Please give Hong Kong people a way out. Hong Kong is part of China, if they really do not like China, they can actually move to other countries that they admire and do not hinder the development of Hong Kong.

President, I am actually rather worried about how the Government can implement so many great plans in this pan-political environment. I hope that government officials at all levels will be bold in innovation and adopt a proactive attitude. They should be down-to-earth in implementing policies but do not work behind closed doors. They should not be impractical or evade hardships and they should consider that the work is done by talk the talk.

This year's Policy Address proposes eight measures in respect of innovation and technology to enhance the innovation and technology development. These measures include deducting tax for research and development ("R&D") expenditure, developing smart city vigorously, increasing resources for R&D, promoting financial development and opening up government data. These are the policies that the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") and the technology sector have been striving for over the years. We hope the Government can really implement all these policies.

President, it is most important that the development of smart city should be people-oriented so that the public can experience the advantages brought by the development. I do not think that the Government should only have an idle dream, merely focusing on high technology or considering how many start-up opportunities can be created. Instead, it should consider how members of the public can experience the fruits of technology and how it can make good use of innovation and technology to help solve serious social problems such as elderly care and housing problems.

I will only cite two examples today. In the face of a rapidly ageing population, I think the Hong Kong Government should develop "smart elderly care services". When I was thinking about this issue, I also considered in which session I should speak. Elderly care should come under the session on welfare. However, when I find that the Financial Secretary, the Secretary for Transport and Housing and the Secretary for Innovation and Technology are present in this session, I think it is more appropriate for me to speak in this session, though I actually hope that the Secretary for Labour and Welfare would also be listening. Just now, Mr Michael TIEN suggested to the President that next year the debate should not be conducted in different sessions and all public officiers should attend the debate. We are now talking about technology which is actually related to a number of government departments.

What are "smart elderly care services"? In the case of Singapore, two years ago, the Government started to install a smart network system in newly constructed Housing and Development Board flats to record the daily movement of elderly singletons at home. When any irregular conditions of the elderly persons are detected, their children or elderly institutions will be notified through cloud communication technology, and the relevant government department may also be notified to provide help. As early as 2012, the United Kingdom Government already applied smart technology to provide elderly care. In recent years, Japan has also made great efforts to develop nursing robots to address the problem of care worker shortage. I believe this can reduce the manpower required to take care of the elderly and monitor their safety.

In the case of Hong Kong, our development is actually rather backward in this respect. At present, only the Hong Kong Housing Society ("HS") has started to apply elderly care technology on a small scale. Therefore, I suggest that the Government should, as a start, adopt a cooperative mode among the Government, the business sector, academia and non-governmental organizations ("NGOs") to install smart elderly care system in one-person or two-person elderly households under the Hong Kong Housing Authority and HS on a trial basis.

Elderly care technology is a new economic industry with a huge global demand and promising prospects. In addition to adopting local smart elderly care measures, the authorities can explore setting up Hong Kong-led "smart elderly care communities" in the Bay Area such as Shenzhen and Huizhou, through coordination and cooperation with Macao and Guangdong Province. It can also set up "smart elderly care communities" with Hong Kong-style hospitals, university research units and research institutes, through cooperation among the Government, the business sector, academia and NGOs. The Government can also formulate policies to encourage the development of "smart elderly care communities" through public-private partnerships to provide the elderly with more care options.

President, identifying land is the greatest difficulty in addressing the housing problem. As land data and information in Hong Kong are not made public or transparent, many disputes often arise and there are divergent views. The Government should make good use of and upgrade the land information system established by the Lands Department over the years. The current electronic map system contains all land records, geographical information and land use data in Hong Kong. Such information is conducive to analysing and selecting sites available for development, as well as enhancing public communication and explaining policies. At present, some government departments do not share information with other departments and all internal systems of the Government are not connected. If the Government takes the lead to make good use of technology and data analysis to promote and foster the culture of opening up data and sharing information, the implementation of plans on land identification and formation can be sped up, thereby reducing disputes in the districts.

President, economic development in Hong Kong will create jobs and improve people's livelihood. There are too many problems to be addressed and too many tasks to be undertaken. For many years, I have been promoting the development of smart city and through which, we can develop tourism, green technology and green industries, etc. There are many tasks to be undertaken and each task requires a lot of effort from the Government and the community. We simply cannot afford to waste time. If we really love Hong Kong, we should treat members of the public as family members, why can't we put aside prejudice and antangoism and strive together for the future of Hong Kong? Thank you, President.

**MR CHAN CHI-CHUEN** (in Cantonese): President, in this session, I will focus my discussion on broadcasting policies. The theme of this debate, Diversified Economy, is discussed in Chapter 3 of the Policy Agenda―Diversified Economy, Better Jobs.

President, I came from the broadcasting industry and I had worked in radio and television stations. Is the current broadcasting industry in Hong Kong diversified? Has the employment situation become better or worse? In fact, there is no broadcasting policy in Hong Kong; even if there is, it is only a policy with regulatory measures. There is only regulation, but no encouragement or facilitation for the development of the broadcasting industry. Speaking of regulation, the Commerce and Economic Development Bureau of the last-term Government said that it would review the broadcasting policies, the Broadcasting Ordinance and the Telecommunications Ordinance.

Do not say that I condemn everything. First of all, I have to commend the new-term SAR Government for reviewing the Broadcasting Ordinance and the Telecommunications Ordinance. The last-term Government was unwilling to state its policy direction and it only said that it would adopt an open attitude. As online media has become increasingly popular, the broadcasting policies, the Broadcasting Ordinance and the Telecommunications Ordinance have become outdated. The Government simply cannot regulate online television or online radio broadcasting, but the last-term Government had obstinately refused to state its policy direction. The current-term Government is willing to state its policy direction and has told us that it will relax the requirements of the Broadcasting Ordinance and the Telecommunications Ordinance. If the Government said that it would tighten the policies, I would certainly fight with it to the end. If the last-term Government said that it would tighten the Broadcasting Ordinance and applied the same provisions in regulating television and radio stations to online television and online radio stations, I think Hong Kong people certainly would not render support and the Government could not possibly impose regulation. How could the Government regulate Netflix? How could it require Netflix to comply with the Broadcasting Ordinance of Hong Kong? If Netflix does not comply, could the Government block its broadcasting? That is impossible.

There is improvement in the Policy Address this year. Paragraph 117 says, "The blossoming of Over-the-top television services and various forms of online infotainment over the Internet and mobile platforms in recent years has completely changed the business environment of Hong Kong's broadcasting industry." There is imbalance in the regulatory regimes. What I mean is, the Government has enacted regulations which seek to regulate wireless radio and television stations, but it cannot regulate online television services and online media. Thus, there is imbalance in these regulations and so the Government should relax the outdated statutory requirements and rationalize the regulatory regimes. The Policy Address this year has clearly stated the policy direction. I hope the Government will walk the walk and really explore how to relax the regulations and not to tighten the regulations and extend its evil hand to the Internet and regulate online radio and television services.

Certainly, on relaxing the regulations, we also have our concerns, one of which is relaxing the requirements for foreign investors. Frankly speaking, if people with capital, be it red capital or not, want to have a finger in the pie of the broadcasting industry in Hong Kong, they will always have ways to circumvent the regulations enacted by the Government. Nevertheless, it is still worth discussing how to avoid the monopoly of one station or the domination of our television or radio broadcasting market by people with particularly strong political stances.

Apart from relaxing the regulations, the other broadcasting policies, be they related to television or radio services, are not worth mentioning. Let me talk about the television policy first. The television policy of the last-term Government was very confusing. The granting of free television licences turned into a political incident or even a mass movement. The Government did not grant a free television licence to Hong Kong Television Network Limited ("HKTVN"), which commanded the most support of all Hong Kong people and was most keen to apply for such a licence. Even now, the Government has not explained clearly why HKTVN failed to obtain a licence. I hope that the current-term Government will do better in granting free television licences. Certainly, with the changes in operating environment, things are different now. Even if the Government is willing to grant a licence to HKTVN, it may not accept or it may not pledge to make a huge investment.

In fact, regarding video broadcasting, the Government attaches importance to the film industry and ignores the television industry. The Policy Address mentions in many of its chapters and paragraphs about assisting the development of the film industry, encouraging local film production, nurturing talent, audience building and establishing the Hong Kong film brand name both on the Mainland and overseas, etc. First, I want to point out that the television industry is actually a good nurturing ground for cultural and creative industries. The success of Hong Kong's movies today and during the golden period back then is attributed to the large number of on-stage and backstage talents trained by television stations back then. Thus, if the television industry dwindles today, it will have a far-reaching impact on the future cultural and creative industries in Hong Kong.

Second, the Government said that the Over-the-top services are blossoming. Nowadays, the boundary between films and televisions has become blurred. At present, the film industry earns profits mainly from selling films on different platforms, including pay television services or online platforms, instead of showing films in cinemas. In deciding whether a film will be shown in cinemas, considerations will be given to factors such as whether the film will thus gain popularity. Or, as some film directors or producers told me, their films were released so that they could enter film festivals or film awards. If a film obtains an award, it will sell better.

Regarding the fact that the Government has established the Film Development Fund but has not provided any assistance to the television industry, I would like to point out that nowadays, there is not much difference between films and television programmes, and the only difference lies in which platform they are shown. As such, should the Film Development Fund be made available to more industries or even be renamed so that it can provide assistance to all video production industries? At present, many international online platforms similar to Netflix are producing television series in Chinese language in collaboration with Taiwan. These series have very high audience ratings in Southeast Asia. Hong Kong has the potential to do the same, but will the Government offer some help? On the other hand, I think the Government can do without ostentatious measures. When John TSANG, the former Financial Secretary, presented the Budget last year, I remember he said that the Government would assist locally-produced films and locally-produced Cantonese films to distribute on the Mainland and would provide funding for dubbing, etc. Such measures are actually not useful and cannot help. How many people have applied for the funding and what are the end results? Would the former Financial Secretary please provide the figures in due course (but he has retired). The end results will be disappointing. Back then, the proposal won some applause and people said that the Financial Secretary attached importance to the Cantonese dialect, but in terms of policy, it has not produced much effect.

Speaking of audio broadcasting, one cannot help but be reduced to tears. Digital audio broadcasting was formally switched off in September this year when Radio Television Hong Kong ("RTHK") also stopped its digital audio broadcasting services. President, I started to receive training in a radio station in 1991. At that time, the radio stations invested a lot of resources in exploring the feasibility of digital audio broadcasting and people had great expectations of it. Nevertheless, after more than 20 years, the efforts had become futile and we had to wake up from the dream. Certainly, there are advantages in cutting the loss as soon as possible. If a business can no longer carry on, one has to admit failure, regard the money spent as being thrown into the sea, and then pool his resources together on his present business. Take Taiwan as an example, it has stopped digital broadcasting and continued with its main broadcasting mode.

Nevertheless, speaking of RTHK, we will once again be reduced to tears. We would like to ask whether the Government is sapping RTHK for it is disobedient. By not providing RTHK with sufficient resources, it is so hard-pressed for money that it cannot do anything. When our Chief Executive Carrie LAM attended a Halloween celebration organized by the Foreign Correspondents' Club last week, she told the host of an English programme of RTHK that no one listened to their programmes any more. It is most appalling that the top leader of Hong Kong belittles, scorns and discriminates against the radio station of Hong Kong. In fact, Carrie LAM had done so before. When standing for the Chief Executive election, she said that RTHK had performed poorly by merely showing still pictures, hence giving people a backward impression. However, as the saying goes, "Even a clever wife cannot cook without rice." Funding for building a New Broadcasting House of RTHK has not been approved. At one time the Government said that RTHK could be housed in the same building with the other departments for making the best use of land, and now it said that an agreement could not be reached, the previous negotiations had to be stopped and discussions had to start all over again. The proposed project has even been downgraded from Category B to Category C. What will happen afterward?

I hope the Chief Executive is aware that many Hong Kong people think that RTHK should continue with its operation; whether she likes RTHK or not is another story. At present, as RTHK has to provide television and radio services, it needs more resources. I hope that the current-term Government, particularly the Secretary for Commerce and Economic Development, will expeditiously solve the problem of inadequate resources for RTHK and start building a New Broadcasting House as soon as possible. The existing RTHK building suffers from water seepage and is dilapidated. The Chief Executive's criticism of the performance of RTHK is unfair to staff members of RTHK. When the Chief Executive criticized the performance of RTHK, did she mean that its performance was not as good as that of the China National Radio? If so, please visit the China National Radio to make a comparison. I hope that all public officials responsible in this area, whether they are Secretaries of Departments and Directors of Bureaux, will provide more resources to support the development of RTHK.

I so submit.

**PRESIDENT** (in Cantonese):Does any other Member wish to speak?

(Mr CHAN Chi-chuen stood up)

**PRESIDENT** (in Cantonese):Mr CHAN Chi-chuen, what is your point?

**MR CHAN CHI-CHUEN** (in Cantonese):I request a headcount.

**PRESIDENT** (in Cantonese):Will the Clerk please ring the bell to summon Members back to the Chamber.

(After the summoning bell had been rung, a number of Members returned to the Chamber)

**PRESIDENT** (in Cantonese):Does any other Member wish to speak?

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): If no Member wishes to speak, I will invite the six public officers to speak. On the basis of the 15-minute speaking time for each officer, they may speak for up to a total of 90 minutes.

**FINANCIAL SECRETARY** (in Cantonese):President, first of all, I would like to thank the Chairman of the House Committee for moving the Motion of Thanks for the Chief Executive's 2017 Policy Address, giving the Government an opportunity to listen comprehensively to Members' comments and views on the Policy Address. I also wish to express my gratitude to the 28 Members who have just spoken.

The Chief Executive, in her maiden Policy Address, has outlined a blueprint for the future of government work in this term and proposed a wide range of initiatives to promote economic diversity, improve people's livelihood and address issues concerning land and housing, health care and hygiene, education, young people, elderly services, and so on. The efforts show that the new-term Government cares about the people and is eager to address their pressing needs.

On my part, I will give my full financial support to various departments to ensure that they have sufficient manpower and resources to carry out the said initiatives. It is hoped that a vast array of policies and initiatives proposed by the Government at the beginning of its term can then be rolled out quickly for the early benefit of people of different strata.

In the following speech, I will briefly talk about Hong Kong's economic situation, economic outlook and some of the directions for our future economic development.

Hong Kong's economy has sound fundamentals at present. The global economic recovery has been stable so far this year. The vibrant growth in external trade and the strong domestic demand have contributed to the excellent economic performance of Hong Kong. In the first half of the year, the economic growth was at a rate of 4%, well above the past-ten-year average trend rate of 2.9% per annum. Moving into the second half of 2017, the world economy remains benign, external demand stays vibrant, and trade continues to boom in Asia. In the third quarter, the exports of goods from Hong Kong picked up further, with a visible growth of around 6% year-on-year in volume terms. Meanwhile, the number of visitor arrivals continued to go up slightly by 1.8% in the third quarter over a year earlier. Retail sales in recent months also grew at a faster pace of 4.4% year-on-year in the third quarter, after a 0.3% growth in the preceding quarter. According to the latest quarterly survey, business sentiment remained optimistic.

In terms of prices, underlying inflation in the first nine months of the year averaged 1.7%, lower than the annual rate of 2.3% in last year. Short-term inflationary pressure is not substantial as imported inflation remains tame and the increase in local cost pressures is largely stable.

Regarding the property market, the Hong Kong Monetary Authority implemented the eighth round of macro-prudential measures for residential property mortgage lending in May this year. Over the past few months, the property market has started to cool down with lower trading activities. The quarter-on-quarter increase in the overall property prices was 1% in the third quarter, compared with 4% in the first quarter and 5% in the second quarter. In terms of transactions, the average number of agreements for sale and purchase of residential building units went down to some 4 600 per month between July and October, lower than the monthly average of 5 400 in the first half of this year and the long-term monthly average of 7 300 between 1997 and 2016. According to the latest information, property prices did not show a clear direction in October while transactions saw an upturn in the past two months.

The labour market remained in a state of full employment. The latest unemployment rate stayed low at 3.1%, while total employment registered further significant growth. Earnings generally sustained growth in real terms. Among low and middle-income employees, the earnings of full-time employees of the three lowest decile groups continued to increase considerably, by 3.8% year-on-year in real terms in the third quarter.

As for the economic outlook, since Hong Kong is an open and small economy, our economic performance in the coming year depends heavily on the economic and political situations of the world. Last month, the International Monetary Fund revised up its global economic growth forecast for this year and next year to 3.6% and 3.7% respectively. If this forecast comes true, Hong Kong's economy can benefit from the growth.

The United States largely maintains a mild economic growth. Its unemployment rate falls to 4.1%, lowest in 17 years. In view of the improvement in local economy, the Federal Reserve has raised interest rates for four times since the end of 2015 and it began scaling back its balance sheet in October this year. The market expects another interest rate uplift from the Federal Reserve at its next month's meeting, with the approach of gradual interest rate hikes remains unchanged. Under the Linked Exchange Rate System, Hong Kong's interest rates will eventually rise alongside the United States counterpart. Also, we have to pay attention to how rate hikes in the United States impact global capital flow, and how rate hikes and the capital flow affect local asset prices, particularly property and share prices. Meanwhile, we have to keep abreast of the details and pace of the tax reform and the expansion of infrastructure investment in the United States as these two policies are conducive to domestic economic growth and may accelerate the pace in rate hikes in the United States. On the other hand, we have to keep an eye on the development of trade protectionism in the United States as it will have great adverse impact on international economic and trade relations and threaten the growth of global economy.

Economic recovery in the euro area has become more entrenched recently. With a faster year-on-year economic growth, the growth rate hit 2.5% in the third quarter. However, the lingering Brexit negotiations between the European Union and the United Kingdom, as well as the possibility of sudden change in geopolitics in some areas, have cast shadow on the economic sentiment in Europe.

With the easing of deflation risks in the euro area, the European Central Bank, amid economic improvement, announced in late October that the monthly pace of bond-buying would be moderated further to €30 billion starting from next year. Besides, the Bank of England raised its Bank Rate last week, the first rate hike in 10 years, and the Bank of Canada has raised interest rates twice since July. While the monetary policy normalization continues in the United States, other major central banks also reduce monetary stimuli. As the complicated international monetary environment will influence global capital flow, we will monitor relevant financial risks and their impact on asset prices.

(THE PRESIDENT'S DEPUTY, MS STARRY LEE, took the Chair)

In Asia, the Mainland economy has sustained a sound and upward momentum with a growth of 6.9% in the first three quarters. It keeps on providing a strong impetus for global economic growth. For other economies in Asia, their economic performance is generally solid in this year. As part of a region-wide phenomenon, a strong rebound was observed in exports.

For Japan, its economic indicators have recently showed slight improvement and its business sentiment is also favourable. However, Japan remains haunted by structural problems, such as ageing population and high public debt, which limit its economic growth.

On the whole, the outlook of the external economy is largely positive. Consumer sentiment in Hong Kong is well underpinned by the favourable job and income conditions and will keep boosting internal demand in the short run. However, we must watch out for the external uncertainties mentioned above and stay alert for their impact on economic sentiment.

In conclusion, Hong Kong should be able to achieve an impressive economic performance for 2017 as a whole and the annual growth rate will surely be higher than the mid-point of the range forecast (i.e. 3.5%) announced in August, the best since 2011. The Government will, on the day after tomorrow (Friday), announce figures of the third quarter economic growth and the latest economic and inflation forecasts for 2017.

Now, I will briefly explain our work in economic diversification. A fast-changing global economy coupled with an increasingly fierce competition has presented Hong Kong with both challenges and opportunities. The Government, in addition to discharging its responsibilities as a "service provider" and a "regulator", will take the initiative to perform the new roles of a "facilitator" and a "promoter" in order to consolidate and enhance the advantages of our pillar industries, develop innovation and technology, as well as promote the development of our industries and economic diversification. As suggested by some Members, we will also seize the huge opportunities brought by the national Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development to create new impetus for our economy.

Regarding the promotion of economic diversification, some of the views given by Mrs Regina IP earlier have caught my attention. To the current-term Government, the promotion of innovation and technology is one of our work priorities. Just now, Mrs Regina IP said that in the development of innovation and technology or some other industries, we should not have a "me too" attitude, simply following the footsteps of others. We should instead assess the relative advantages that we have. We totally agree with her on this point. On the other hand, what are the objectives of economic diversification? In the view of Mrs ‍Regina IP, the objectives are to raise the quality of economy and narrow the wealth gap. We share her view on this point but we consider the provision of good career options to young people as another major goal in promoting economic diversification, particularly in the development of innovation and technology and the creative industries.

As for the areas to be developed, the Committee on Innovation, Technology and Re-industrialisation chaired by me has decided, after discussion, that we should focus on four areas where Hong Kong enjoys competitive advantages. They are financial technologies, artificial intelligence, smart city and biomedical sciences. Besides, as you may be well aware, the Policy Address proposes to develop innovation and technology in eight major areas. Due to time constraint, I am not going to recap them. However, I wish to tell you that we will strive to improve the environment on all fronts for developing innovation and technology in Hong Kong, so as to create stimulus for diversification development of the local economy and create more quality job opportunities for young people.

Just now, Mrs Regina IP said that she did not want to see our economy being dominated by one or two industries again in the process of economic diversification. On this point, we notice that the real estate and financial industries have, over a period of time, taken up a considerably large share of Hong Kong's economy and crowded out some industries. Therefore, in our future promotion of innovation and technology, we will seek diversification. In respect of the four aforesaid areas, it takes time before achievements can be made, and substantial investment and active promotion from the Government are also required. In the interim, we still have to rely on the competitiveness of our four pillar industries to maintain steady economic growth, as well as gaining resources for the expansion of other industries.

In respect of logistics and trading, Hong Kong, being a small and outward economy, will continue to uphold our strong doctrines of free trade and multilateral trading system. Unfortunately, we are facing an external environment where the United States is overwhelmed by the sentiment of protectionism. At the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in Vietnam, the United States even directly blamed China for trade issues. In view of this worrying development, it is necessary for us to expand our free trade agreement ("FTA") and investment promotion and protection agreement networks. On multilateral trading, we need to have more partners and multilateral FTAs. A case in point is the FTA signed with the Association of Southeast Asian Nations. We will keep on working in this direction.

Moreover, we will continue to enhance the Hong Kong International Airport's hardware and software and the Hong Kong Maritime and Port Board will continue to work with the industry to promote the development of high value-added maritime services.

In the area of financial services, we will ensure that the financial system functions in an orderly manner. We will also refine the financial regulatory system, and I would like to thank Mr Christopher CHEUNG for his ongoing advice in this aspect. In the future, we will have a lot to do to deepen financial cooperation and mutual financial market access between Hong Kong and the Mainland so as to reinforce our position as a financial service hub. The Financial Leaders Forum chaired by me is committed to putting forward strategic and forward-looking proposals, including the recent topical issue, i.e. to allow companies with weighted voting right structures to list in Hong Kong. We will drive the implementation of these proposals by government departments and relevant organizations to further reinforce and enhance Hong Kong's status and competitiveness as an international financial centre. Given the fierce international competition, this task must not be taken lightly. We are well aware of the relevant challenges and call for Members' support in this respect.

Regarding tourism, as remarked by Members, we have formulated the Development Blueprint for Tourism Industry. I have directed departments and bureaux to have closer coordination in this regard for greater synergy.

As for commerce, industry, and professional services, we will open up new markets for these sectors to bring a larger room for development.

In fact, I have already started preparing the next year's Budget. As economic development is one of its key areas, we will surely consult different sectors, especially Members of the Legislative Council, about this issue. I hope that Members can by then put forward more valuable opinions with regard to how to promote Hong Kong's economic development, stabilize employment, improve people's livelihood and enhance the competitiveness of Hong Kong.

I will now ask five Directors of Bureaux to give more detailed replies, explaining tasks related to economic development, innovation and technology, finance and public finance, professional services, development of industries, and Hong Kong's participation in the Belt and Road Initiative and development of the Guangdong-Hong Kong-Macao Bay Area, and so on.

With these remarks, Deputy President, I urge Members to support this year's Policy Address. Thank you.

**SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT** (in Cantonese): Deputy President, I would briefly respond to the views put forward by Members and I would be glad to explain and discuss with Members in detail on their specific concerns and proposals after the meeting or on other occasions.

First, I thank the 13 Members who have expressed their concerns about the Belt and Road Initiative and Hong Kong's role in establishing external connections. One of our major objectives in handling external economic and trade matters in the future is to seize the opportunities of the Belt and Road Initiative of our country, as well as reinforce and extend Hong Kong's advantages to bring more opportunities for the enterprises and professional sectors of Hong Kong so as to benefit our economy.

To facilitate Hong Kong businesses' effective participation in the Belt and Road Initiative, the HKSAR Government together with the Mainland authorities are looking into the possibility of establishing an information sharing platform on the Belt and Road projects so that enterprises of the two places will have a better grasp of relevant information to facilitate more effective project interfacing and enterprise collaboration.

We will also enhance the role of the Hong Kong Trade Development Council in the promotion of and participation in the Belt and Road Initiative. On the one hand, it will be tasked for organizing more trade missions to countries along the Belt and Road for identifying business opportunities, and efforts will be made to strengthen its capabilities in risk profiling research, project scoping and business matching on the other, with a view to better supporting our enterprises.

To assist Hong Kong traders and investors to expand their overseas markets, we will continue our efforts in actively pursuing free trade agreements ("FTAs"). The Association of Southeast Asian Nations ("ASEAN"), currently Hong Kong's second largest trading partner in goods and fourth largest in services, is an economic region with significant development potential under the Belt and Road Initiative. Hong Kong will sign an FTA and a related Investment Agreement with ASEAN this month. We are also planning to set up an Economic and Trade Office ("ETO") in Thailand, our third ETO in ASEAN, to further enhance our economic and trade relations with ASEAN. In addition, we will sign an FTA with Georgia upon the completion of all the necessary internal procedures by both parties. We will continue to negotiate bilateral FTAs with Australia and the Maldives.

We have also been forging Investment Promotion and Protection Agreements ("IPPAs") with other economies to boost their confidence in investing in Hong Kong and secure better protection of Hong Kong businessmen's investments overseas, so as to strengthen Hong Kong's position as an investment hub.

We will maintain our active participation in the affairs of the World Trade Organization ("WTO") to take forward global trade liberalization and strengthen Hong Kong's international position. The Secretary for Commerce and Economic Development will be one of the Vice Chairs of the WTO's Eleventh Ministerial Conference to be held in December this year. This will help Hong Kong play an important role in the Conference.

I also thank Mr CHAN Kin-por, Mr Charles Peter MOK and Mr Kenneth LEUNG for their concerns on attracting enterprises and infrastructure joint projects to Hong Kong. Hong Kong is an ideal place for enterprises from around the world to set up or expand business operations. According to the latest annual survey jointly conducted by Invest Hong Kong ("InvestHK") and the Census and Statistics Department, the number of business operations in Hong Kong with parent companies overseas or in the Mainland has exceeded 8 200. Among them, 1 413 are regional headquarters, representing an increase of 2.5% over the same period last year.

InvestHK is committed to encouraging and assisting overseas and Mainland enterprises to set up or expand their business operations in Hong Kong, and providing aftercare services to them. InvestHK will maintain closer ties with the relevant Policy Bureaux and HKSAR's offices overseas and in the Mainland, in order to identify potential enterprises in specific sectors, including start-ups, and to attract them to set up operations in Hong Kong. This will strengthen Hong Kong's position as a two-way development base for "going global" and attracting foreign investment, and a leading hub for start-ups and entrepreneurship.

Regarding Mr Jeffrey LAM's concerns about the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"), the National 13th Five-Year Plan proposed to step up efforts to further open up the Mainland market to Hong Kong, and promote the upgrading of CEPA. In June 2017, the HKSAR Government and the Ministry of Commerce signed the Investment Agreement and Agreement on Economic and Technical Cooperation under the framework of CEPA which expands the scope of CEPA and includes new cooperation programmes in order to enhance CEPA in line with a modern and comprehensive free trade agreement. The HKSAR Government will continue to work with the Ministry of Commerce to implement CEPA and explore and discuss feasible measures of enhancing CEPA to benefit more sectors.

Seven Members have expressed concerns about the support provided for small and medium enterprises ("SMEs"). We will continue to support Hong Kong enterprises (in particular SMEs) through various measures. These include funding schemes catering for different needs. We will also continue to review various funds administered or guaranteed by the Government, with a view to improving their operation and removing obstacles so as to provide timely and adequate support to enterprises, including various traditional manufacturing industries mentioned by Mr WONG Ting-kwong earlier.

Moreover, regarding Mr Frankie YICK's concerns about the development of a Trade Single Window, we understand the trade's concerns about the implementation details, such as cut-off time, exact data requirements, compliance costs and the liabilities of various submission parties under the new reporting requirements. We will continue to consult with the trade, carefully study the issues and concerns and work out the implementation details. We will ensure a high-level policy steer to drive the process, evaluate progress and scrutinize programme adjustments as necessary along the way.

In relation to the concerns about the provision of a cooling-off period for contracts raised by Mr Andrew WAN, Mr Holden CHOW and Mr SHIU Ka-fai, we have provided resources to the Consumer Council to conduct a study on this subject. The study is expected to be completed next year, and we will consider the results of the study by then. Meanwhile, the Government will continue to observe the effect of the Trade Descriptions Ordinance in combatting various unscrupulous business practices and pay close attention to the views of various sectors on the suggestion of introducing a mandatory cooling-off period.

Four Members have expressed their concerns about the convention and exhibition industry. As Hong Kong is an international business and trade centre, the convention and exhibition industry really plays a very important role. On the one hand, it promotes the development of goods and services industries and on the other, it brings many economic activities and employment opportunities to Hong Kong by attracting high-spending overnight business visitors.

At present, the utilization of the two dedicated convention and exhibition venues, i.e. the Hong Kong Convention and Exhibition Centre ("HKCEC") and the AsiaWorld-Expo, has reached saturation, hindering the development of the convention and exhibition industry in Hong Kong. According to a consultancy study, by 2028, there would be a shortfall of 130 000 sq m of convention and exhibition venues in Hong Kong at peak periods. To maintain the international status of our convention and exhibition industry, there is a pressing need for building more venues.

Thus, the Chief Executive announced in the Policy Address the Governments' decision to demolish the three government buildings in Wan Chai North and redevelop into a new convention and exhibition facility that can be integrated with the existing HKCEC so as to strengthen Hong Kong's competitiveness in hosting large-scale international conventions and exhibitions. Meanwhile, we will continue to take forward the development of a new convention centre above the MTR Exhibition Station of the Shatin to Central Link. As a longer-term plan, when the reprovisioning of the Wan Chai Sports Ground is satisfactorily resolved, the site may be earmarked for the further development of convention and exhibition facilities so as to reinforce and enhance the status of Wan Chai North as a convention and exhibition hub in Asia. We will also continue to explore the feasibility of expanding other existing convention facilities.

Since the Chief Executive put forward the above mentioned plan in the Policy Address, we have heard many supportive voices and other views which I would now share with Members.

The first view concerns the timing for developing the project. In constructing new convention and exhibition facilities, we must consider a number of factors, including whether adequate supporting facilities are provided near the selected site and whether the new facilities will create synergies with the existing facilities, etc. The Government has been exploring different options of building more convention and exhibition facilities, including extending the AsiaWorld-Expo, as mentioned by some Members earlier. The current-term Government is determined to solve the outstanding problem of inadequate convention and exhibition venues over the years. While the proposal of developing more convention and exhibition facilities in Wan Chai North mentioned in the Policy Address is the preferred option, other options under consideration will not be excluded.

The proposal to demolish and redevelop the three government towers in Wan Chai North involves moving 29 government departmental offices and courts and the adjacent Kong Wan Fire Station. Our current estimate is that the relocation exercise will be completed only in mid-2020s. The Government will expeditiously proceed with the work according to the established procedures in order to vacate the land for exhibition and commercial development as soon as possible. As for the development of a conference centre above the MTR Exhibition Station of the Shatin to Central Link, we expect to start the project after the commissioning of MTR Exhibition Station of the Shatin to Central Link in 2021.

Second, regarding the rights to develop and operate the project, I reiterate that they are provided in the contracts and we must respect the spirit of contract. In relation to new projects, however, we will take forward the plans in an open and transparent manner without giving preferential treatment to any individual developer.

Five Members have spoken on tourism issues earlier. The Government has all along attached importance to the healthy and steady development of the tourism industry and has made timely adjustment to its policies on the development of the industry in recent years, including promoting product diversification and attracting more high-yield overnight visitors to Hong Kong. Figures of visitor arrivals this year show satisfactory growth. In the first nine months of this year, a year-on-year increase of 2.2% in overall visitor arrivals was recorded and arrivals of overnight visitors even increased by more than 4%.

To strengthen Hong Kong's competitiveness in the region as a major tourism destination, the current-term Government has formulated a comprehensive development blueprint for the tourism industry. Our vision and mission is to press ahead with the development of Hong Kong into a world-class premier tourism destination with a view to ensuring the balanced, healthy and sustainable development of the industry.

The development blueprint affirms four development strategies which will enable us to implement various short-, medium- to long-term tourism initiatives and measures in a holistic manner.

First, we will continue to develop a diversified portfolio of visitor source markets for Hong Kong, with an emphasis on attracting high-yield overnight visitors.

Second, we will develop and explore tourism products and projects with local and international characteristics, and consolidate and enhance Hong Kong's status as a travel destination for meetings, incentive travels, conventions and exhibitions ("MICE") tourism, a regional cruise hub and an Events Capital of Asia. Mr Kenneth LAU, Mr LUK Chung-hung and Mr YIU Si-wing mentioned cultural tourism, historical tourism and in-depth green tourism, etc. in their speeches. These are our directions of development. Apart from introducing the pilot schemes on promoting tourism projects with local characteristics and in-depth green tourism, we will enhance transport facilities to and from these tourist attractions through interdepartmental collaboration to enhance accessibility for tourists and the general public.

Third, we will actively promote smart tourism through inter-bureau collaboration. We will make use of smart technology to enhance visitors' travel experience and provide them with travel facilitation services, including information on weather and itinerary planning mentioned by Mr YIU Si-wing earlier. Meanwhile, we will encourage the industry to make good use of innovative technology to strengthen their competitiveness.

Fourth, we will strive to upgrade the service quality of our tourism industry, seek the Legislative Council's early approval of the Travel Industry Bill and set up the Travel Industry Authority as soon as possible to regulate various unscrupulous practices, as mentioned by Mr LUK Chung-hung earlier, so as to provide better protection to inbound tourists.

I also thank Mr YIU Si-wing, Mr LUK Chung-hung and Mr Holden CHOW for spurring us on and supporting us in the Bills Committee.

Five Members have spoken earlier on creative industries. In fact, creative industries will not only provide young people with excellent development opportunities, but also take Hong Kong to a new level of success in diversified and high value-added development. As the Chief Executive pointed out in the Policy Address, we will strive to promote the further development of our creative industries by adopting a multi-pronged approach through resource allocation and implementation of policies and strategies.

In terms of resource allocation, the Government will inject $1 billion into the CreateSmart Initiative and provide additional resources to the Hong Kong Design Centre to enhance the scale of creative events and establish Hong Kong as the prime location for holding creativity events in the region. The one-off allocation for the CreateSmart Initiative, being the largest injection since its establishment of in 2009, is equivalent to the total injection by the Government in the past eight years. This shows the Government's commitment in the long-term development of our creative industries.

Mr CHAN Chi-chuen said earlier that the Government only supported the design industry and the film industry and neglected the development of other creative industries. I would like to stress that the injection of $1 billion into the CreateSmart Initiative by the SAR Government is for supporting various creative industries, including television, music, animation and comics, digital entertainment, etc.

A few Members have expressed the view that the creative industries of Hong Kong have to seek new ways of development and breakthroughs. In terms of strategies, we will promote cross-sectoral and cross-territorial collaboration and strengthen ties between Hong Kong and other design cities, thereby opening up new markets for Hong Kong. In addition, we will strengthen the collaboration with the Tourism Board and other relevant bodies to promote and lift the "Business of Design Week" into a regional and international event. We propose to enable our young designers to use Sham Shui Po, a traditional base for apparel and fabrics, to create synergy which will fuel the local economy, foster the development of our fashion design industry and develop the landmark of the district into a tourist hotspot. That is also a way of collaborating different fields to generate new impetus for our future economic development.

Regarding telecommunications, both Mr Charles Peter MOK and the Deputy President have expressed concerns about our proposal of providing telecommunications companies with financial incentives to encourage the extension of fibre-based network to villages in remote locations. One view is that under this proposal, we must ensure the right of the public to choose among different services and should not allow individual telecommunications companies to monopolize the market so as to protect the interests of residents of remote locations. Let me state clearly here, when conducting the tendering exercise in the future, we will provide in the tendering documents that the subsidized fixed network operators are required to enable other operators to use at least half of the capacity of the new fibre-based network so as to introduce competition. We expect that the specific proposal will be submitted for deliberation in the relevant panel of the Legislative Council in the middle of next year.

Ms Claudia MO has criticized the Government for failing to include old buildings in the urban areas in the plan. In fact, most of the old buildings in the urban areas are located very close to the backbone network of fixed network operators. If these buildings reach commercial agreements with the fixed network operators and agree to let them install networks in their buildings, they can enjoy high-speed broadband services. Besides, as there is mobile network coverage for buildings in the urban areas, the residents can choose to use mobile broadband services to obtain high-speed Internet access.

Looking forward, in order to ensure that the supply of telecommunications infrastructure capacity in Hong Kong can meet future demand, we have engaged a consultant to undertake a study on the future supply of and demand for telecommunications infrastructure capacity in Hong Kong. The consultancy study is expected to be completed in the second half of 2018. Besides, the Office of the Communications Authority has commenced preparatory work to pave the way for 5G mobile services.

Deputy President and Honourable Members, in view of opportunities arising from changes in the external trade front, the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area, Hong Kong should be able to enjoy more significant economic growth and long-term economic development with its unparalleled strengths under "one country, two systems", advantageous geographical location, free and open markets, highly efficient and transparent regulatory regime, reputable legal system, as well as a business environment which is highly compatible with international standards. The Policy Address contains many practicable and people-oriented short-, medium- and long-term policies and measures. They will be systematically introduced in the markets to enable the general public and the industries to benefit and our economy to develop steadily.

With these remarks, Deputy President, I implore Members to support this year's Policy Address.

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Cantonese):Deputy President, first of all, I would like to thank the 28 Members who spoke on diversified economy in this debate session. Amongst these Members, 15 mentioned the development opportunities in the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area"), and some Members highlighted that we have to grasp the precious opportunities brought by the Bay Area.

Mr CHAN Chun-ying reminded us that we have to capitalize on the opportunities brought by the development of the country to improve our economy; Mr Frankie YICK mentioned that Hong Kong's development has been lagging behind in recent years, such that we should seize the opportunities in the Bay Area development, and he also saw the importance attached to the relevant department by the SAR Government; Dr CHIANG Lai-wan mentioned that we might have missed a lot of chances of development in the past, and how we should grasp and give full play to the Bay Area development; Mr Christopher CHEUNG mentioned that we should support the national strategic planning, including the Bay Area development, and we have to board the express train of development of our country.

Deputy President, the innovative breakthrough of the Bay Area development lies in the concept of treating Guangdong, Hong Kong and Macao as a single regional economy. Cities in this region will give full play to their distinctive advantages to further establish a mutually beneficial regional cooperative relationship. Apart from enhancing the cooperation between Guangdong and Hong Kong, the Bay Area development plays a more important role in further deepening policy innovation. On the basis of the success in the early and pilot implementation of the Guangdong/Hong Kong cooperation, we have to strive for the Central Authorities' support in promoting system and mechanism innovation in specific area of cooperation, and promote efficient and convenient flow of factors of production amongst cities, so as to facilitate the flow of people, goods, capital and information between Hong Kong and other cities in the Bay Area.

The framework agreement on the Bay Area development was signed and witnessed by the State President in Hong Kong on 1 July. In addition to the governments of Guangdong, Hong Kong and Macao, the National Development and Reform Commission, the Hong Kong and Macao Affairs Office of the State Council and relevant Central ministries and commissions are also involved in the coordination mechanism. This illustrates the great importance attached by the Central Authorities to the Bay Area development. The coordination and collaboration at the national development level will definitely be more effective in promoting the development of the Guangdong-Hong Kong-Macao Bay Area.

In fact, in his report to the 19th National Congress of the Communist Party of China, the State President also mentioned that the development of Hong Kong and Macao is closely tied up with that of the Mainland. The state will continue to support Hong Kong and Macao in integrating their own development into the overall development of the country, give priority to the development of the Bay Area, cooperation between Guangdong, Hong Kong, and Macao, and regional cooperation in the Pan-Pearl River Delta, thus fully advancing mutually beneficial cooperation between the Mainland and the two regions, and formulate and improve policies and measures to make it more convenient for people from Hong Kong and Macao to develop careers in the Mainland.

When the SAR Government participates in the planning of the Bay Area development, it has always acted in accordance with the principle of "one country, two systems", and on the basis of Hong Kong's position and advantages in development. Under the combined advantages of "one country, two systems", Hong Kong has, on the one hand, the support from the Central Authorities to actively participate in the national development strategies, including the 13th Five-Year Plan, Belt and Road Initiative and the Bay Area development; and on the other hand, Hong Kong can work with enterprises of cities in the Bay Area to explore more markets and development opportunities by virtue of our advantage as the most open and internationalized city in the Mainland.

For quite some time in the past, the SAR Government actively liaised with different sectors to reflect their views and proposals on the Bay Area development. The country will later promulgate the development plan for a city cluster in the Guangdong-Hong Kong-Macao Bay Area ("the Plan"). The SAR Government will actively participate in taking forward the development of the Bay Area, so as to grasp the historic opportunities brought by this important national development strategy.

We will proactively support the implementation of the Plan to promote synergized development of the economic community in the Bay Area, in particular, the development of the Bay Area into an international innovation and technology hub. We will further seek facilitation measures for Hong Kong people to study, work, and start up and operate business, live and retire in the Bay Area and thereby facilitating the flow of people, goods, capital and information between the two places.

Mr Kenneth LAU and Dr Priscilla LEUNG mentioned how to capitalize on the development opportunities in the Bay Area to enable our young people wider scope of development. In this regard, the SAR Government will continue to enhance exchanges with young people and in particular, internship schemes, so as to provide young people with more opportunities to understand and be involved in the country's development, especially the development in the Bay Area.

The Steering Committee on Co-operation with the Mainland, chaired by the Chief Secretary for Administration, will be renamed as the Steering Committee on Taking Forward Bay Area Development and Mainland Co-operation. This will enable us to take forward the Bay Area development in a more focused manner. The Constitutional and Mainland Affairs Bureau will continue to coordinate the SAR Government's work relating to the Bay Area development, and provide support to the Steering Committee by formulating concrete annual work plans for effective implementation of the measures proposed in the Plan.

The Constitutional and Mainland Affairs Bureau will set up a Guangdong-Hong Kong-Macao Bay Area Development Office, which will be responsible for coordination with the relevant central authorities, the Guangdong Provincial Government, the Macao SAR Government, and the relevant bureaux and departments of the Hong Kong SAR Government. The office will also proactively approach trade associations, professional bodies and relevant stakeholders to coordinate effort related to the implementation of the Plan. Additional resources will also be allocated for undertaking research and publicity on the Bay Area development to assist Hong Kong people and enterprises to discover new opportunities.

Just now, Mr Jeffrey LAM expressed his wish for cooperation between the Government and the Legislative Council to implement the initiatives proposed in the Policy Address, including the development of the Bay Area, so as to improve the economy of Hong Kong and promote employment. In this regard, the Government is very willing to cooperate with the Legislative Council and hopes that such progress can be made.

Ms Starry LEE mentioned in her speech that she hoped Members of the Legislative Council could have better communication and understanding with the Mainland via some panels of the Council. The SAR Government is very willing to cooperate and help in this regard.

With these remarks, Deputy President, I implore Members to support this year's Policy Address.

**SECRETARY FOR INNOVATION AND TECHNOLOGY** (in Cantonese):Deputy President, I thank various Members for raising many valuable views on the development of innovation and technology in Hong Kong. The Innovation and Technology Bureau has been, since its establishment two years ago, promoting the development of innovation and technology on various fronts, including promoting research and development ("R&D") and re-industrialization, developing a smart city, promoting big data application, providing technological research infrastructure, supporting start-ups, assisting small and medium enterprises in industrial upgrading and transformation, promoting the development of the information and communications technology industry, and using innovation and technology to improve people's livelihood.

The development of innovation and technology can render huge impetus to the economic growth of Hong Kong, bring business opportunities to enterprises, and provide young people with quality jobs. According to the Policy Address, innovation and technology is not a single industry, but a new model of development. In the Policy Address the Chief Executive has proposed to develop innovation and technology in eight major areas, including: (1) increasing resources for R&D; (2) pooling together technology talent; (3) providing investment funding; (4) providing technological research infrastructure; (5) reviewing existing legislation and regulations; (6) opening up government data; (7) the Government to lead changes to procurement arrangements; and (8) strengthening popular science education. Such a comprehensive development strategy will enable the development of innovation and technology in Hong Kong to scale new heights. The following is my concise response to views raised by Members.

R&D is the source of innovation and technology. To encourage private enterprises to conduct more research activities, we will introduce a super tax concession, whereby the first $2 million eligible R&D expenditure of an enterprise will enjoy a 300% tax deduction and the remainder a 200% deduction. We will need to amend the Inland Revenue Ordinance to implement the relevant measures. We hope that the relevant amendment bill will be passed within the current legislative session, so that the relevant tax concession will come into effect in the 2018-2019 fiscal year. We have set a target to significantly increase the total expenditure of Hong Kong on R&D in the next five years to around $45 billion per year, which is equal to doubling the expenditure on R&D as a percentage of our gross domestic product to about 1.5%. We will also continue to increase our investment in public sector expenditure on R&D so as to achieve this objective.

Certain friends who are running start-up enterprises said to me, "I have just started my business and have not earned money, so the additional tax deduction for the expenditure on R&D may not help me." I told them that the current measures of the Government aim to promote innovation and technology in an all-round manner and our focus is to make a bigger cake. Super tax concession serves as an incentive to encourage private enterprises to invest in R&D. When they are willing to commit resources and increase their investments, a bigger cake will be made, and the entire industry, including start-up businesses, will naturally benefit.

Hong Kong is an international city that is conducive to cooperating with overseas places and the Mainland. In order to create an environment conducive to the development and application of innovation and technology, and enhance the international status of Hong Kong in terms of innovation and technology, we will actively play our roles as a promoter and a facilitator, establish key collaborative technology platforms in key science and technology areas, and provide quality hardware and software support, so as to attract Mainland and overseas top-notch science and technology firms, research and development institutions as well as renowned universities to set up branches in Hong Kong for undertaking research programs. In addition, we will also continue to press ahead with the development of the Hong Kong/Shenzhen Innovation and Technology Park at the Lok Ma Chau Loop. The Hong Kong Science and Technology Parks Corporation has already established a wholly-owned subsidiary to press ahead with undertaking the relevant tasks.

We very much agree to the importance of nurturing talent as mentioned by certain Members. For this reason, we will launch a $500 million Technology Talent Scheme, so as to train and pool together more quality technology talent, including establishing a Postdoctoral Hub to provide funding support for enterprises to recruit postdoctoral talent, and providing funding to subsidize local enterprises on a matching basis for training their staff on advanced manufacturing technologies, especially those related to Industry 4.0, so as to support us in promoting the development of Industry 4.0 on all fronts. In addition, we will enhance the Internship Programme by increasing the monthly internship allowances and expanding its coverage, so as to benefit more enterprises and Science, Technology, Engineering and Mathematics ("STEM") graduates.

The development of a smart city has been a development trend in major cities around the world. Members and the general public are highly concerned about the development in this regard. We will announce next month the blueprint for the development of a smart city. In this regard, we will provide an "eID" for all Hong Kong residents as a single digital identity and authentication for them to conduct government and commercial transactions online. We will also launch a pilot Multi-functional Smart Lampposts scheme at selected urban locations, so as to provide road users with convenient data service and collect real-time city data, thus enhancing the operational efficiency and management of our city.

In order to further promote R&D as well as innovation, the Innovation and Technology Bureau will prompt various departments to open up datasets in various areas. We will also encourage private enterprises to open up data to support big data analytics. Among others, the Hospital Authority will establish a Big Data Analytics Platform. We will also explore changes to procurement arrangements of the Government by including innovation and technology as a tender requirement, and we will not award contract only by reference to bid prices, so as to encourage local technological innovation.

Late last month the Government announced the introduction of the Space Sharing Scheme for Youth, and enterprises participating in the scheme will rent out floor areas to suitable organizations at reasonable rents for operation, thus providing young people with a platform for development. Cyberport will participate in and support the scheme to provide around 20 000 sq ft of Smart-Space outside its existing campus, so as to provide start-ups with desirable co-working space, and provide a favourable environment for innovation and entrepreneurship.

The development of innovation and technology involves various areas and requires cross-bureau cooperation and coordination. The Chief Executive will personally chair a Steering Committee on Innovation and Technology to examine and steer measures in the eight areas of innovation and technology as well as smart city projects. As such, resources can be pooled together to promote the development of innovation and technology in Hong Kong at the highest level, in a highly efficient manner and with cross-bureau efforts. We will convene the first meeting shortly.

The Policy Address proposes transferring the Efficiency Unit to the Innovation and Technology Bureau, so as to build a stronger team, and strengthen the support to Policy Bureaux and departments in enhancing operational efficiency and providing improved public services. We will also continue to make use of the block vote of $500 million to promote the use of technology by various departments to enhance service quality. In addition, the Innovation and Technology Bureau also plans to increase its manpower, so as to take charge of various major tasks.

Deputy President, innovation and technology is the future of Hong Kong. As indicated by the Chief Executive, we must keep reinforcing and upgrading our capability, and catch up in the innovation and technology race. The new initiatives relating to innovation and technology in the Policy Address this year all show the determination of the Government to be proactive and progressive and to strive for breakthroughs. I am confident that the new initiatives in the Policy Address will benefit the industry and the public, particularly our young people. In this regard, I would like to extend my gratitude to various Members and other people from various sectors who are concerned about the development of innovation and technology for constantly raising their valuable views on how to perfect Hong Kong's ecological system of innovation and technology.

We will continue to strive to implement various measures, and collaborate with other bureaux and departments, the industry and other stakeholders in driving the development of the new economy through innovation and technology in Hong Kong, so as to enable Hong Kong to become a competitive international innovation and technology centre, and develop Hong Kong into a world-class smart city.

With these remarks, I urge Members to support this year's Policy Address. Thank you, Deputy President.

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): Deputy President, I would like to thank Members for their earlier comments. Owing to time constraints, please allow me to give a consolidated response. Over the years, given its unique geographical position, unique institutional advantages, free economy and extensive international business experience, Hong Kong has developed into an international air transport and maritime centre, as well as a regional logistics hub. Looking forward, the SAR Government will continue to take various measures to consolidate and enhance Hong Kong's position as an international maritime centre and a regional logistics hub to promote the sustainable development of the economy.

The Hong Kong International Airport ranked first in the world in terms of freight volume and ranked third in the world in terms of international passenger throughput. In the first three quarters of this year, freight volume has increased by about 11% over the same period last year while flight movements and passenger throughput have also increased. To consolidate Hong Kong's position as an international aviation hub and cope with the ever-increasing traffic flow, we will make every effort to optimize the hardware and software of the Hong Kong International Airport.

In terms of hardware, we will enhance the passenger and freight handling capacities of the airport by actively assisting the Hong Kong Airport Authority ("AA") in the development of the three-runway system project and optimizing airport infrastructure and intermodal facilities. AA launched the three-runway system project in August last year. The Government will, on the one hand closely monitor the implementation of the project, and on the other hand, actively coordinate with the Civil Aviation Administration of China in airspace planning, studying and implementing various measures to optimize airspace management and gradually achieving the target capacity of the three-runway system. The three-runway system project will take about eight years to complete. Before the commissioning of the three-runway system, we need to maximize the capacity of the current two-runway system and upgrade airport facilities so as to cope with the rapidly growing air traffic demand in the next few years. In this connection, the Civil Aviation Department will study and apply the latest air traffic management technologies, and AA will also actively promote the midfield development project and improve the existing passenger and freight transport facilities.

In terms of software, AA plans to develop a smart airport and apply new technologies to enhance the efficiency of airport operations. For example, Radio Frequency Identification systems will be used to handle baggage so that passengers will know if their baggage has been sent to the baggage reclaim hall, and face recognition technology will be used at the departure and boarding gates to simplify boarding procedures, etc. Moreover, we will develop high value-added aviation business and actively train aviation personnel. The Hong Kong International Aviation Academy ("HKIAA") established by AA rolled out its first batch of aviation-related programmes in April this year. The programmes cover a wide scope and different levels of courses, including summer youth courses and internship programmes, introductory courses, further studies and professional courses co-organized with local and overseas academic institutions. HKIAA will launch a master's degree programme in Air Traffic Management with École Nationale de l'Aviation Civile later this year. Many countries along the Belt and Road Initiative will send personnel to attend classes in Hong Kong.

Concerning maritime transport, Hong Kong has a long maritime tradition and is an important hub port in the region. The Hong Kong port is one of the busiest container ports in the world and it handled close to 20 million twenty-foot equivalent units in 2016. Hong Kong is, at the same time, a gathering place for shipowners, and the shipowners and maritime management companies owned and managed enormous fleets. At the end of 2016, members of the Hong Kong Shipowners Association owned and managed over 2 300 vessels with a total tonnage of over 178 million tonnes, accounting for almost 10% of the total tonnage of the world's merchant maritime capacity. Given that Hong Kong is a small place, such an achievement is indeed gratifying. In addition, the maritime industry in Hong Kong is booming. At present, there are more than 800 maritime companies providing diversified high value-added maritime services to maritime enterprises around the world. Their services include maritime insurance, maritime law and arbitration, ship agency and ship management, ship brokerage and leasing, etc. Hong Kong is both an international financial centre and a maritime financing centre in the region.

The SAR Government has always been committed to consolidating and enhancing Hong Kong's position as an international maritime centre. We will continue to work with the industry through the cooperation of the Hong Kong Maritime and Port Board ("HKMPB") to formulate a full range of strategies. Following the guidelines of facilitating business, training talent and external promotion, we will focus on promoting the development of maritime transport and ports in Hong Kong and attracting foreign maritime companies to invest in Hong Kong and use our maritime services.

In facilitating the business development of the maritime industry, the SAR Government will continue to enhance the services of the Hong Kong Shipping Register so as to keep abreast of the latest developments in the international maritime industry and maintain Hong Kong's competitiveness. We will provide adequate customer-based services, such as round-the-clock services to Hong Kong registered ships, instant online certification services, as well as the provision of vessel descriptions and other necessary documents through overseas and Mainland economic and trade offices so that new vessels can be commissioned as soon as possible. On the other hand, we will continue to explore and formulate through HKMPB more policies and measures facilitating the business operation of the maritime industry. For instance, we will explore with the industry the feasibility of moderately relaxing the navigation height limit of the Tsing Ma Bridge without prejudice to the safety of the bridge, so as to allow large cargo carriers to enter and leave Hong Kong ports.

Promoting the development of the high value-added maritime services industry is also the focus of the work of HKMPB in the future. We will be committed to enhancing the development of maritime law and arbitration services. Hong Kong is a major international law and dispute resolution service centre in Asia, providing professional and quality maritime arbitration services to the maritime industry. The SAR Government will continue to work with numerous local arbitration organizations to promote Hong Kong's maritime law and arbitration services to overseas and Mainland organizations, so as to attract them to choose Hong Kong as the seat of arbitration and develop Hong Kong into an international maritime commerce arbitration centre.

In respect of manpower training, we will continue to make good use of the Maritime and Aviation Training Fund to support manpower development in the maritime industry. For this purpose, HKMPB has reviewed the operation of the fund and timely provided new scholarship programmes and other funding schemes under the fund. It has also explored with the relevant institutions the addition of maritime elements in different disciplines, as well as invited the relevant professional bodies to offer more advanced courses to meet the needs of the industry.

HKMPB will continue to carry out external promotion activities such as participating in large-scale international maritime conventions and exhibitions, and organizing delegations with industry representatives to visit maritime cities in the Mainland and overseas with development potentials to promote Hong Kong's maritime industry and high value-added maritime services. The second Hong Kong Maritime Week will be held from 19th to 26th this month to promote Hong Kong as an ideal location for operating maritime business. I sincerely invite Members to spare some time to participate in our activities.

In fact, in the Outline of the 13th Five-Year Plan released in March 2016, the Central Government explicitly stated that it would give full play to Hong Kong's unique advantages and support us in consolidating and enhancing our position as a maritime centre. Looking forward, the country's Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area will bring enormous opportunities to the maritime industry in Hong Kong. The SAR Government will work closely with the industry to capitalize on the opportunities to jointly promote the rapid development of the maritime and port industries in Hong Kong.

In the meantime, the Government will continue to gradually implement the recommendations made in the review of the back-up land of the Kwai Tsing Container Terminals to maintain the competitiveness of Hong Kong ports. As I mentioned earlier at a meeting of the Panel on Economic Development, we will provide six port back-up sites totalling about 18 hectares for the container terminals in phases, so as to expand the terminal yard space and increase the number of barge berths for enhancing container handling efficiency. We have also conducted a feasibility study to examine the feasibility of developing multi-storey facilities at suitable two sites in Kwai Tsing so that more land can be released to support port operations.

Hong Kong is a logistics hub in Asia and the trading and logistics industry ranks first among the four major economic pillars of Hong Kong. A Member has just mentioned that the entire industry accounts for about 22% of the Gross Domestic Product. The Government has been committed to identifying suitable land and promoting the development of high value-added third party logistics industry. A logistics site of approximately 3.2 hectares in Tuen Mun Area 49 has been approved by the Town Planning Board and is expected to be made available in the first quarter of 2018. A site of around 5.3 hectares at the Kwo Lo Wan at South Cargo Precinct will also be made available at the end of this year for AA to develop into a modern air cargo logistics centre.

In addition, AA actively negotiates with Hongkong Post to expand the Air Mail Centre at the Hong Kong International Airport so as to enhance its capacity and operational efficiency and grasp the opportunities brought by cross-border e-commerce.

To sum up, the sustained development of the air transport, maritime and logistics industries is the cornerstone of Hong Kong's economic prosperity. The SAR Government will spare no effort to work with all sectors of society for Hong Kong.

Thank you, Deputy President. I so submit.

**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Deputy President, first of all, I would like to thank Members for their valuable comments and recommendations. Hong Kong was ranked third in the Global Financial Centers Index after London and New York, which is a recognition of our performance. We should continue to reinforce and enhance Hong Kong's position as an international financial centre, a global offshore Renminbi ("RMB") business hub and an international asset management centre.

I am going to introduce policies to promote diversified development of the financial sector in 12 respects. First, we are committed to promoting diversified development of our financial market. The Financial Leaders Forum chaired by the Financial Secretary has provided an effective platform for the discussion of strategic and forward-looking proposals that help to consolidate the status of Hong Kong as an international financial centre.

Second, since its establishment, the Financial Services Development Council ("FSDC") has been dedicated to advising the Government on the sustainable development of the financial services industry in Hong Kong. Apart from research work, FSDC also works in collaboration with the Hong Kong Trade Development Council and other industry players to actively promote, through its rallying efforts, Hong Kong's financial services industry and to help nurture human capital for the industry.

We will allocate more resources to FSDC to enhance its role in conducting strategic research, formulating recommendations, promoting market development and nurturing talent. To allow FSDC to carry out its functions more effectively and to enhance its operational efficiency and flexibility, the Government plans to incorporate FSDC as a company limited by guarantee and continue to provide it with funding, thereby enabling it to better fulfil its role.

Third, we have unique advantages in the offshore RMB business. Hong Kong is now both the international financial centre of the country and the global financial centre of China, and will continue to be the largest offshore RMB business hub in the world. In July this year, the investment quota of the RMB Qualified Foreign Institutional Investors ("RQFII") for Hong Kong increased from RMB270 billion to RMB500 billion, thus making Hong Kong a region with the largest RQFII quota in the world. We will liaise closely with the industry to make good use of the additional quotas, and will continue to engage the industry and relevant Mainland authorities to explore expansion of the channels for two-way flow of cross-border RMB funds.

Fourth, the Mainland-Hong Kong Mutual Recognition of Funds Arrangement, which has come into operation since July 2015, has been running smoothly so far. As at end-September 2017, relevant authorities of the two places have approved a total of 58 funds to be sold in the two markets, with aggregate net sales amounting to nearly RMB12.5 billion. The regulatory bodies of the two places will continue to approve applications under the mutual recognition of fund arrangement.

Fifth, the country's Ministry of Finance has issued RMB bonds in Hong Kong for nine consecutive years, and US dollar sovereign bonds totalling $2 billion in Hong Kong was issued in late October. This is the first time the Central Government issued US dollar sovereign bonds in Hong Kong after the reunification. This is not only conducive to the development of the local bond market, but also reinforces Hong Kong's role as the prime platform for promoting the internationalization of RMB and enhancing the integration of the Mainland and international financial markets. At present, any person who collects interest or profits in respect of RMB sovereign bonds issued by the Central Government in Hong Kong will be exempted from profits tax. We are actively planning to extend the exemption of profits tax to non-RMB (including US dollar) bonds issued by the Central Government in Hong Kong to promote the issuance of RMB sovereign bonds in Hong Kong on an ongoing and regular basis.

Sixth, the Bond Connect came into operation in July this year, coupled with the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds Arrangement, RMB investment products in Hong Kong have been further diversified, which facilitates the internationalization of RMB and the development of Hong Kong's offshore RMB business. We will explore the possibility of including in the two-way mutual access mechanism a wider range of investment products, such as exchange-traded funds, and extending the Mainland-Hong Kong Bond Connect to cover Southbound Trading, with a view to deepening the mutual access between Hong Kong and Mainland financial markets.

Seventh, Hong Kong can also offer a wide range of financial services, including offshore RMB settlement, project financing as well as risk management, asset management and capital management, for enterprises in the Guangdong-Hong Kong-Macao Bay Area ("Bay Area") and along the Belt and Road regions. It is expected that the planning of the Bay Area will promote the efficient dissemination of liquidity, and the specific direction includes deepening the mutual access of financial services in the region, developing additional cross-border financing services to tie in with the growth of enterprises, and striving to relax the restrictions and requirements of Hong Kong financial institutions entering other cities in the Bay Area, with a view to promoting the Bay Area as an anchor point for the Belt and Road Initiative.

Eighth, Hong Kong became a member of the Asian Infrastructure Investment Bank ("AIIB") in June this year. We will continue to actively encourage AIIB to leverage our status as an international financial centre and our capital markets, asset management professionals and various financial products to support the operation of the AIIB in different areas.

Ninth, in promoting the development of the asset management industry, we will continue to work on the introduction of an open-ended fund company ("OFC") structure. The Securities and Futures Commission is formulating the relevant subsidiary legislation and code, and is expected to table the subsidiary legislation before the Legislative Council for scrutiny in the coming year. Furthermore, in order to provide a favourable taxation environment, we introduced a bill to the Legislative Council in June this year, proposing to extend profits tax exemption to onshore privately-offered OFCs.

Tenth, in order to promote the development of green finance in Hong Kong as well as demonstrate our support for sustainable development and determination to combat climate change, the Government will issue a green bond in the 2018-2019 financial year, with a view to encouraging investors in the Mainland and along the Belt and Road as well as international investors to arrange financing of their green projects through Hong Kong's capital markets. Following its first issuance of a US dollar green bond in November last year, the MTR Corporation Limited has issued several green private placement bonds in different currencies and with different tenors this year and intends to issue additional green bonds in Hong Kong, subject to market conditions and its own funding needs. The Airport Authority Hong Kong has also announced its plan to issue a green bond in Hong Kong next year. We will continue to encourage local, Mainland and overseas enterprises to issue green bonds in Hong Kong to finance their green industries and projects, and promote the establishment of green bond certification schemes that meet international standards by local entities.

Eleventh, the diversified development of the financial services industry and the innovation of financial institutions are closely related. The robust development in the financial technologies ("Fintech") will help consolidate the leading edge of Hong Kong's financial services industry. We encourage financial institutions to connect and collaborate with startups and various Fintech talent, so as to facilitate the training and exchange of talent as well as invest and research in Fintech projects. We note that mobile payment or transaction requires a good "know-your-customer" platform to help verify the identity of customers. The banking industry is exploring the establishment of a "Know-your-customer Utility" ("KYCU") for corporate customers to enhance the efficiency of banks in conducting customer due diligence. Meanwhile, the Hong Kong Monetary Authority is also exploring the establishment of a KYCU at the individual level. We will work closely with all the stakeholders and continue to introduce measures to promote the application and innovation of Fintech. With regard to equity fund raising, under the existing legislative framework, there is room for the operation of equity crowdfunding ("ECF") platforms. The market may first consider making reference to the exemptions relating to professional investors under the existing regulatory framework for developing ECF platforms targeting professional investors in Hong Kong. On the whole, we will closely monitor the development of Fintech application in Hong Kong and other areas, so as to ensure that an appropriate balance between the promotion of market innovation and the protection of investors can be struck.

Twelfth, the Hong Kong Exchanges and Clearing Limited ("HKEx") has conducted market consultation on the proposals regarding the establishment of a New Board, with the aim of widening capital markets access by opening up to a more diverse range of issuers, including new business enterprises, and enhancing the competitiveness of the listing platform in Hong Kong. HKEx is now considering the views collected with a view to formulating the way forward for the long-term development of the new economy.

I will now explain the measures and legislative proposals to enhance market quality. The sound regulatory system is the cornerstone of Hong Kong's status as an international financial centre, we will therefore closely monitor the developments of the global and local financial markets, implement the relevant international regulatory standards and strive to enhance the quality of our financial markets.

The Government will amend the relevant legislation to improve the existing regulatory regime for listed entity auditors, such that the regime will be independent from the audit professions. This will help ensure the regime is benchmarked against the international standard and practice, and maintain the confidence of investors in Hong Kong's overall financial regulatory regime with regard to the capital market.

We have introduced the Banking (Amendment) Bill 2017 into the Legislative Council to strengthen the resilience of our banking system in accordance with the latest international standards on banking regulation. A Bills Committee of the Legislative Council is also examining the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Bill 2017 and the Companies (Amendment) Bill 2017. I look forward to the early commencement of the relevant bills to add to the credibility of Hong Kong as an international financial centre.

We have completed the stage-two consultancy study on a risk-based capital regime to align Hong Kong's regulatory regime with international standards and make capital requirements more sensitive to the level of risk borne by insurance companies. The Insurance Authority will consult the industry on the key legislative proposal towards the end of this year. We also propose to establish a Policy Holders' Protection Scheme and our target is to introduce the relevant bill into the Legislative Council in the second half of 2018.

The Government is preparing a bill to introduce a statutory corporate rescue procedure and insolvent trading provisions to provide an option for companies in short-term financial difficulties to initiate the procedure, with a view to reviving their business, instead of pursuing immediate liquidation to wind up the company. Our goal is to introduce the bill in 2018.

In order to tackle the problem of malpractices for money lending, the Government implemented a four-pronged approach last year, including the imposition of more stringent licensing conditions on money lender licences in December last year, enhanced enforcement, enhanced advisory services to the public as well as enhanced public education and publicity. We noticed that recently, the personal data of a member of the public had been used fraudulently by others, resulting in his being deemed as a loan referee without his knowledge. We are conducting a review on the effectiveness of the new regulatory measures and will consider the need to introduce more stringent requirements to protect the public, which include protecting the public's personal data privacy.

As regards the Mandatory Provident Fund ("MPF") scheme, the Government and the Mandatory Provident Fund Schemes Authority ("MPFA") have been working to reduce the level of fees and expenses of the MPF funds. On the other hand, the fee-controlled Default Investment Strategy ("DIS") was implemented on 1 April this year. As at end-August 2017, 920 000 MPF accounts have adopted DIS or invested in its constituent funds, which involve an asset value of $17.1 billion. It is envisaged that the fee-controlled DIS will further promote competition among MPF service providers on fees and fund performance, thereby bringing benefits to the scheme members in the end.

At the same time, the Government and MPFA have also commenced work to put in place the eMPF, a centralized electronic platform. This eMPF platform will enhance the administrative efficiency of the MPF schemes, thereby providing more room for fee reduction. A working group comprising all the 14 trustees who are operating MPF schemes was formed by the Government in June this year to steer the development of eMPF. Furthermore, the Government will prudently consider the proposal to allow early withdrawal of MPF benefits by scheme members for purchasing their first property.

With regard to tax policy, as known to all, it is one of areas where focused actions will be taken by the current-term Government. Apart from the two-tiered profits tax rates regime and an enhanced tax deduction for research and development ("R&D") expenditure, we will continue to actively consider other tax measures conducive to the economic development of Hong Kong, so as to make our economy more diversified and create more quality employment opportunities. Of course, the relevant tax measures must comply with international requirements and should be able to maintain fiscal sustainability and social equity, which is a challenging task.

As the current-term Government attaches great importance to public engagement and discussion, we therefore held a "Summit on New Directions for Taxation" in late October and invited people from all walks of life to actively participate and express their views, thereby assisting the Government to formulate forward-looking tax policies and measures.

As for international tax cooperation, I am aware of Members' concern and the Government has maintained close liaison with the Organisation for Economic Co-operation and Development ("OECD") and the European Union to explain Hong Kong's determination and latest developments in the implementation of various new measures and standards. Our work for the coming year will mainly cover three areas: Firstly, we will extend the application of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters to Hong Kong so that we can exchange necessary information with other jurisdictions under the automatic exchange of financial account information in tax matter ("AEOI") arrangements and the base erosion and profit shifting ("BEPS") package. We introduced an amendment bill into the Legislative Council in mid-October. Secondly, we will introduce another amendment bill into the Legislative Council to implement the four minimum standards of OECD's BEPS proposal and the codification of the transfer pricing principle into the Inland Revenue Ordinance. And thirdly, we will continue to expand the network of Hong Kong's Comprehensive Avoidance of Double Taxation Agreements ("CDTAs") with our trading partners, seeking in particular to commence negotiations with countries along the Belt and Road, in the hope of increasing the total number of our CDTAs to 50 in the next few years.

Finally, with these remarks, I implore Members to support this year's Policy Address. Thank you.

**DEPUTY PRESIDENT** (in Cantonese): The first debate session ends.

**DEPUTY PRESIDENT** (in Cantonese): We now proceed to the second debate session. The debate themes are "Quality Education, Manpower Training and Connecting with Young People".

This session covers the following three policy areas: Population Policy and Manpower; Education and Youth.

Members who wish to speak in this session will please press the "Request to speak" button.

**MR SHIU KA-CHUN** (in Cantonese): Deputy President, Chief Executive Carrie LAM has a well-known nickname of being a "good fighter". As she has proclaimed from time to time, having worked as an Administrative Officer, she is well-versed in policies and practical, and she attends to everything herself. Surely she has an air that "a government official with no expectation is bold"―she is now the Chief Executive but not a government official anymore. I must admit that Chief Executive Carrie LAM of the current-term Government is much smarter than her predecessor, former Chief Executive LEUNG Chun-ying, as she will at least avoid making trouble out of nothing or stirring up pro-independence sentiment.

I very much appreciate the concrete improvement proposals made by her in the Policy Address, which include reforming the Low-income Working Family Allowance and committing to set the target of "zero-waiting" for pre-school children and elderly persons with special needs. In respect of education policies, the authorities have increased the recurrent education expenditure by $5 billion, with the first-phase measures of $3.6 billion covering the introduction of free kindergarten education and the provision of subsidy for undergraduate studies. As social workers, we are truly envious of the beneficiaries of these measures. I would like to mention in passing that recently, social workers often use a banner―actually it is not a real banner―to express their thinking, which reads "Are social workers in Hong Kong really that tired?" We very much hope that Members will not only pay serious attention to the morale of teachers, but will also care about the morale of social workers.

The Chief Executive is a "good fighter" in a sense that she will make decisive moves for the tasks that she is willing to undertake, but for those tasks which she is reluctant to undertake or tasks she has undertaken but refused to admit, she will squint because as she said, "one can't see with half-closed eyes."

I remember that the Education Bureau had once issued circulars to school sponsoring bodies, inviting schools to allow students to watch the live broadcast of a seminar on Basic Law, and then return the attached reply slip to show their stance. The Secretary, who is also present at the meeting now, said that he had not exerted pressure on schools as schools could make their own arrangement. The Chief Executive, however, had added a very interesting remark that "there is nothing mandatory in the arrangement because 'one can't see with half-closed eyes'". I wonder if she had put out her tongue after making such a remark. In response to the live broadcast issue, she had surprisingly said that "one can't see with half-closed eyes". Is that a bit too treacherous? Will this undermine her absolute control? I am pretty worried about her.

Perhaps as "one can't see with half-closed eyes", the Chief Executive has not squarely addressed the problems of child and youth poverty in the Policy Address. Nor is there any mention of anti-poverty strategy to be adopted to lower the poverty rates of children and young people in the next few years.

Perhaps "one can't see with half-closed eyes", the Policy Address has proposed to increase child care services to unleash women's working potential by providing in 2018-2019, about 300 additional places in aided stand-alone child care centres and 2 000 additional fee-waiving and fee-reduction places under the Fee Waiving Subsidy Scheme for After School Care Programme ("ASCP") through the Community Care Fund on top of the existing 40 000-odd childcare places (for children aged 3 to 6) or ASCP places (for children aged 6 to 12). However, the additional places are very limited and are only a drop in the bucket as there are 232 000 children from needy families in Hong Kong. According to the statistics of 2015, 23.5% of children were living in poverty, which means one in four children was living in poverty. It can thus be seen that the additional places do not offer much help. Since there is currently no comprehensive policy on child care and community care, nor is there any support for casual workers, the initiatives will not be able to genuinely unleash labour force and can hardly improve the situation of the working poor.

While the Government should better not adopt the mentality of "not seeing with half-closed eyes", it is even worse to "lie with eyes wide open". In the Policy Address, the Government has pledged to do its best in youth development work by addressing their concerns about education, career pursuit and home ownership, and encouraging their participation in politics as well as public policy discussion and debate. With regard to youth participation in politics as well as public policy discussion and debate, Carrie LAM said that she would conduct school visits with Directors of Bureaux and Secretaries of Departments to interact with students, whereas the 10-odd Political Assistants would brief young people on the Policy Address and the governance philosophy. The Government would even put up advertisements in newspapers to recruit 20 to 30 young people to join the Policy Innovation and Co-ordination Unit ("the Unit"), formerly known as the Central Policy Unit ("CPU"), on a three-year non-civil service contract basis. The recruited young people will take part in policy research and the coordination of large-scale projects. Since the Unit is directly responsible to the Chief Executive, its staff can meet with her very often. It is believed that by enabling the voice of young people to be heard directly by the Chief Executive, the Government can then seize the opportunity to nurture them.

Furthermore, as we all know, in order to call on young people to participate in the Pilot Member Self-recommendation Scheme for Youth ("the pilot scheme"), Chief Secretary Matthew CHEUNG, who is present at today's meeting, and Chairman of the Commission on Youth LAU Ming-wai even starred in a short film broadcast on 30 October. In this one-minute short film, these two "uncles" borrowed the name of a South Korean male group, Wanna One, and repeatedly made the "signature" hand gesture which is extremely popular with its fans so as to get across the romantic and youthful message of "save in my heart". Perhaps borrowing the name of Wanna One and making that hand gesture are the ways through which "Matthew 'oppa' (meaning older brother)" and "Ming-wai 'oppa'" made themselves more youthful.

The pilot scheme aims to recruit 11 young people who are sincere in serving and contributing to the community to join five advisory committees, thereby increasing their opportunities for public policy discussion. The pilot scheme is a new initiative to realize the idea of "Connecting with Young People" subsequent to the measures announced earlier on, including the establishment of the Youth Development Commission, the revamp of CPU and the recruitment of young people. While we cannot say there is anything bad about the current-term Government's strong determination in promoting the participation of young people, I cannot wait to see the expeditious implementation of the relevant initiatives by the Government. Notwithstanding that, the excitement that whoever wins the hearts of young people gets the world is worth pondering.

Regarding the issue of youth participation, my first impression is embarrassment, that is, I feel embarrassed for the Government. As evident from the movement against the Express Rail Link and safeguarding Choi Yuen Tsuen, the movement against national education, the "Umbrella Movement", the disqualification of a number of young Legislative Council Members and the imprisonment of 13 young people for their concern over the development in North East New Territories, the Government has been encouraging young people to participate in policy discussion and in politics on the one hand, but dealt a heavy blow to the young political leaders on the other. If this is not schizophrenia, it must be the Government's deliberate attempt to exercise control over youth participation with all-out efforts, which include defining the scope and limits of youth participation; policies that can or cannot be discussed; organizations that young people can join or should avoid; as well as the kind of young people who will be commended or penalized. Apparently, the key to youth participation is not young people, but the long-term governance of the Government.

Of course, there is nothing new about administrative absorption of politics. Anyone who has a little knowledge about the colonial government should understand that the motive embedded in youth participation is actually the control over society, which seeks to rationalize the sharing of interests among people with vested interests to maintain the status quo. As there is nothing new under the sun, youth participation is being used again today, but I must tell you that the restlessness of young people is a great concern for the governing regime. To address the restlessness of young people, both carrot and stick will be offered. By stick, I mean to put in place "a judicial system with no mercy", and by carrot, I mean "the transformation of youth participation".

The pilot scheme is a very clever idea of killing two birds with one stone. While public consultation exercise has been subject to criticisms, the first research report published by Hong Kong Vision, the think-tank initiated by former President of the Legislative Council Jasper TSANG to specifically express views on Hong Kong's governance, is precisely related to public participation and consultation. It is pointed out in the report that "the existing advisory committee system of the SAR Government has fallen short of public expectation. As members of the public failed to understand why certain members were appointed to various committees, they queried if the Government has complied with the principle of meritocracy". The report proposes to include new provisions to the guidelines of various committees, which require them to disclose the background of non-official members and make public information such as records of open meetings to enhance public confidence.

The report also mentions the mechanism of public participation, highlighting that since the Government implemented the Guidelines on Public Consultation in 2003, no amendment has been made in the past 10-odd years. The former President of the Legislative Council Jasper TSANG even suggested that the Chief Secretary for Administration should take the lead to set up the Public Engagement Development Commission. At present, there are only five committees under the pilot scheme. Of the 516 advisory and statutory bodies in Hong Kong, only five would accept self-recommendation, which is just a drop in the bucket. Yet, the Government has highlighted this percentage time and again to remind us of its intention to carry out a reform of public consultation and take on board the views of young people. Therefore, this initiative actually carries a greater symbolic meaning than actual effect.

The Government has always applied a high safety factor to youth participation in politics, or we may say that it has high crisis awareness. Regardless of how young people are recommended to join the advisory bodies, the percentage of youth members in these bodies is capped at 15%. To put it nicely, the ratio is raised to 15%; but to put it in a meaner way, it is capped at 15%. Under such a closed power system, not only are young people not given any say, their voices are very weak as they only account for 15% in any of these bodies. From this, we can see that the Government has not delegated any substantive power to young people to enhance their participation. No wonder the Pilot Member Self-recommendation Scheme for Youth is sometimes ridiculed as the "Pilot Trophy Member Self-recommendation Scheme for Youth".

As a Chinese saying goes, "when there is trouble, it is ZHONG Wuyan to whom the king would go for help; when trouble is over, it is XIA Yingchun's company that the king would seek." Nonetheless, young people are neither ZHONG Wuyan nor XIA Yingchun. I remember when Carrie LAM responded to a question about universal retirement protection scheme in her former capacity as the Chief Secretary for Administration, she said, "Is it fair and just for the younger generation to pay for the pensions of the previous generation?" Her question clearly showed that she had a pre-determined stance over that scheme. Her sudden reference to youth justice was nothing but an attempt to provoke inter-generational conflicts. "When trouble is over, it is XIA Yingchun's company that the king would seek; when there is trouble, it is ZHONG Wuyan to whom the king would go for help", it seems that young people have become Carrie LAM's ZHONG Wuyan. Whenever she faces a crisis, she would summon young people to help her get away. This is not youth participation in any way; it has actually run contrary to this objective. But unfortunately, I am afraid that such a mentality has been spread to different government departments.

Some time ago, when Secretary for Transport and Housing Frank CHAN was asked in a radio interview why the increase of private vehicles has become so uncontrollable, he suddenly floated the remark that "the frantic increase in property prices has rendered it impossible for young people to buy their own homes, they thus buy cars to have some space for their bodies and souls to occasionally travel around". What is the conclusion of the Secretary? As the younger generation cannot afford to buy properties, they buy cars instead, thus causing serious road congestions. The Secretary's remark reflects that he has little understanding of young people, thus I am gravely worried that if he translates his understanding of young people into a policy, it will not only be outdated, unrealistic and unable to realize the idea of "Connecting with Young People", but is also a disservice.

The "car purchase remark" is nothing new, and it actually boils down to the same old tune of stressing materialism and materialistic enjoyment. All young people are materialistic boys and girls who worship materialism and pursue a material life. If they cannot afford to buy a flat, they will buy a car instead; if they cannot afford to buy a car, they will buy an expensive watch instead, and if they cannot afford to buy an expensive watch, they will go to Japan for pleasure seeking instead. While we are not unfamiliar with this way of labelling people, I do want to highlight that this is no doubt a very powerful weapon commonly used these days, but the labels have an additional effect of detecting demons by showing the faces of people who created the labels.

The message behind this "car purchase remark" is not that young people are materialistic; but it reflects that the Secretary actually belongs to the materialistic generation, longing have a flat, a wife, a car and a baby. Yet, this projection of materialism is just the opposite of post-materialism, a concept that we are concerned about. In the eyes of the materialistic generation, money is all that matters as it can compensate them from the darkness of growth. Or, to put it in another way, valueless things are unworthy. Country parks, for example, are valueless and can therefore be disposed of. In short, price represents the value. But since our next generation is no longer materially deprived during their development, a new era of post-materialism has emerged. With "abundant food and clothing", they have started to pursue "a correct sense of honour and disgrace", which are values of a higher level that cannot be measured under mainstream economics.

(THE PRESIDENT resumed the Chair)

To realize the idea of "Connecting with Young People", I would recommend government officials to read the book *2 Billion Under 20*, which records how 75 young people of the millennial generation have changed the world through their thinking and action. The Taiwan translation was published in 2016. As the Chinese title of the book suggests, young people can better define their life purposefully than the previous generations. Instead of setting life goals such as acquiring properties, cars or expensive watches, they aim to build a more equitable world in their own capacities so that the underprivileged can lead a more dignified life. Regardless of their young age, some of them have promoted fair trade in Africa and some have turned discarded computers into useful assets for the benefit of school children. Also, some secondary students who had been bullied and suffered from depression founded the "Spirit Day" to show their support with action for people who have been bullied and have different sexual orientation. Looking at these young people from different corners of society, we cannot help but say "don't let anyone look down on you because you are young". They have inevitably reminded us of young people who had put up fierce fights and were even imprisoned for preserving the Queen's Pier, protesting against the Express Rail Link, impeding the provision of funding, opposing the introduction of "brainwashing" education and organizing the Umbrella Movement. They did not rise to defend their personal interests, but to defend social values that they treasure. Perhaps the only thing that Secretary Frank CHAN is right in saying is that young people nowadays need to have more space, not of an occasional nature, but a kind of structural and institutional economic and political space which enables them to define their own world and continue to commit to the values and beliefs that they hold dearly.

Whenever I talk about youth policy, I always think of the bed in Greek mythology called "the Bed of Procrustes". On the face of it, Procrustes was a rich man who enjoyed having guests, but in reality, he was an extraordinary host. After inducing travelers to his home, he would invite them to have a splendid dinner and even stay overnight, sleeping in that bed. However, he was eccentric and wanted his guests to fit the bed exactly. Instead of changing the bed for his guests, he either axed the long legs of tall guests or stretched the body of short guests. Apparently, all the guests died and none of them had an intact body. Things that appear to be "just fit" have actually gone through a cruel process of "mutilation".

Why would this bed remind me of the youth policy? The biggest problem of the existing youth policy is that the Government insists on taking an advantageous position in exercising absolute control. In other words, young people have to take up future social responsibility but without given any decision-making power. If young people only have responsibility but not power, the Government can on the one hand secure its advantageous position of having absolute control, and on the other hand, make negative comments on young people who have made mistakes made while performing their duties, such as "a silk purse cannot be made out of sow's ears", "they are not ready to take over the baton" or "they fail to work independently, not to mention to take charge on their own". In short, this generation is worse than the previous one. If it can be proved that the youth policy is worse than the previous one, the Government should better drop it.

In that case, regardless of how well Chief Secretary Matthew CHEUNG and Chairman LAU Ming-wai imitated the hand gesture of Wanna One, so long as the Government is reluctant to change its mentality or culture, I am worried that youth policy may not be implemented for young people, but for the Government, and young people will only be puppets being manipulated for window-dressing purpose during the process.

On education, I certainly have to mention the problem of student suicide. At the recent Chief Executive's Question and Answer Session, the Chief Executive advised me not to get too emotional. Since the new academic year in September 2015, a total of 73 young people committed suicide in two years, ranging from primary students to postgraduate students. How can we deny that the trend of young people jumping from height is disturbing? And yet, the Policy Address is completely silent on this issue. Of course, we will continue to work hard, and after years of efforts and having drawn the media's attention, we have finally received positive response from the Government, and that is, a cross-bureau/department task force will be set up to look into the problem of student suicide. Today, the convenor of the task force Secretary Dr LAW Chi-kwong is also present at the meeting. The Civil Alliance for Student Suicide Prevention ("the Civil Alliance") has written to invite the Secretary to a meeting, during which we can express our expectations of this task force and the preferred areas of concern. We hope that the Secretary will reply. We are awaiting his response and his proposed date of meeting. We are eager to discuss with the Secretary about how the problem of student suicide can be tackled. To prevent recurrence of similar incidents, the Government should no longer take stopgap measures as they can never get to the root of the problem.

In my opinion, the real culprit is the long learning hours which has exerted immense pressure on students. If we are aware of how students are overburdened by homework, examinations and quizzes, we will understand the importance of discussing and introducing standard learning hours as well as setting different standards for students with different learning needs. Some concern groups have already devised different standard learning hours to help students relieve their pressure. The Alliance of Social Workers Against Student Suicide and the Civil Alliance had conducted a questionnaire survey and interviewed 1 200 people in the streets and secondary schools over the past four months, the findings showed that 94% of the respondents supported the setting of standard learning hours for students, and more than 50% considered it appropriate for the standard learning hours to be less than seven hours a day. This afternoon, I received another piece of good news and that is, the Research Office of the Legislative Council Secretariat is going to undertake a research study on a topic requested by me. The Civil Alliance is very eager to meet and exchange views with Secretary Kevin YEUNG on the findings of the survey on standard learning hours, so I hope the Secretary would spare some time to talk to us.

The Government should make fundamental changes to the education system. This request is by no means playing the same old tune. The Government should also consider how to improve the family-friendly policy so that parents would have more time to take care of the physical and mental well-being of their children. Furthermore, the Government should also conduct a comprehensive review of the overall education policy to drastically change the single indicator evaluation system, thereby genuinely providing multiple pathways for students.

As I am going to conclude my speech in this session, I would like to talk about my role model TONG Kam-ting, the chairperson of the student union of Queen Elizabeth School Old Students' Association Tong Kwok Wah Secondary School. In her speech on learning to be an undignified person delivered on the first day of school on 1 September this year, she pointed out that young people should insist on the righteous cause, stand firm to their choices and express their dissatisfaction, disregarding that they may be considered by many adults as unruly, undignified and uncompromising. She also mentioned the 24 political prisoners in Hong Kong now behind bars, saying that all of them had fought for Hong Kong's democracy in an undignified manner. While she understood the benefits of taking the overall interests of the community into account, the pursuit and perseverance of truth was even more precious to her. Her remark is very forceful indeed. The only point that I would like to share with TONG is that people of any age can ignore the general interest, not just young people. All kind-hearted people, including me, should learn to ignore the general interest. Thank you, President.

**MR TOMMY CHEUNG** (in Cantonese): President, I will talk about integrated education first. I often say that the sooner a child with special education needs is identified, the better it is. The best time for diagnosis is between 2 and 3 years of age, and then followed by professional treatment in a timely manner. This will not only enhance the curative effect greatly, but also reduce the burdens of teachers and teaching difficulties in future significantly.

Over the years, the government has promised to promote integrated education in society but without real actions, and they are reluctant to devote resources to support teachers and schools to do a good job in this area, which has eventually harmed the students and teachers. The situation was like that of the English Schools Foundation. Now, since the lump sum for educational aids provided by the Financial Secretary earlier this year has not been exhausted yet, I suggest the Administration consider allocating the balance to child care centres and kindergartens so as to enhance their related services for a win-win situation.

President, the Liberal Party has reservations about the new "Free Quality Kindergarten Education Scheme" introduced by the previous government and launched this year. The Liberal Party urges the Administration to seriously consider introducing a voucher system for privately-run kindergartens so as to help the middle-class parents. In fact, this relates not only to the problem that the middle-class parents are being neglected. The Liberal Party has repeatedly criticized that free kindergarten education may eventually become sugar-coated poison, which will result in the deteriorating quality of pre-primary education and eventually forces some parents to find another way out. The situation will be similar to the direct subsidy primary and secondary schools now, and thus history recurs and mistakes repeat.

It must be borne in mind that under the present 15 years of free education, the unaffiliated privately-run kindergartens will only polarize. Some will even be phased out gradually, and the rest will naturally raise their tuition fees and develop towards quality ones. This will inevitably reduce the choice for middle-class parents and increase their burdens, which is against the Administration's expectation that the kindergarten sector will remain flexible and diversified. Therefore, the Liberal Party proposes to introduce pre-primary education vouchers to middle-class parents as subsidies for their children to study in privately-run kindergartens. We must understand that the strength of the voucher system is that users can decide on the allocation of resources along with the market power, which can also provide incentives for the privately-run kindergartens to enhance the quality of education.

Some worry that this will only encourage privately-run kindergartens to raise their tuition fees instead of helping the parents. However, those who hold such opinions are actually biased as privately-run kindergartens have long been a sector under regulation and subject to statutory restrictions. They must obtain government approval before they can raise their tuition fees and their profit margins cannot exceed 10%. As such, their tuition fees cannot be raised arbitrarily. Therefore, we should not be rigidly bound to the question whether public funds can be used to subsidize profit-making business and oppose to the proposal of extending the voucher system to the privately-run kindergartens.

President, Hong Kong has already seen the ageing of the working population, which has become particularly acute in industries such as catering, elderly care, construction, public transport, logistics transportation, and so on. Hence very few young people are willing to join such industries, which has an extremely significant impact on business development and service quality. Yet, the Chief Executive has just slightly mentioned about the problem of importation of labour in the Policy Address without any specific details, nor has it targeted any specific needs of the industries such as construction, transportation and elderly care. The Liberal Party is disappointed with this. Although the Chief Executive said that flexibility would be given to elderly care and rehabilitation services and that carers would be introduced, there are still no specific recommendations and implementation timetable.

I advise the Administration not to recede or procrastinate because of the opposition from the labour organizations. It should resolve the problem of serious shortage of local labour with courage and determination by considering the long-term economic development and social needs of Hong Kong. The importation of labour is not a calamity. The catering and construction industries also benefited from the timely policies of the government in the past because of the social needs then. Take the catering industry as an example. In the 1980s and 1990s, since the government allowed the catering industry to import labour, it helped "enlarge the pie" with the number of local catering workers rising from a few dozens of thousands to over a hundred thousand. Given that the construction industry is now facing a serious shortage of labour, the Liberal Party believes that the Administration should draw on past experience to reformulate a special labour importation scheme for public housing and infrastructure projects to ensure that these projects will be completed on time or even ahead of time so as to meet the housing needs of the grass roots as soon as possible.

President, I so submit.

**MR FRANKIE YICK** (in Cantonese): President, before I begin my speech on the second debate, I would like to take this opportunity to thank Ms Alice MAK for expressing her concerns and support for the port and logistics industry during the first debate. As to my speech to be made subsequently, however, I believe our friends from the labour union will certainly hold the opposite view. But as a Legislative Council Member, I believe it is my duty here to remind the government again that if it does not face the problem of labour shortage squarely now, the future public transport services will inevitably be affected.

In the Policy Address this year, the Chief Executive stressed that discussions will be held with stakeholders on a modest and restrictive increase of the importation of labour. For example, consideration should be given to providing more flexibility to import carers for the subsidized elderly care and rehabilitation services units. Although such move is limited to the provision of services for the elderly, the Liberal Party still supports it because this is at least a small step forward to bring more labour force to the market despite the piping hot issue of the importation of labour. However, I would also like to stress that apart from the shortage of labour in elderly care services, the transport sector is also suffering from the problem of insufficient drivers, as just mentioned by Mr ‍Tommy CHEUNG just now.

With regard to land transport, most commercial vehicles are faced with the problem of insufficient drivers. The green minibuses are the most hard hit. At present, the average age of green minibus drivers is already as high as 68 and more than 40% of them are over 60. It is estimated that there is a shortage of over 2 000 drivers in the industry, amounting to 20% to 25% of the drivers needed, and around 2 600 drivers are reaching the retirement age in the next five years―in fact all will be above the retirement age. The situation is indeed worrying if no new blood comes into the industry. At present, there is no alternative but to require the drivers to work overtime to avoid affecting public services. After all, long working hours will adversely affect both the drivers' health and road safety.

And as for maritime transport, the problem of labour shortage in ferry services is the most serious. At present, the average age of employees in the maritime industry is 66, but some chief engineers and captains who have reached the age of 73 still need to stay at work. Once they have all retired, the ferry services would be significantly reduced, which would seriously affect the residents living on the outlying islands. In fact, some ferry companies have indicated that if the labour shortage problem cannot be alleviated in the next three years, they do not rule out the possibility of abandoning the operation of their ferry services.

The Liberal Party supports the discussion between the government's Human Resources Planning Committee chaired by the Chief Secretary for Administration and the industries which are understaffed or faced with recruitment difficulties to step up training and increase efforts to attract newcomers. The maritime industry is preparing for a qualification framework for the offshore industry. By setting up a professional ladder and through training, the sector hopes to enhance its professional image and attract new blood to alleviate the problem of insufficient human resources and recruitment difficulties.

Even if there were perfect training, however, where do people come from? There is virtually full employment in Hong Kong, with the 20-year-low unemployment rate at 3.1%. As the birth rate declines and the population ages, the workforce will only decrease. Given the limited human resources, how can we have enough talents to sustain Hong Kong's economic development? The government has to face this issue. Today's enterprises can attract high-paid staff with their silver bullets but such policy in the local context will only result in continuous escalation of the enterprises' operating costs and affect its external competitiveness. Small or mini enterprises with few means can only close their business in the end, making the structural unemployment even worse. As the saying "wool comes from the sheep" goes, the rise in the cost of remuneration will finally be passed onto the public.

In fact, despite the voices in the community calling for the implementation of standard working hours and the extension of paternity leave from the current three days to five days, and even the increase of statutory maternity leave for women, the prerequisite is that the market must have sufficient labour force or it will be difficult to implement. In order to resolve the problem of insufficient human resources, the Government should appropriately―appropriately, I emphasize―expand the importation of labour in order to increase the supply.

President, I so submit.

**MR LUK CHUNG-HUNG** (in Cantonese): President, in the last session, I stated clearly at the very beginning that I would support this Motion of Thanks regarding the Policy Address of the Chief Executive. However, this does not mean that I do not have criticisms or comments on the entire Policy Address.

This time the Government is offering a big gift to the business sector by reducing taxes substantially and implementing many concessionary measures. For the working grass roots, there are also subsidies such as Transport Subsidy and Working Family Allowance, as well as the relaxation of the asset limit for the Old Age Living Allowance. All these are benevolent measures. However, I would like to ask a deeper question: how can we realize social equity? In fact, wage earners do not want to fill in forms and apply for different subsidies. The best situation is that they do not need to apply for any subsidies but have sufficient wages to meet the needs of daily life, to maintain a reasonable living standard of the families and to live with dignity. This is what wage earners want. They are not particularly keen on applying for subsidies.

From a sociology perspective, the establishment of subsidies and welfare system is redistribution of wealth. For wage earners, they actually want to have more reasonable remuneration and a fairer share in primary distribution of wealth. Primary distribution refers to the monthly wages received by wage earners, which should reflect their labour value and their opportunity to share the fruits of economic prosperity and that realizes social fairness. However, all we can see over the years is that their wages have failed to catch up with inflation, and even if they are on par, they fall behind economic growth. This explains why there is such a wide gap between the rich and the poor. Only a small group of people can benefit from the economic growth while the monthly wages of wage earners are actually on the decrease in real terms over the years.

Some Members say that certain industries, such as the transportation sector mentioned by Mr Frankie YICK just now, find it hard to hire workers. In this regard, there is a wage index of 107.5 for the transportation, storage, postal and courier services sector. What does this wage index show? When this index is compared to that of 1999, the wage increase for this sector over the past 18 years is less than 10%. After discounting inflation, it is actually "wage shrinkage". Under such situation, the businesses in the sector will surely fail to hire people. The Government has made no mention of this in the Policy Address at all and I am very dissatisfied with that. The Government has said very little about its view on social equality and fair distribution of wealth.

It is fine even nothing about this was talked about. However, the Government should not rub salt into the wounds of wage earners. In two matters, I think, the Government should not make things worse even if it would not offer help. I will focus on these two matters. The first one is about expanding importation of foreign labour. The Government always says earnestly or anxiously that for the sake of our economic growth and for the sake of meeting the needs of the community, we really have to consider expanding the importation of foreign labour, and the labour sector should not be so stubborn. This is the subtext of the Government.

Then what is the actual situation? There is still a potential labour force of more than 2.4 million in Hong Kong, which sounds terrifying. President, the figure is not my fabrication, and actually it comes from a manpower resources report published by the Government in 2012. It may refer to the potential labour force in broader sense. Now let us look at the potential labour force in a narrower sense. More than half a million women of the right age in Hong Kong are unemployed. Hong Kong's woman employment rate is lower than those of Europe, the United States, the Mainland and Taiwan. It is the lowest in Asia, even lower than those of Japan and South Korea. Why does the Government not introduce more measures and facilities such as better child care services and encourage employers to offer flexible working hours, so that women can enter the labour market? And as for youth employment, their unemployment rate is on the high side. Tens of thousands of young people under the age of 30 are not working or studying for various reasons. They are the so-called "NEET" (Not in Employment, Education or Training). These young and energetic people are very useful source of the labour force. Why do we not tap them. In addition, there are also the young elderly who have retired at the age of 60 as requested by their companies and they are still strong and healthy and highly competent. In what way can we help these young elderly? The Government has not said much on this.

Therefore, I think that no matter which industry  taking carers in elderly homes, who are often mentioned by the Government, as an example. Their average wage is only $12,000 currently. Those working in government subsidized elderly homes may receive a slightly higher wage than that. Now the Government even says that it will also consider importation of foreign labour for these homes. We are very dissatisfied with that and are baffled. If the Government further expands the importation of foreign labour, it would be more difficult for wage arners to see a wage rise.

Let us return to the issue of fair distribution of wealth that I just mentioned. How can wage earners get a pay rise? President, frankly speaking, under a free market economy, the Government will not substantially increase the minimum wage. Of course, we hope that it will do so. Then it is a question of supply and demand. Only under a shortage of labour will the employers increase the wages of employees and then the employees will have bargaining power to ask for higher pay. President, if whenever there is a shortage of labour in an industry, the Government will step up importation of foreign labour as a response, local wage earners will never get any pay-rise. As a result, this unfairness will persist and wage earners will still be unable to share the fruit of economic prosperity. As such, the Government should shoulder the responsibility in this respect. If you cannot hire people, you should increase your pay offer, enhance your remuneration package, improve the working conditions, provide better training and foster professional certification for better prospects and reasonable work arrangements, instead of making excessively high-intensity work arrangements.

Second, the Government is also responsible for this unfair distribution because of its outsourcing policy. President, the outsourcing system of the Government has always been my most concerned issue since I join the Legislative Council. The very first motion I moved was to request the Government to conduct a comprehensive review of the service outsourcing system. Frankly speaking, the Government has taken the lead to adopt the outsourcing system as an unscrupulous employer. Many of the outsourced workers get a pay below the industry median wage because of the Government's tendering practice, under which 90% of the outsourced service contracts are granted to the lowest bidders. Although the Government has repeatedly stressed that it has adopted the "two-envelope" tendering approach, I find that the wage element only accounts 1, 2 or 3 points at most in the scoring system, based on the tender documents I have reviewed. Under such circumstances, certainly there is no incentive for employers to offer better pay in bidding contracts. Instead, they will only do all they can to keep the contract price low in order to win the tender.

I find it very regrettable that the Government has not responded in the Policy Address to the motion passed by this Council on the outsourcing system. I understand that the Chief Executive has commissioned Dr LAW Chi-kwong, Secretary for Labour and Welfare, to follow up on the issue of outsourcing. I have some expectations in this regard and hope that the Labour and Welfare Bureau or the Financial Services and the Treasury Bureau can coordinate and carefully review the existing outsourcing system, which is defective because of its "the-lowest-price-wins" practice, as well as the many regulatory issues involved. I will not go into details here.

Overall speaking, if we want to improve people's livelihood, we should so so at source. Of course, when problem arises, we need to take remedial measures. The best way, however, is to address the issue at source and this is about improving primary distribution of wealth. In this respect, I urge the Government not to expand the importation of foreign labour and instead it should improve the outsourcing system in order to change the entire ecosystem of the labour market.

President, I will reserve some speaking time for other debate sessions. Thank you, President.

**MR POON SIU-PING** (in Cantonese): President, this debate session focuses on population, education and youth policy stated in the Policy Address; whilst the discussions on labour rights will take place in the third debate session. In the population policy recommendations put forward by the Chief Executive Carrie LAM in her first Policy Address, she touches on the very important issue of labour right, which is about expanding the importation of talents and professionals and foreign labour. As we all know, the labour legislation only provides basic protection to Hong Kong employees. Some measures, such as the minimum wage, often fail to meet the day-to-day needs of the grass-roots workers. The remuneration and welfare received by Hong Kong workers are in fact decided by market supply and demand. If there is a shortage of manpower in market, employers will naturally increase salaries and benefits, or otherwise they will not be able to hire people. This is the basic market rule.

In view of this, the Chief Executive proposed in the Policy Address to expand labour importation. In paragraph 135 of the Policy Address, the Chief Executive says, "relevant policy bureaux and departments will discuss with relevant industries ways to enhance training and attract new recruits, especially young people. On the premise that local workers' priority for employment will be safeguarded, we will also explore with stakeholders the possibility of increasing imported labour on an appropriate and limited scale." Dr LAW Chi-kwong, Secretary for Labour and Welfare, says in a media interview that it is a matter of time that elderly homes will have to import foreign labour. Under the current Supplementary Labour Scheme ("SLS"), the Government will pave the way for importation of labour for the subsidized residential care homes for the elderly. The Secretary believes that the labour sector is reasonable and will not do nothing when seeing someone dying.

The labour sector has always been reasonable. However, safeguarding local workers' priority for employment does not mean that we could import foreign labour, because by importing foreign labour, the supply and demand balance in the labour market will be broken and the salaries and benefits of local employees will be affected directly. As we all know, the industry of elderly care services suffers from low pay, long working hours and poor working conditions. These explain why it is so difficult for the industry to hire people and why young people do not want to join it. If importation of foreign labour is resorted to as a solution, enhancement of service levels of the industry will inevitably be hindered and improvement to the conditions of employment of these workers will also be affected.

In 2015, the Government earmarked $147 million for launching the "Navigation Scheme for Young Persons in Care Services" ("the Scheme") which provide 1 000 training places. Under the Scheme, the monthly salary of a new carer is $10,360, and if the carer can successfully be registered as a health worker, his or her monthly salary will be $12,450. According to the Census and Statistics Department, the median monthly wage of employees in Hong Kong in 2016 was $16,200. For the age group between 15 and 24, the median wage was $11,900. As the working hours at elderly homes are long, the work pressure is high and the working environment is undesirable, the industry of elderly care services does not attract young people. The entry pay as carers is lower than the median wage for the same age group. Even if they can be successfully registered as health workers, they can just get a pay on a par with the median wage of their peers in the same age group. As such, how can the industry attract young entrants? Thus, it is inevitable that the Scheme is not well received. However, this should not and cannot be a reason for importing foreign labour.

The wages of carers working in private elderly homes are even more shocking. According to the information about job vacancies of the SLS in October, the average monthly salary of a carer in private residential care home is approximately $12,000 and they have to work 6 days a week and over 10 hours a day. The remuneration package is better for subsidized homes, where the starting point for personal care worker is $14,000 and will be adjusted upward next year as said by the Government. Dr LAW Chi-kwong, Secretary for Labour and Welfare, stresses that the Government will import labour for subsidized residential care homes with relatively better service conditions. I consider it a ridiculous move. Theoretically, subvented homes with better pay and benefits will attract employees from private homes to fill their job vacancies, making it unnecessary to import labour under the pretence of manpower shortage. However, we have a bigger problem as the elderly care industry includes different types of work which are inseparable parts of the labour market. Importation of labour for whichever type of work will change the supply and demand situation of that particular labour segment, and the whole industry will also be affected. In fact, under the SLS, 1 400 imported workers are engaged in the elderly services. This proves that the labour sector has been acting very rationally and pragmatically in dealing with the issue of foreign labour import.

As mentioned in paragraph 134 of the Policy Address, the Government will draw up a talent list for attracting professionals to Hong Kong. In fact, the media reported in as early as 2015 that the talent list involved more than 100 types of work in 10 industries, including sales, public relations managers, chefs, social workers and teachers. At that time, the community was outraged. The Government responded ambiguously to queries from the media, saying that the talent list being reported was not accurate. Despite the change in the term of government, we are concerned that the above talent list would revive with more labour to be imported.

We are not worried about something that we imagine. In reality, there are already schemes of talent importation in different names, including the General Employment Policy and the Admission Scheme for Mainland Talents and Professionals ("ASMTP"). Taking the ASMTP as an example, in 2016-2017, more than 10 000 cases were approved. Nearly half of the so-called talents do not have a bachelor's degree and 30% of them are paid less than $20,000 a month. The entire talent importation system is actually a black box operation. There is no transparency or monitoring by the general public. The Chief Executive states in the policy agenda that the Labour and Welfare Bureau is expected to complete the consultancy study on the feasibility of compiling a talent list during the year. I urge the Government to conduct a comprehensive review on the existing talent import schemes, to improve transparency and step up the checks and balances to prevent abuse before considering introducing other schemes to import talents.

In addition, the One-way Permit scheme with the policy objective of family reunion allows Mainland residents to reunite with their families in Hong Kong. Since its implementation in 1982, more than 1.4 million people have come and settled in Hong Kong through this arrangement. After more than 30 years of its implementation, we do not see a decline in the number of new immigrants coming to Hong Kong through this scheme. In recent years, we have 40 000 to 50 000 people coming to Hong Kong every year through this arrangement. This is a sort of huge labour importation scheme in disguise. When discussing the importation of workers and talents, we have ignored the fact that there are 40 000 to 50 000 new arrivals coming to Hong Kong each year. This is not a comprehensive analysis of the manpower resources in Hong Kong. The One-way Permit arrangement is administered by the relevant Mainland authorities who approve and issue the permits whilst the HKSAR Government can only verify the information on the permits in support. However, with the integration of China and Hong Kong and narrowing of the gap between the standards of living in the two places, I think the HKSAR Government should discuss with the relevant Mainland authorities on reviewing the daily quota of 150 arrivals. I propose to reduce the quota of arrivals in Hong Kong and at the same time there should be a reverse scheme so that Hong Kong people can apply to go back and settle in the Mainland for family reunion and acquire national identity. Only by doing so can the relationship between the Mainland and Hong Kong be realistically reflected.

In the end, it is far more important to nurture talents locally than to import talents. In this information era, everyone must embark on lifelong learning so that they will not lose out. Life has been like that: as a teenager, you receive more than 10 years of traditional education, then you work for more than 40 years before retirement. However, this no longer meets the needs of the community in this era. If we want to promote lifelong learning, the Government must regulate working hours. This is an issue that the Government cannot evade. A local financial monthly features a report on working hours in its latest issue. It illustrates that Hong Kong ranks first with the longest working hours among all cities in the world. This does not mean that we have enhanced our productivity in return; it is just a low-end, tiring vicious cycle. The labour sector has been calling for a standard working hours system. The Federation of Hong Kong and Kowloon Labour Unions, of which I am a member, has also been requesting for paid study leave. This measure not only protects the rights and interests of workers but also meets the needs of the new era. I am disappointed that the Government has done nothing so far. Rather, it only dwells on the side issues and proposes to import talents instead of improving the training for local people.

I welcome the recommendation put forward in the Policy Address that a task force be formed to review the future development of self-financing post-secondary institutions and associate degree programmes. I have pointed out on many occasions that the positioning of the associate degree system is not clear so that its competition for resources with vocational education is resulted. I hope that the task force will consider vocational education as a major path for young students during its review on the future direction for associate degrees. In paragraph 123 of the Policy Address, the Chief Executive mentions that the increase in recurrent education expenditure of $5 billion as proposed in her Election Manifesto covers the whole spectrum of the education system from kindergartens, primary and secondary schools, integrated education, special education to post-secondary education. Thus vocational education is not yet regarded as part of the education system and will not share the $5 billion new educational resources. If vocational education is not regarded as part of the education system, how can we promote it? How can we encourage those young people to receive vocational education?

I will further express my views on other issues concerning labour rights and interests mentioned in the Policy Address in the next debate session. I so submit.

**MR HUI CHI-FUNG** (in Cantonese): As regards education, Mrs Carrie LAM listed education, housing and economy as the three key areas with top priorities for policy implementation when campaigning for the Chief Executive election. Upon assumption of office, she promptly announced an increase of recurrent education expenditure and the $3.6 billion first-phase funding was quickly approved. The funding will be used to increase the staff-to-student ratios in primary and secondary schools and special schools, assist self-financing post-secondary institutions in organizing programmes and provide additional IT manpower. These good measures are widely supported by various parties and have therefore been endorsed. We agree that the increase in recurrent expenditure on education as stated in the Policy Address is heading generally in the right direction.

However, Mrs Carrie LAM gives no response to some long-standing demands and controversial educational issues in the Policy Address. Of course, I will surely continue to "pursue" promised commitments such as free kindergarten education. On various occasions, I have expressed my opinion to the Secretary or the Chief Executive on free kindergarten education. I do not know the last time when the Secretary or the Chief Executive said we already had a system of 15-year free education. How dare they say that Hong Kong provides 15 years of free education which covers kindergartens? Actually only the half-day kindergartens which account for merely 80% of the total are offering free education. I do not understand why parents of the whole-day and long whole-day kindergartens cannot enjoy this benefit. The Chief Executive has not been able to justify why she has not included whole-day and long whole-day kindergartens in the Free Quality Kindergarten Education Scheme. Now she only says that the Government is providing free quality kindergarten education. She no longer mentions the 15-year free education because 40% of the kindergarten students in Hong Kong still have to pay tuition fees.

I have to declare my interest. I am also a parent of a whole-day and long whole-day kindergarten student. I have to pay tuition fees. So I understand what other parents are thinking. Like other parents, I will ask why we are excluded and cannot get the subsidies. What is the difference between us and the other kindergarten parents? I consider that the so-called comprehensive free education is unfair and a misnomer.

Many parents can go to work if their children are admitted to those whole-day and long whole-day kindergartens. This is particularly useful for releasing the women workforce because these parents have to quit the jobs they have worked for many years in order to take care of their children who are studying in kindergartens. While the Government says that it is necessary to release labour forces and encourage women to join the workforce, it is unwilling to provide 15 years of free education for their children. I am very disappointed with this.

The Territory-wide System Assessment ("TSA"), the Basic Competency Assessment Research Study ("BCA") or similar measures in other names that may be launched in the future are another matter that I am pursuing. According to the Policy Address, there will be an overall review and another assessment of BCA. When will the Chief Executive fulfil her promise made when she was campaigning for the Chief Executive election? Will BCA be continued? Parents, teachers and students in primary and secondary schools in Hong Kong are waiting for her answer, but the Chief Executive does not tell us. With the next BCA in 2018 approaching, what should the students do? Should the schools continue to drill their students? I will tell the Chief Executive that they are still drilling the students.

I have to declare my interest again that I have a child who will go to primary school soon. I have attended a number of briefing sessions organized by primary schools. There is a school which continues to use their TSA, BCA performance to market their services to parents, saying that they have gained the highest scores among the schools in Hong Kong in the assessments. Can we imagine the drilling situation in schools? If the Chief Executive does not announce that such tests will be shelved, the schools will assume that the assessment will continue next year, and they will continue to drill these young students who are only in Primary Three. Why must they suffer from this drilling practice continuously? In fact, drilling practice prevails in the entire education system. TSA or BCA is precisely the bridgehead of Hong Kong's drilling culture and an icon of drilling practice. I hope that the Chief Executive would fulfil her promises made during the election and give us an answer very soon that BCA for primary three students would be abolished altogether, or be improved at least to such an extent that young students would not be subject to such over-drilling.

As a matter of fact, the Education Bureau says that BCA has been optimized with the questions getting easier. However, according to the latest results of BCA, the percentage of students having achieved the basic competence has not risen significantly. Is such optimization effective? If the easier BCA cannot tell which students are better, the questions might become more difficult again and the schools would continue to drill their students using the more difficult questions, leaving students and parents in misery. I hope this situation can soon be ameliorated.

In addition, another point not mentioned in the Policy Address is the using of Putonghua as a medium of instruction for the Chinese Language subject. It has long been a very controversial issue. What will the authority do in the end? Will the Government conduct a more scientific, authoritative and comprehensive review?

As for the salary scale of the kindergarten teachers, I believe that Mrs Carrie LAM will keep her promise and conduct a review. As this is a long-term measure involving more complex technical aspects and more stakeholders, we hope that it will be implemented as soon as possible. She also needs to handle carefully issues such as teaching and career prospects of the contract teachers and certificated masters in primary and secondary schools, as well as the issue of teaching quality.

Finally, it comes to the issue of student suicide. I hope the Government would not neglect this issue. Of course, this is a deep-seated problem and involves various policy areas. Yet, the Government has not been facing the issue seriously from the perspective of education. The Government even maintains the same stance by saying that it has nothing to do with our education system. I do not consider this palatable in the minds of parents and students. Based on my observation, student suicide certainly involves various factors but the education system, including the culture of drilling just mentioned, has always been the biggest causal factor.

When we come to education in this Policy Address, I think the most outrageous, the most disastrous, the most worrying and the most undesirable is "Mainlandization" and "brainwashing". The Government will certainly deny this. However the community is discerning. They can see traces of changes in our education system.

Let me talk about textbooks first. According to a study conducted by the Democratic Party, of which I am a member, and what the Secretary yourself have put it, national education has never stopped, and instead the Government is continuing to step up its efforts in promoting national education. Now, the name "national education" is not used by the Government. It has been broken into parts and incorporated separately into the General Studies subject of primary schools and the Chinese History subject of junior and senior secondary schools with the relevant curriculums being revised drastically. Liberal Studies will soon become an elective subject. Some Members from the pro-establishment camp have said that it is a good idea to abolish this subject because the students often criticize the Government through it. Regarding education of the Basic Law, it is simply like indoctrinating students with biased positions, leading questions and incomplete information with some being missed out selectively. The objective of education contains political purposes. In our education system, this happens every day.

Officials of the Curriculum Development Institute of the Education Bureau will definitely deny any bias or indoctrination in the curriculum. They say that the curriculum is developed through professional procedures and on the basis of advice from relevant academics and departments. In fact, our opinions are no more than some objective views pointed out by the public many times.

I am going to talk about the Chinese History subject again. Recently, I often point out that in the second phase of revising the Chinese History subject for junior secondary forms, the main focus is whether the two sensitive issues involving the riots in 1967 and the 4 June incident should be included in our curriculum. I remember that the Secretary has repeated on different occasions that we can engage the community and scholars in discussions. Then all of us will decide whether or not these incidents should be included in the curriculum. The Secretary, do you remember you have said so on many occasions? However, some Government officials have said that the 1967 Riot is such a minor incident that we probably should not put it in textbooks. There is no need to include everything in details in the curriculum. When referring to the 1967 riots, the Chairman of the Ad Hoc Committee on Revision of the Curricula of Chinese History and History at Junior Secondary Level ("Ad Hoc Committee") has asked us, "How old are you in 1967? Where are you at that time?" Then he said that the history of the 1967 riots was just a written record based on memories. Is the 1967 riots just everyone's memories rather than facts? It is surprising that an official in charge of the curriculum committee and the overall review arrangement on the Chinese History subject could say something like that. It shows the way of thinking of the Government. Although the Government does not admit it, both the 1967 riots and the 4 June incident are sensitive incidents. Thus, the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region ("LOCPG") and the Central Government do not want to include the incidents in the curriculum. The reason is that simple.

Let me talk further about how LOCPG or the State Ministry of Education interferes with our education system. This is hard facts that the Director General of Education, Science and Technology Department of LOCPG met with principals and frontline teachers in Hong Kong and listened to their opinions on the curriculum of Chinese History. In fact, it is clearly provided in the Basic Law that we should have autonomy over our own matters including education, and there is no need for officials of LOCPG to meet us and explain to us how to do things. In addition, CHEN Baosheng, Minister of Education has even said that the "thoughts of independence" is certainly related to education. I really do not know whether the Secretary for Education agrees with this view. The Minister of Education puts forward a solution, saying that the Hong Kong Government is responsible for the promotion of national education. Why should the Minister of Education instruct or direct government officials in Hong Kong to implement national education? If the Secretary for Education really complies with their views, does it mean that he has to implement the policy of the State Ministry of Education? It seems that the Secretary agrees with me too. Thereafter Mrs Carrie LAM says that the Minister of Education has not interfered Hong Kong's education policy. She urges everyone not to wear coloured glasses to see things and we should not be biased in this regard. However, it is obviously an objective fact that we are having Mainland officials interfering our affairs and instructing the Secretary what to do.

I can give you another example. In November, when LI Fei, the Chairman of the Basic Law Committee came to Hong Kong to attend a Basic Law seminar and gave a talk, the Education Bureau made a rare move by inviting some schools to live broadcast his talk. It was indeed a ridiculous move, in my opinion. Have we ever come across something like that? Can we imagine by common sense how many students would actually understand such a high level discussion on academic and legal matters? As to your suggestion to live broadcast the talk, I wonder whether you want to tell the students that they must listen to the views of this authority or really hope to start academic discussions? If the Government wants to have genuine discussions in schools, why does it not allow the voices of opposition as well? Why does the Government not invite some enlightened scholars championing liberalism and democracy to attend the same debate? If so, the Government may not live broadcast the debate. The one-sided broadcasting of the talk given by a figure of the Central authority is actually "brainwashing" and "Mainlandization". If it is not, then what will it be?

The National Anthem Law is another example. The Government has said that it would be enforced mandatory in primary and secondary schools. If schools do not raise the national flag and if students do not sing the national anthem or do not sing it well, the schools or the students would be subject to punishment. They can even be sentenced to imprisonment in serious cases. Is this not "brainwashing" and "Mainlandization" of our education system? All these examples I cited just now happened this year. The Hong Kong society should think about it. Can the Secretary tell us how much more money will be spent by the Education Bureau on "Mainlandization" of our education system and "brainwashing" of our students in the coming few years under the governance of Mrs Carrie LAM and your leadership? This is absolutely unacceptable to Hong Kong people.

I may not have enough time to elaborate on this point which is about the politicization of universities and government interference in the governing of universities. Concerning the education policy proposed in the Policy Address of Mrs Carrie LAM, I will apply the catch phase propagated by the Government earlier, "Education is about pursuing knowledge, not about pursuing scores." Under the leadership of the Secretary and Mrs Carrie LAM, it should now be read like this: "Education is about pursuing love of the country."

Members from the pro-establishment camp, Government officials as well as Mrs Carrie LAM always says that "political issues should be dealt with in political ways". We should try to separate educational and political issues and we should avoid politicizing education. However, it is the Government who is politicizing our education system. I hope that when you talk about education policy in the future Policy Addresses, you are really talking about and working on matters within the educational system such as student welfare, the curriculum, and also life and feelings of students on school campuses, as well as expectations of parents on what students should learn in schools. I hope that the authority can understand that academic study should be done academically. Please let us go and stop "Mainlandizing" our education system and stop "brainwashing" our students.

Mr LEUNG, I so submit.

**Dr CHIANG LAI-WAN** (in Cantonese):President, having listened to Mr HUI Chi-fung's speech, I really want to rebuke his arguments. I will only say a few words briefly. We all know that as far as national education is concerned, CHEN Baosheng, the Minister of Education, is most qualified to make comments. Mr ‍CHEN has made it very clear that Hong Kong's education policy is to be set by Hong Kong. We may approach him if we need more information on Chinese history and national education. He is willing to provide information and assistance. Therefore, no one is forcing Hong Kong to change its education policy. I hope that Mr HUI understands this.

And as for the live broadcast of Mr LI Fei's talk in a seminar in Hong Kong to students, I think it is a good opportunity for students. No Members have the right to deprive the students of such a rare opportunity to learn about the Basic Law. These occasions are rare but I could not participate as I needed to attend the Legislative Council meeting held that morning. Otherwise, I would also like to watch the live broadcast of the seminar. In this regard, I want to clarify the facts for a correct understanding of the matter.

In this debate session, we will discuss "Quality Education, Manpower Training and Connecting with Young People". As we talk about Quality Education and Manpower Training, we should ask why we should train people. Why should we educate children? It is because we want to equip them and help them gain more knowledge so that they can secure a position in the community and find a job in the future. For that reason, I believe that promoting life planning at school is very importance because our new generation does not necessarily want to learn how to make big money. This is not what they need. They just want to lead a happy life, enjoy their work and do what they like since they can be very much committed if they like what they do, and they will have a bigger chance to succeed in what they do in the related industries.

President, a young person came to me for help recently because he wanted to kill himself and end his life. It was not because of any school pressure or pressure from family that he faced. He told me that he could not see any future; he could not see any prospects. Why this happened? I believe that schools should carry out life planning education so that children can understand better about the community and understand more about the different types of work. They should also be given opportunities of internship and clear advice about the kinds of talents to be needed by the community in the future and the types of jobs suitable for them. The most important spirit of life planning is allowing them to know more about their own choices. In this regard, I welcome the initiative in Policy Address that schools are allowed to opt to turn the "Senior Secondary Curriculum Support Grant" and the "Career and Life Planning Grant" into regular teaching posts.

While the Secretary of Department and three Directors of Bureaux are here, I would like to discuss education and training with running a factory as an example. Since I have operated factories before, I often cite examples about them. Anyone who has studied marketing and production knows the two important concepts of product oriented and market oriented factory operation. For instance, solid colours are now fashionable in the market. However, if my factory is producing polka dot clothes, we certainly cannot sell them. One more example is that when everyone in the market only buy flat panel display or liquid crystal display TV sets, no one will take a CRT TV set even it is free of charge. Hence we must know what kind of products the market needs before we manufacture them. Similarly, we must know what the market will need in the future before we teach our children how to fit in the market. Only by doing so can we have seamless connection with each other, which is very important.

Another example is the oversupply of social workers, teachers and journalists trained in universities in recent years. There are not enough jobs in the market and the young people have limited choices. This is very unfair to them. In the case of social workers, the market forecast was a need for 800 social workers in 2015 but the universities trained 1 200 social workers in the year, resulting in a surplus of 400 social workers. When there are "too many hands and too little bread", a "slumping market" will result. Hence the wages do not go up and the chances are not many. This is unfair to them. I have raised these issues to the universities and relevant institutions and they have been making adjustments. The market needs and supply have been balanced in these two years.

What kind of talents do we need exactly for the future market, and what kind of talents do we need to train? Maybe we will not need taxi drivers anymore because driverless cars are getting popular. But I believe this will take many years later to happen. It is said that we probably would not need lawyers or accountants as their work would be replaced by a set of formula. Taking the accountants as an example, you would only need to input the calculation method then, and the computer would automatically carry out the computations and prepare the financial statements and submit them to the Inland Revenue Department. The same is true for lawyers. You would just need to input the relevant information and the computer would output the result so that the judge could make the decision. However, some doctors tell me that the advancement in IT has brought them troubles because patients often search information online and tell their doctors during consultation what they have found. The doctors just do not know how to react.

We must know what kinds of talents the market will need in the future and how to train them so that we can be well prepared. In France and the United States, some special teaching methods are practised. For example, the Ecole 42 institute in France has set up branches all over the world, attracting tens of thousands of young people applying for admission every year. Last year, there were 64 000 applicants but only 1 000 students were enrolled eventually. These schools do not have teachers. When the students are in the classrooms, they will be answering various questions which are prepared by some major corporations. The students will form small groups and try to work out the solutions on their own. I do not know how effective this training is, but I know that the 1 000 graduates coming out each year are hired by major corporations even before they graduate because they are capable of solving problems. Even when they are studying at school, they can meet the requirements of large corporations. This explains why they are snatched up by those large corporations.

We must bear in mind that we must adapt to market needs and produce what the market needs. Just now, vocational training is mentioned by a colleague. I wonder whether the Government can meet the needs of vocational education? We are enraged that the Government cannot work with the industries in certain aspects. Actually there is manpower shortage in many industries such as aircraft maintenance. We estimate that there is strong demand for aircraft maintenance professionals all around the world. In Asia Pacific region alone, 200 000 aircraft maintenance craftsmen are needed. How many craftsmen can we train to satisfy the market? The third runway is about to complete, and more and more planes will be taking off and landing in Hong Kong. Will we have enough staff to service the planes then? These issues are worth our consideration.

Therefore, we should focus not merely on the product oriented approach, which means that we just keep on producing existing products in traditional ways with some minor changes only. With rapid advancement in the society, especially in terms of information technology, information can be searched and obtained online. If we want to upgrade our education system and manpower training, we need to be bold and daring; we need to have vision and come up with long-term strategies for training our next generations and preparing them for the future market. With all these in place, I am sure we can do much better in advancing the education system and manpower training.

I so submit. Thank you President.

**MS YUNG HOI-YAN** (in Cantonese): President, the Chief Executive mentioned in the Policy Address a number of measures to promote youth development, which include establishing the Youth Development Commission to be chaired by the Chief Secretary for Administration; appointing more young people to various government boards and committees to increase the overall ratio of youth members to 15% within the current-term Government and allowing more young people to become members of specified boards and committees by self-recommendation through the pilot member self-recommendation scheme; recruiting 20 to 30 young people to join the new Policy Innovation and Co-ordination Unit ("PICU") on a non-civil service contract basis; as well as allocating additional resources to provide more internship opportunities in the Mainland, the Belt and Road countries and other parts of the world for our young people.

The Chief Executive Carrie LAM puts forward the policy objective of "three pursuits and three participations" for the youth to ease the concerns of young people about their pursuits in education, career and home ownership, and to encourage their participation in policy formation, discussion and implementation. It is a good thing that she has the vision and is committed to resolving youth issues, but we cannot ignore that a lot of voices in the community are questioning the Chief Executive's approach. Would her "three pursuits and three participations" policy objective be effective in addressing the youth issues? Would it be effective in venting the grievances of the youth, stopping and even resolving dissension within the society? How can the SAR Government solve these problems in the future and how can you do a proper job with regard to the youth's pursuit in education, career and housing ownership, and their participation in policy formation, discussion and implementation? I think the Chief Executive and the Government should give more thought and consideration to these matters.

In addition, the Chief Executive requests to revamp the existing Central Policy Unit as PICU by recruiting 20 to 30 young people who aspire to be engaged in policy research to join PICU on a non-civil service contract basis for conducting policy research. On new issues, PICU will be responsible for liaising with various bureaux and coordinating with different departments for their participation in policy projects. This will remove the barriers to the development of new economic sectors, innovation and technology. In fact, I have expectations on PICU.

How can we give hope to young people? I think this can be explored by three points. It is very important to follow the broad direction of supporting emerging industries. Then what are the three points that I want to discuss? Firstly, supporting the e-sports and gaming industry; secondly, promoting the development of innovation and technology ("I&T"); and thirdly, developing new economic activities including sharing economy platforms.

Let me discuss the first point first. During the Policy Address consultation, I have proposed to the Chief Executive that a comprehensive strategy be formulated for the development of e-sports and gaming industry. I hope that this industry would be included in the ambit of the Innovation and Technology Bureau and a long-term development blueprint for the industry would be formulated. Although the SAR Government has started promoting the development of e-sports in recent years, it lacks the initiative.

We all know that e-sports is very popular among young people because they can use their gaming skills to realize their potential. Through cooperation with members in team work, they can have a common topic and then achieve a common goal. Then what can be done with a common goal? It is to build consensus. As e-sports is included as a medal sport in the 2022 Asian Games in Hangzhou, may I know whether the Government has devised any plans for supporting this new competitive sports, which include training e-sports athletes or teams to attend the Hangzhou Asian Games? If the answer is yes, which Bureau will be responsible for this? Will it be the Innovation and Technology Bureau or the Home Affairs Bureau? I sincerely hope that there can be cross-bureau collaboration between the two bureaux to jointly promote the development of e-sports. Also, will PICU be involved and what role will it play? I really hope that the Government will give its response.

I hope PICU can take the lead to establish inter-departmental and cross-sectoral collaboration in promoting the new industries, including the e-sports and gaming industry I just mentioned. The Government must relinquish its bureaucratic culture, keep abreast of the time, grasp the opportunities brought by the long term development of these high value-added industries, so as to enhance the competitiveness of Hong Kong. PICU can play the role of promotion and liaison, so that there will be more exchange among the Government, the industries and the public. They may come up with some more practical policy measures that meet the aspirations of young people and the community. All in all, there is just one goal: to meet the expectations of young people and to materialize their dreams.

The 2022 Asian Games is an opportunity for the SAR Government to promote e-sports in Hong Kong. The development of e-sports can drive the development of its related industrial chain which can in turn become a huge force for promoting the economy of Hong Kong. We must not overlook its importance. As such, I suggest that on top of drawing a blueprint for the development of the e-sports and gaming industry, the Chief Executive should also set up an "e-sports industry fund" to enhance the training of talents in the areas of R&D, design and manufacturing of the local e-sports and gaming industry chain. At the same time, the Government should allocate resources to support and assist the industry and organize more e-sports contests of various scales in Hong Kong so that more people can know and have access to the sport. This will also facilitate young people's upward mobility through participation in the industry.

Now I come to the second point. Many members have mentioned in the first session about innovation and technology development. As a matter of fact, technology has close ties with young people. Many young people have been keen to invent some small devices since their childhood. They are driven by impulses, have great imagination and start everything from their dreams. These are key elements for technology development. Therefore if we can nurture their interest in making inventions from their early age, they will certainly participate actively in scientific research when they grow up. In this way, the young people will not only find their ways out and opportunities for development, but also help greatly in promoting I&T and the overall development of Hong Kong's economy.

In this year's Policy Address, the Chief Executive has put forward a number of new initiatives in the development of I&T, including opening up of government data for use as raw materials in the development of a smart city; changing the procurement arrangements as led by the Government so as to encourage local enterprises to embark on more R&D work; setting aside no less than $10 billion as funding for university research; raising the expenditure on R&D as a percentage of the GDP to 1.5%; providing tax incentives to encourage enterprises to invest in R&D; kick-starting the $500 million "Technology Talent Scheme" to train and pool technology talent; pushing ahead with three key infrastructure projects for smart city development; and establishing a high-level, inter-departmental Steering Committee on Innovation and Technology to be led by the Chief Executive to examine and steer measures on I&T development as well as Smart City projects.

All these measures aim at promoting the development of I&T in Hong Kong. In fact, many countries and regions in the world have invested heavily in I&T for many years and they also complement their efforts in I&T with policies. It is really better to move quickly when it comes to I&T. I believe that Hong Kong has the talents and conditions for remarkable achievements in I&T and this is going to be a new growth point for the economy and will also benefit our overall competitiveness.

I have finished two points and will go through the third point now. At present, many new economic activities such as various types of sharing economy platforms emerge in Hong Kong. However, these activities are not supported by government policies and are also restricted by the outdated laws and regulations. Consequently, the development of these new industries is hindered to a certain extent. In this regard, PICU may help by coordinating the efforts of various bureaux which can join hands in reviewing the situation and come up with timely measures and appropriate protection, safeguards and legal framework for these new industries. These will become new drivers for promoting diversified economic development of Hong Kong and providing wider choices of job opportunities and better job prospects for the young people.

As mentioned in the Policy Address, the Government will invest $700 million to take forward three key infrastructure projects for Smart City development. One of the projects is to reform the development technology of e-Government and build a big data analytics platform. Previously, the Open Knowledge Foundation of the United Kingdom released the Global Open Data Index for 2016-2017 to assess the comprehensive performance of governments in various places in opening up of data. Among the participating places and countries, Hong Kong ranked 24th, lagging far behind Taiwan, which came first, Japan (ranked 16th) and Singapore (ranked 18th). In fact, some government data were made available for the public in the past, but many people criticized that the data were "of inferior quality, small quantity and outdated". Not only do the government departments fail to make effective use of the data, users outside the Government also encounter many difficulties in using and analysing these government data. You simply cannot apply the data to studies on livelihood, which is a waste of resources.

The application of big data can serve a wide range of purposes such as relieving traffic congestion, promoting environmental management and improving efficiency of the medical system. The Government should make good use of big data technologies to establish an information sharing cloud platform and enhance governance transparency, so that the public can have more opportunities to participate and give their views so as to ensure that the Government will react to public needs and opinions in a practical manner. I hope that these policies and measures can be formulated quickly so that we can really implement the development of I&T and create a smart city.

The Government is certainly commendable for willing to engage more young people. However, details about implementation of the schemes, including selection criteria and mechanism, responsibilities and role of the young members, as well as the ways of incorporating the views of young people in policy making, have not been announced. The Government is duty-bound to mend the rift in the society. It should not ignore the problem anymore. Instead it should face up to the aspirations of young people, build bridges of communication and try to resolve social conflicts. Are these measures introduced in the Policy Address really old wine in the new bottles or different broth but the same old medicine? Or is the Government really willing to take in more young professionals from various fields and sectors and allowing them to contribute with their strengths and skills and innovative thinking? Like other young people, we are waiting for the new progress in earnest.

President, I so submit.

**PRESIDENT** (in Cantonese):Does any other Member wish to speak?

**MR CHUNG KWOK-PAN** (in Cantonese):President, I would like to talk about the population policy while Chief Secretary Matthew CHEUNG, who is going to chair the Commission for the Planning of Human Resources, is present now. In the face of the ageing population, I would like to know how the Commission is going to tackle the problem.

Everyone is aware of the ageing population but no one has ever talked about the sudden surge of job positions in the future. Why do I say that? Everyone knows that there was a baby boom after the Second World War in the 1950s and 1960s, during which the largest number of babies were born. The children born in that era are now in their fifties and sixties. These people are gradually retiring in the next decade. During the baby boom, families normally had four to eight children but modern families only have one to two. In the next 10 years, the people representing the largest proportion of the population now are gradually retiring. The ageing population naturally needs elderly care services but at the same time, many job vacancies will appear, waiting to be filled by people now in their twenties and thirties. Since the birth rate is low nowadays, as I mentioned, people in that age group will be few in number. Suppose the number of people born in the 1950s and 1960s is around 1 million, the number of people in their twenties and thirties now is just about one third or one quarter of a million. In the face of so many job vacancies, what can we do? The Secretary must consider the population policy very seriously. At that time, as there will be more job positions than workers, we will have no choice but to import labour. I will not use the term "labour importation" but I will put it as "admission of professionals or talents".

Let me respond to several Members from the labour sector who say that there will always be workers available to be hired after the pay rise. If there is surplus in the labour market, the above market rule may apply. However, the unemployment rate of Hong Kong stands at only 3.5% at present, meaning there is full employment, the above rule does not apply. Why? If I raise the pay to attract workers from enterprise A, which then raises the pay to attract workers from enterprise B but there is no increase in the labour market, such snatching among ourselves will only result in cost hikes. Hence it is not wrong to increase the pay and it is also right to protect the local labourers. However, in the face of low unemployment, finding sufficient worker to fill all positions is out of the question and it is also doubtful whether all problems can be solved by just raising the pay.

The construction sector is a case in point. The pay has kept on rising in the past few years. Even though there are fewer infrastructural projects this year, the overall pay has risen by 7.8% while the pay of other industries has only risen 2% to 3% in general. The pay of one shift's work in the construction sector has risen from a few hundred dollars five years ago to $1,000 to $2,000 or $3,000 now. The pay has risen by a good number of times but has the number of labourers increased? It is yet to be seen. Some young people have indeed entered the construction industry but it is of little help to the overall development of the infrastructural works or the construction industry in Hong Kong. Raising the pay is helpful to a certain extent but it cannot truly resolve the problem of labour shortage.

In the case of elderly care service, the Secretary says that he will follow the advice of the industry by first raising the pay by $2,000 or $3,000 a month and see what will happen for a year. If that does not solve the problem, they will have to import labour. Even so, the situation has not been improved. According to Members from the labour sector, the working environment of elderly care homes is far from satisfactory and the work is laborious and even offensive. When no one wants to enter the trade, raising the pay may not help.

The working environment can of course be improved. As long as the owner is willing to spend money, the working environment can be improved. But the question is why the trade of caring  Last week I had a meeting with a group of privately-owned elderly care home owners. They told me that they could have raised the charges to improve the staff remuneration and working environment but they found that it was impossible to do so as most of their clients receive government subsidizes which are capped at a certain level. This applies to the subsidies received by the clients of privately-owned care homes as well. If these homes cannot raise the charges significantly, how can they improve the staff remuneration and working environment? Hence, the Government must address the problem concerning subvention rather than following the advice of the Members from the labour sector who think that raising the pay can solve the problem. The truth is quite another story.

Let me talk about the youth policy. Earlier I have said that there will be large numbers of job vacancies in Hong Kong in the coming decade. How can we attract talents? At the last debate session, Secretary YEUNG said that there was a talent pool in Hong Kong, in particular a pool of doctoral students. This is by all means very good but there is a problem. I have recently met a parent who has hired two doctoral students of chemistry as the tutors of his son. There is a big problem here. Even doctoral students have to work as tutors of primary pupils to make ends meet. There are indeed talents in Hong Kong but there is a lack of trades. As a result, even doctoral students of chemistry cannot find suitable work.

Moreover, in the Policy Address, the SAR Government talks about focusing on two new industries. The first is research and development ("R&D") which has been mentioned in the last debate session. R&D needs to be done by doctoral students but at present doctoral students have no access to it when they graduate. How can we help them forge the way out?

President, yesterday I was invited by Mrs Fanny LAW to two startup events held at the Science Park. The enterprises there are all founded by young people. One of the enterprises is developing a new blood testing technique to detect tumours at a very early stage. The enterprise is founded by two PhDs, whom I call scientists. Their start-up fund was provided by a university, which means that it is funded by the Government. The fund was of course insufficient as the Government will not provide all the money needed. Now the two scientists spend most of their time to seek funding to support their ongoing research. It shows that even though there are talents who have good skills and the prospect of their work is promising as their product can be tested in the hospital soon, the work may have to stop halfway due to the lack of funds. Recently, they have secured a few million dollars from the Angle Fund which allows them to continue with the research. But they say the money may not be enough as their next step is to apply for certification, which will require $1 million or $2 million, meaning that their work may have to stop again.

Many young people are very competent but there is a lack of funding and support in Hong Kong. If the SAR Government is going to raise the gross domestic expenditure on R&D as a percentage of the GDP from 0.73% to 1.5%, will it provide more support to newly-started enterprises that have attained certain achievements to help them continue with their work, instead of putting old wine in new bottles by keeping the essence of the old programmes?

Another enterprise that I visited was Greensafety Technology Ltd., which had been visited by the Chief Executive some time ago. The company is now developing a certain sensor to be installed in vehicles to alert the drivers when two vehicles are about to collide or within a certain distance. This is a good idea and can help reduce traffic accidents, in particular preventing similar accidents involving double-decker buses like the one that happened not long ago. Those who engage in R&D work are all young people. They have developed this product but have not found any potential clients. If the SAR Government wants to help these young people, can it invite the public bus companies to consider buying their product? However, under the current system, when a company wishes to bid for the contract of a public organization, the company must show the track record of its past performance. For a newly-founded enterprise, how can it produce any track record? This involves the reform of the procurement system, meaning that the restrictions need to be relaxed.

Another new industry mentioned in the Policy Address is the creative industry. The goal of the creative industry is to allow young people to create and follow their dreams. Why is the United States so successful in this regard? China is also very successful now and many young people there are pursuing their dreams. Of course, in China there is Jack MA who founded Alibaba, and also MA Huateng who founded Tencent. In 10 years' time they have accumulated a fortune of over $1,000 billion. Hence many young people in the Mainland are engaged in R&D and creative industries. The phenomenon in the United States is even more prominent and many people always talk about the American Dream.

How can the creative industry help young people pursue their dreams? President, I represent the textile and garment functional constituency. Nowadays if anyone talks to the young people about textile and garment, they will definitely be impatient. But if you talk about the fashion industry, they will be very excited. I believe many young people around us aspire to become a fashion designer. In the last debate session, Under Secretary Bernard CHAN mentioned that the SAR Government had launched a number of policies to give young designers financial support, or the programme introduced in Sham Shui Po which provide venues and rent to young people at low rents, allowing them to set up pop-up stores. These measures, I believe, will benefit them greatly. If we can shape up one or two stars in a short time, many young people will follow suit in pursuing their dreams to become a young designer. I am 100% supportive of the SAR Government's policies to promote creative industries and R&D but it must first study thoroughly how to ensure that the resources allocated will truly benefit young people.

Under Secretary Bernard CHAN also mentioned a crossover of certain industries. He did not pinpoint what the industries were but many industries, for example, the movie and fashion industries, can have a crossover. It gives young people a chance to pursue their dreams and achieve their ideal goal.

Let me reiterate. The Government needs to consider the population policy very carefully because many job vacancies will appear in the next 10 years and it is a tremendous task to fill those posts to ensure the continuous development of the Hong Kong economy. Thank you, President.

**PRESIDENT** (in Cantonese): Does any other Member wish to speak? If not, I will invite four public officers 

(Dr Junius HO raised his hand)

**PRESIDENT** (in Cantonese): Dr Junius HO, do you wish to speak?

**DR JUNIUS HO** (in Cantonese): President, talking about education, I suddenly have a certain feeling and I would like to share my views briefly. I agree to what is said in paragraph 132 of the Policy Address and I highly appreciate it. As regards how to make greater efforts in the implementation and about the timetable of the implementation, I would like to present some of my views.

The heading of paragraph 132 is "Understanding Chinese history and culture, and developments of our country". I am glad that Chinese history will become an independent compulsory subject for the junior secondary level in the 2018-2019 school year as it is the right direction to take. It is also mentioned in the paragraph that the authorities will "strengthen Basic Law education, organize more professional development programmes for principals and teachers, develop teaching and learning resources, enrich Mainland exchange programmes and learning activities for teachers and students", to which I also agree.

President, just now I heard Mr SHIU Ka-chun say a student of Queen Elizabeth School Old Students' Association Secondary School expressed at the beginning of this school year that she wanted to learn to become a person without proper manners. I do not want to garble a statement out of its context but if one wishes to learn proper manners, they should know that they have to exert their greatest effort to tell others their needs and aspirations. However, if people who feel that their ideas are not widely accepted in the existing system would rather not behave properly and act against the common good, or even think about "achieving justice by violating the law", such thoughts and mentality are absolutely undesirable. Why would a student have such thoughts? I hope that the Education Bureau will look closely into how our teachers and students are behaving today and how school principals navigate their schools in the vast sea of education. I hope that they will never lose their way in the course.

I hope that in the course promoting understanding of Chinese history and culture, and development of our country, the Government must hasten its pace in reviewing the current education system to see if there is anyone using any teaching method that instills negative thoughts in students, or how serious are the cases of teachers seeing students go astray but failing to correct them in time. Up till now I have been talking about the secondary school but we also saw that at the opening ceremony of universities, in particular the Chinese University of Hong Kong, some students advocated "Hong Kong independence". Is such expressions, the advocacy of "Hong Kong independence", solely a matter of freedom of speech or it is an ideology problem that has reached a critical stage? Personally I think the problem has reached a critical stage. Some in society may think that only a few dozen students have this mentality but I believe if we look at this issue with this attitude, we have underestimated the severity of the matter.

Article 1 of the Basic Law stipulates that Hong Kong is an inalienable part of the People's Republic of China but in the institutions of higher education, students say that they spurn their country. The phenomenon of students having no concept of their country whatsoever, the rise of localism and even the demand for "Hong Kong independence" is neither a simple problem nor a joke but the core problem concerning the education system. What has gone wrong? Should university professors and teachers guide their students onto the right track, or disguise such behaviours in the name of freedom of speech and academic freedom? That is something we must think twice.

The Occupy Central movement is also a problem. A professor of law led people to break the law. As he is already facing charges―I do not want to speak about specific individuals―should he avoid arousing suspicion? In the midst of conflicts of interests, should these people be at least suspended from work? Whether they receive pay does not matter but the relevant authorities should avoid sending out a wrong message.

I have high expectations of Kevin YEUNG, the Secretary for Education. A week ago when talking about whether he should have a sense of mission concerning education and a vision of it, he said that sometimes when he was too busy, he would feel a little lost but he woke up soon. As the Secretary for Education, he has reignited the expectations and something that he has longed for in his heart. He hoped that he could lead the education in Hong Kong back to the right track and properly nurture the younger generation, helping them become useful citizens and guiding them onto the right path. As regards how to cultivate in the younger generation a sense of national identity, have the right attitude and respect to their fellow people and various affairs, it is a matter of moral education which we cannot afford to overlook.

Just now I heard Mr SHIU say that the student surnamed TONG not only awoke others that they should learn to be people without proper manners but also wanted to become this kind of people. Such ridiculous and misleading remarks will have far-reaching impact on Hong Kong's education system. If we allow them to poison our young people this way, no matter how much is spent on education, even another $5 billion, it will all be wasted.

The Chief Executive proposes to increase the recurrent expenditure on education by $5 billion a year. At present, $3.6 billion has been approved by the Legislative Council. And as for how the remaining $1.4 billion will be spent, the Chief Executive says in paragraph 123 of the Policy Address that it awaits further consideration and the relevant issues will be reviewed. I look forward earnestly to the implementation of all the above measures and I also urge the Education Bureau to make good use of the resources, which come from the tax paid with the hard-earned money of taxpayers. It is commendable that the Chief Executive is willing to allocate additional resources on education. The usage of $3.6 billion has been determined but what about the remaining $1.4 billion? I think that the Government should spend more on students' moral education and make greater efforts to help them learn how to plan their life.

I believe that various sectors are willing to help our next generation plan their life. I also know that the Government has allocated resources to help students plan their life. The amount was over $2 billion a year in the past but I have yet to see the effect of the money spent. It is no more than one more post being created and one more person hired. Only one thousand or so internship positions have been opened. Although many attend various seminars, I have yet to see any satisfactory results or goals reached. With the money mentioned above provided, we should not let it come and go without yielding any results. We should make good use of the resources already available, that is the $1.4 billion now promised and over $2 billion set aside in the past, to help students and the new generation plan their life and future. We should not waste the money by perfunctorily producing some statistics and pretending that we have done the work.

I hope that from this year onward, this Policy Address contained inside a light blue cover will bring to us a clear blue sky which symbolizes a clear future, a vibrant, clear and promising future to be enjoyed by our next generation. With that in mind, we must embark on a proper education system, which includes moral education, from today onward.

President, I so submit.

**SUSPENSION OF MEETING**

**PRESIDENT** (in Cantonese):The meeting is now suspended until 9:00 am tomorrow.

*Suspended accordingly at 9:45 pm.*

1. (1) (1) The 90th percentile waiting time refers to the number of days between the date when a case is diagnosed with cancer after pathological examination and the date when the patient receives the first treatment. The waiting time of 90% of such cases is shorter than the value indicated. [↑](#footnote-ref-2)
2. (1) (1) The Agreement on Trade in Services which was implemented since June 2016 already covered the admission of investments in services sectors. [↑](#footnote-ref-3)
3. (2) (2) Including financial services, accounting, innovation and technology, technical testing, analysis and product testing services, tourism, manufacturing, film, cultural and entertainment, legal and dispute resolution services, construction and engineering, medical, intellectual properties and trade mark, and convention and exhibitions. [↑](#footnote-ref-4)