

Mr President, Honourable Members and fellow citizens,

I. Introduction

1. The current-term Government is committed to promoting economic development, improving people's livelihood, and taking forward constitutional development for more effective governance. We seek change while maintaining stability, adopt an appropriately proactive approach, attach importance to long-term planning and have abandoned the mindset of focusing on short-term needs.

2. Over the past year, the Government has progressively fulfilled the pledges in my Manifesto and my first Policy Address. On economic development, we have taken full advantage of the opportunities in the Asia-Pacific region and the preferential treatment provided by our country. We have capitalised on the advantages of "One Country" and "Two Systems". I, together with the whole Government, have explored business opportunities for Hong Kong at home and abroad. The Economic Development Commission (EDC), the Financial Services Development Council (FSDC) and the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland are working at full speed, and the relevant government departments are giving all necessary support and taking follow-up actions.

3. The Government is doing its utmost to increase land and housing supply in the short, medium and long terms. We have implemented measures to manage demand and effectively curbed rising property prices. Meanwhile, we are formulating a long-term housing strategy for the first time in 15 years.

4. To demonstrate our courage and determination to tackle the poverty problem, the Government reinstated the Commission on Poverty (CoP) and set an official poverty line for the first time. The Government introduced the Old Age Living Allowance (OALA) to benefit more than 410 000 elderly people. The criteria

under the Work Incentive Transport Subsidy Scheme were relaxed to help ease the travel expense burden on the working poor.

5. The Government released A Clean Air Plan for Hong Kong last March. The new Air Quality Health Index, released daily from the end of last month, shows the Government's determination to improve air quality. The Government will allocate \$11.4 billion to replace pre-Euro IV diesel commercial vehicles. The Hong Kong Blueprint for Sustainable Use of Resources 2013-2022 published last May maps out the strategy, targets, policies and timetables for waste management in the coming ten years. On municipal solid waste charging, the Government has started a new round of consultations.

6. The Government implemented various measures to benefit the public. These include the Universal Accessibility Programme, increasing the value of elderly health care vouchers, and extending the scheme on a concessionary fare of \$2 for the elderly and eligible persons with disabilities.

7. Measures such as the "zero delivery quota" policy for expectant Mainland mothers whose husbands are not Hong Kong residents, export controls of baby formula and the Buyers' Stamp Duty on residential properties have proved effective in meeting local demand first.

8. In its consultation document released last October, the Steering Committee on Population Policy published the objectives of population policy. It is gauging public opinion on measures to be developed.

9. By formally launching last month the public consultation on the methods for selecting the Chief Executive in 2017 and for forming the Legislative Council in 2016, the Government is moving towards universal suffrage on the basis of the Basic Law and the relevant Interpretation and Decisions of the Standing Committee of the National People's Congress.

II. Economy

10. Hong Kong needs sustained economic growth to address issues such as poverty, housing, an ageing society, environmental protection and the upward mobility of our young people.

11. Hong Kong has a sound institutional framework and the rule of law. We have a free flow of goods, capital and information; a tradition that champions fair and open competition; superb infrastructure; world-class entrepreneurial talent; and, international professional services. Hong Kong ranks highly in global competitiveness and benefits from the many opportunities flowing from economic development in the Asia-Pacific region, the preferential treatment accorded by our country and the momentum provided by the Mainland's rapid development.

12. During my visit to the Mainland two months ago, I met a young Hong Kong entrepreneur. After earning his master's degree in Hong Kong, he was inspired by a lecturer and decided to venture into the wider world. He refinanced his property, dug into his savings and borrowed money from his relatives to head for Guangxi. After ten years, he now owns a company that manages a supply chain of imported red wine, coffee and other food items, with an annual turnover of over \$100 million. Guangxi, the place where this young man set up his company, and the business he operates are both unfamiliar to Hong Kong people. He said that his Hong Kong background and global vision gave him an edge in negotiating the import of red wine and food items from Europe to Guangxi. This particular story shows us that with determination and tenacity, and by capitalising on the opportunities at home and abroad, young people can build a promising career in various markets and industries, new or traditional.

13. Over the past 35 years, Hong Kong's development owes much to our country's reform and opening up. More than two months ago, the Third Plenary Session of the 18th Communist Party of China Central Committee announced that our country

would comprehensively deepen reform and open up further. This will bring new opportunities for Hong Kong. We have to seize these opportunities and properly respond to the changes.

14. The Central Government has announced the goal of basically achieving liberalisation of trade in services between the Mainland and Hong Kong by the end of the National 12th Five-Year Plan period. Both the Ministry of Commerce (MoC) and the Special Administrative Region (SAR) Government attach great importance to the goal and have made continuous efforts to realise it. The MoC and the Guangdong Provincial Government are also pressing ahead to achieve early liberalisation of trade in services between Hong Kong and Guangdong by the end of this year, with active support from the SAR Government. At the same time, the SAR Government has started preparations for the National 13th Five-Year Plan. We have initially identified some issues for study and will submit them to the National Development and Reform Commission for consideration after consulting the relevant sectors and committees.

15. We should capitalise on, consolidate and enhance our existing advantages, strengthen co-operation with the Mainland and overseas economies in every aspect, and foster diversity and robust growth in our industries.

Financial Services

16. Apart from directly creating 230 000 jobs in Hong Kong and contributing 16% of our Gross Domestic Product (GDP), the financial services industry provides a catalyst for the growth of related sectors such as professional and commercial services. Quality financial services also underpin our position as an international business hub. In addition to helping local enterprises seize business opportunities, the financial services industry also attracts Mainland and overseas companies to use Hong Kong as a platform for raising funds and developing regional business.

17. In last year's Policy Address, I announced the establishment of the FSDC to provide a high-level, cross-sectoral platform to advise the Government on ways to further develop Hong Kong's financial services industry. The FSDC has submitted its first set of reports to the Government which analyse the opportunities and challenges for Hong Kong's financial services industry. The reports discuss in detail Hong Kong's future positioning and strategic development as an international financial centre, and put forward proposals in respect of Renminbi business, asset and wealth management, and real estate investment trusts. The Government will examine and follow up on these proposals in collaboration with financial regulators. We expect the FSDC to keep consulting the industry on ways to promote the development of financial services and make further recommendations.

Trade

18. External trade links are crucial to Hong Kong. Currently, the Government has 11 overseas Hong Kong Economic and Trade Offices (ETOs). The Hong Kong Trade Development Council (TDC) and the Hong Kong Tourism Board (HKTB) also have overseas offices or employ local consultants to assist in the liaison and promotion work. Over the years, our overseas ETOs, the TDC and the HKTB have worked closely with each other to promote Hong Kong.

19. The Government will consider increasing the number of ETOs in Asia. The Trade and Industry Department will also strengthen our liaison work and tap new markets.

20. The Government will set up more offices in the Mainland. When we open the ETO in Wuhan in the second quarter of this year, the Government will have a more comprehensive network in the Mainland, with bases at Shanghai in the east, Guangzhou in the south, Chengdu in the west, Beijing in the north and Wuhan in the central region. The Government will set up more liaison units so that each Mainland office will be linked with one or two liaison units. Two liaison units, one in the north under

the Beijing Office and another in the east under the Shanghai ETO, will be set up this year and next year respectively. Another liaison unit will be established in the central region some time after the Wuhan ETO has come into operation.

21. The Association of Southeast Asian Nations (ASEAN) provides impetus for regional economic growth in East Asia. With the support of the Central Government, Hong Kong has secured the ASEAN's consent to commence formal negotiations for a Hong Kong-ASEAN Free Trade Agreement early this year. Hong Kong has proposed a scope of negotiations and will actively follow up on the issue.

Tourism

22. Tourism is one of our economy's pillar industries. However, an excessive number or over-concentration of visitors may exert pressure on Hong Kong. The Government completed a comprehensive assessment of our capacity to receive visitors at the end of last year. The healthy development of the tourism sector can create a large number of jobs for lower-skilled workers and facilitate the diversification and growth of our economy. We must expand our receiving capacity, focusing on high-spending visitors, to achieve the greatest economic benefits with limited resources. We must also take appropriate and effective steps to ensure that the daily lives of our people will not be affected. The Working Group on Convention and Exhibition Industries and Tourism under the EDC has pointed out in particular that we must devise and implement a visionary plan for the "Kai Tak Fantasy" project at the Kai Tak New Development Area, a precious tourism and entertainment resource. In addition, with the commissioning of the Hong Kong-Zhuhai-Macao Bridge in the near future, we will actively study the possibility of building more hotels and leisure tourism facilities on Lantau Island.

23. The Government has discussed the Individual Visit Scheme (IVS) and multiple entry permit arrangement with the Central Government over the past year. We have also conveyed the different views of Hong Kong people about the expansion of

the IVS. The Central Government has agreed to a temporary freeze on the number of pilot cities for the IVS and the scope of the multiple entry permit arrangement. The SAR Government will continue to communicate and co-ordinate with the relevant Mainland authorities to attract Mainland visitors in an appropriate and orderly manner in light of Hong Kong's economic and social situations.

24. The Government attaches great importance to the reputation of the tourism sector. We are drafting new legislation to set up a Travel Industry Authority and will introduce a bill into this Council in the next legislative session.

Professional Services

25. With a pool of highly qualified professionals and a robust system, Hong Kong has good potential and competitiveness for further global development.

26. The EDC's Working Group on Professional Services has formulated a framework to support the development of professional services. The proposals cover five themes: (i) to strengthen connections with the Mainland and overseas economies to secure more liberalisation measures and conclude more free trade agreements, so as to promote trade liberalisation in professional services; (ii) to promote alignment of the professional systems of the Mainland and Hong Kong, secure recognition of Hong Kong professional qualifications, and enable direct service provision in the Mainland by Hong Kong professionals and enterprises, which will facilitate early access of the professional services sector to the Mainland market and help foster the development of the Mainland's services sector to achieve a win-win outcome; (iii) to give full support to the sector to strengthen its competitiveness, enhance research and development, manpower development and business structure, and promote the Hong Kong brand in professional services; (iv) to explore the feasibility of building a business-friendly information platform and assist Hong Kong's professional services sector explore business opportunities overseas in order

to support the sector's access to emerging markets and key economies; and, (v) to foster the comprehensive development of cross-sectoral professional services and examine the feasibility of providing resource support and advisory services at strategic footholds all over the world.

Logistics Industry

27. The logistics industry has flourished in recent years. Ten hectares of land have been set aside in Tuen Mun West for logistics use. Land will also be earmarked in new development areas for the construction of modern logistics facilities. On air freight, the Hong Kong International Airport (HKIA) has been the world's busiest international cargo airport in the past decade. In the first 11 months of 2013, the HKIA handled 3.7 million tonnes of cargo, an increase of 2.6% over the same period in 2012. In addition, following the full operation of the third air cargo terminal last October, the overall cargo handling capacity of the HKIA has increased by 2.6 million tonnes, further strengthening Hong Kong's position as an international and regional logistics centre. The Government will continue to improve port facilities and enhance the efficiency of port operations, thereby seizing the opportunities brought by the growth of trade in the Mainland and Asia.

High Value-added Maritime Services

28. Hong Kong enjoys a competitive edge in developing quality and international maritime services, such as ship registration, management and broking, shipping agency, ship finance, maritime insurance, legal and arbitration services.

29. The consultancy study on Enhancing Hong Kong's Position as an International Maritime Centre has been completed. The study concluded that Hong Kong is well positioned to develop high value-added maritime services. It also proposed setting up a new statutory maritime body. In the coming year, the Government will work out the specific functions, structure and funding of the proposed new body and consult the industry.

We will then take forward the necessary legislative procedures as soon as possible.

30. Amid the rapid development of the aviation industry, manpower training is essential to further strengthening our leading position as the major regional aviation hub. The Government will consider setting up a civil aviation training institute, as supported by the EDC's Working Group on Transportation, to develop human capital for both the local and regional aviation industries, promote exchanges and enhance the safety and efficiency of air services.

Dispute Resolution Services

31. Hong Kong has a fine tradition of the rule of law and a well-developed legal system. The Government will continue to actively promote Hong Kong's legal and dispute resolution services to enhance our status as a centre for international legal and dispute resolution services in the Asia-Pacific region. The Government will strengthen its promotion efforts overseas, continue to co-ordinate the development of mediation services through the Steering Committee on Mediation, and establish an advisory committee on the development and promotion of arbitration services.

Creative Industries

32. Hong Kong's creative industries have great potential. In recent years, they have grown at a faster rate than the overall economy. The Government will strive to enhance their overall competitiveness, especially by nurturing talent, tapping new markets, supporting new enterprises and promoting sustainable development. We injected another \$300 million into the CreateSmart Initiative last year to sustain our support for the development of creative industries. In addition, we are reviewing the Film Development Fund to better support the local film industry.

Intellectual Property

33. Knowledge that has commercial value can be protected by law to become property. It can be traded freely, and such trading creates economic activities. In 2012, the Mainland recorded the highest number of filings in major types of intellectual property rights such as patents, trademarks and industrial designs in the world, surpassing that of the United States. A working group led by the Secretary for Commerce and Economic Development is studying ways to promote Hong Kong as a premier intellectual property (IP) trading hub in the region. It has formulated strategies to further explore supporting policies and measures in four areas, namely: (i) enhancing the IP protection regime; (ii) supporting IP creation and exploitation; (iii) fostering IP intermediary services and enhancing manpower capacity; and, (iv) pursuing efforts in promotion, education and external collaboration.

Innovation and Technology Industries

34. Innovation and technology are not only economic drivers, they can also upgrade our quality of life and enhance the efficiency of our community. Promoting innovation and technological development can provide wider employment opportunities for our young people. The Government attaches great importance to fostering the innovation and technology industries. We have given software and hardware support to enterprises and start-ups, and provided financial assistance for universities, research institutions and the industries to commercialise research and development results. We will continue to create an environment conducive to the development of innovation and technology, encourage investment in this area and enhance co-operation among the Government, industry, academia and research sectors.

35. It has been almost 15 years since the Innovation and Technology Fund (ITF) was set up. Through the ITF, the Government finances research and development of applied science, and enhances the technological level of industries.

However, the development of science and technology in Hong Kong needs to further advance. The sectors concerned believe that the ITF should be more progressive and proactive in supporting enterprises with research and development as well as commercialisation. The Innovation and Technology Commission started a comprehensive review of the ITF operation in mid-2013. At the same time, the Government and the Hong Kong Science and Technology Parks Corporation are reviewing the effectiveness and long-term development direction of the Science Park and industrial estates.

36. The Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the EDC is actively studying different topics regarding the future development of creative industries as well as innovation and technology industries in Hong Kong. These topics include incubating start-up companies, assisting them in expanding markets, building brands, nurturing talent, and providing infrastructural support. The Working Group will make concrete recommendations after studies and discussions.

37. I have decided to re-initiate the setting up of an Innovation and Technology Bureau and work with various sectors to formulate the objectives and policies for the development of innovation and technology in Hong Kong. I earnestly hope that it will receive support from this Council.

Lantau Island

38. The Pearl River Delta (PRD) has seen rapid economic development in recent years. In the western PRD, places such as Zhuhai, Zhongshan, Foshan, Nansha and Shunde are endowed with rich resources and have enormous development potential. In the past, Lantau was an outlying island. Today, with the Tsing Ma Bridge, it remains the far end of our west-bound land transport network. When the 55-kilometre Hong Kong-Zhuhai-Macao Bridge and the entire 9-kilometre Tuen Mun-Chek Lap Kok Link are completed in 2016 and 2018 respectively, Lantau will become an essential connecting point for journeys to and

from Hong Kong, Zhuhai and Macao. It will link Hong Kong Island, Kowloon, the New Territories and western PRD, and become the converging point of traffic from Guangdong, Hong Kong and Macao. This will bring fundamental change to Lantau's functions and development potential.

39. The artificial island for the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities (HKBCF) has an area of about 130 hectares. With its proximity to the HKIA, it will serve as a gateway between Hong Kong and western PRD and will take on great value as a "bridgehead economy". The Government has carried out a preliminary review of the supporting infrastructure to explore the feasibility of developing major shopping, dining, entertainment and hotel facilities at the HKBCF. We will conduct a detailed study as soon as possible.

40. The HKIA will reach its full capacity in the next few years. There is an urgent need to construct a third runway to maintain our position as an aviation hub as well as our competitiveness. Planning work is being taken forward at full speed with a view to commissioning the third runway by 2023. The airport's North Commercial District, a large area of about ten hectares, has tremendous development potential and economic value. The Airport Authority Hong Kong is pressing ahead with the comprehensive and full development of the district.

41. The Government will explore ways to further develop the eastern waters off Lantau Island and neighbouring areas, with a view to developing an East Lantau Metropolis for accommodating new population. It will become a core business district in addition to Central and Kowloon East for promoting economic development and providing job opportunities.

42. To prepare the economic and social development strategy for Lantau Island, I have decided to establish a Lantau Development Advisory Committee. The Secretary for Development, in collaboration with relevant bureaux, will solicit proposals through the Committee to capitalise on the benefits brought by major infrastructure projects in the area and the

synergy between Hong Kong and the PRD, while striking a balance between development and conservation.

Enhancing Co-operation with the Pearl River Delta

43. The Government will play an active role in the development of the PRD, support the establishment of a free trade zone in Guangdong and work with the province and various municipalities towards mutual success.

Agriculture and Fisheries

44. There is much our agriculture and fisheries industries can achieve provided they move towards high-tech, diversified and sustainable development. We announced last year the setting up of a \$500 million Sustainable Fisheries Development Fund to enhance the overall competitiveness and sustainability of our fisheries industry. After extensive consultation with the industry, we have devised the Fund's scope of subsidy, as well as eligibility and assessment criteria. The Fund will be used to help local fishermen identify new fisheries resources and fishing grounds in the South China Sea, develop sustainable fishing operations and leisure fishing in Hong Kong waters, spearhead the modernisation of local aquaculture, promote local fisheries products and their certification, and increase fisheries resources. It will accept applications in the first half of 2014.

45. The Government will review its agricultural policy to enhance productivity and promote sustainable development. This will include introducing modern and environment-friendly agricultural technologies that help conserve our natural resources and the agricultural ecology, so as to supply quality produce to our people and promote the diversified development of the rural areas. Consultation will be carried out within this year.

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

Poverty Alleviation

46. The current-term Government is determined to tackle the poverty problem. Our poverty alleviation policy is to encourage young people and adults to become self-reliant through employment, while putting in place a reasonable and sustainable social security and welfare system to help those who cannot provide for themselves.

47. Last September, the Government set the first-ever official poverty line, which provides a clear and objective basis to review the poverty situation, formulate policies and assess the effectiveness of measures. It will be updated annually to monitor the poverty situation and the effectiveness of our policies. The CoP will continue to serve as the major policy platform to assist the Government in pursuing poverty alleviation initiatives.

48. The initiatives that I put forward today cover a wide range of areas and will benefit various groups. Together, they form our blueprint for poverty alleviation.

Low-income Working Family Allowance

49. As the 2012 poverty statistics clearly show, we should accord priority to assisting non-Comprehensive Social Security Assistance (non-CSSA) working families living below the poverty line, especially those with children and young members at school. The Government proposes to introduce a Low-income Working Family Allowance. There are two major considerations.

50. First, despite the protection offered by the statutory minimum wage, many grassroots workers, as the sole breadwinners of families, still bear a heavy financial burden. Providing them with suitable assistance and encouraging them to

remain employed will help keep them from falling into the CSSA safety net.

51. Second, special attention must be paid to the children and youths of these families. Offering them appropriate support promotes upward mobility and breaks the vicious cycle of inter-generational poverty.

52. The proposed Low-income Working Family Allowance is premised on three basic principles:

- (i) The basic allowance will be granted on a family basis and tied to employment and working hours to encourage self-reliance. More allowance will be granted to those who work more. Families with eligible children and young members will receive additional allowance;
- (ii) To ensure effective use of resources, an income test and an asset test with a lower threshold will be introduced; and
- (iii) The scheme's structure will be as simple and easy to understand as possible, with appropriate safeguards against abuse.

53. According to our initial thinking, a beneficiary family, which is not on CSSA, must have at least two members, with at least one working for a reasonable number of hours to maintain the principle of self-reliance. For the asset test, the Government proposes to broadly adopt the asset limits for public rental housing (PRH) applications. There will be no minimum residence requirement. All eligible Hong Kong residents may apply.

54. The Government will introduce a two-tier system based on working hours and family income. If the family income is equivalent to or below 50% of the median monthly domestic household income and the applicant is a working member who meets the working hour threshold, this family will be eligible for a full basic allowance of \$600 or \$1,000 per month depending on

the working hour tier to which it belongs. If the family includes children or youth members, it is entitled to an additional full allowance of \$800 per month for each eligible child or youth member. Taking the 2012 data as an example, a four-member family with two eligible children and a monthly income at or below \$14,400 will be entitled to a total disbursement of \$2,200 or \$2,600 per month depending on the working hour tier to which it belongs, provided that the applicant is a working member who meets the working hour threshold. The Chief Secretary for Administration and the Secretary for Labour and Welfare will announce the details later.

55. The annual expenditure involved is estimated to be around \$3 billion. More than 200 000 low-income families with 710 000 members, including 180 000 eligible children and young people, will benefit from the allowance. To help prevent poverty, low-income families with a monthly income slightly higher than 50% of the median domestic household income may also receive a half-rate allowance.

56. This recurrent measure will involve a substantial amount of public funds and provide an extensive coverage. Although the Government has set the policy direction, careful deliberation is still required to work out the operational details. In rendering assistance to low-income working families and encouraging continued employment, we must refrain from distorting the labour market or undermining the incentive to work. We must take into account the long-term financial commitment of the Government while focusing on helping the most needy groups. We will listen to the views of the public on the proposed allowance over the next few months. We will then seek funding approval from this Council to implement the scheme in 2015.

Community Care Fund

57. The Community Care Fund (CCF) is an important part of the Government's poverty alleviation blueprint. Since its establishment in 2011, the CCF has effectively plugged gaps in the existing system by launching 24 assistance programmes with

more than 600 000 beneficiaries. So far, three pilot programmes that have been found effective in alleviating poverty have been incorporated into the Government's regular assistance programmes. From April 2014, the Government will progressively regularise another seven programmes. Beneficiaries will include primary and secondary students receiving student financial assistance; underprivileged students pursuing eligible programmes below sub-degree level; CSSA recipients who are Tenants Purchase Scheme flat owners; children from low-income families on the waiting list for subvented pre-school rehabilitation services; and, persons with severe physical disabilities living in the community and requiring constant care.

58. The CCF Task Force under the CoP will continue to ensure the efficient use of the CCF's resources, including the additional injection of \$15 billion last year, in drawing up more assistance programmes to meet the needs of different groups. The Government will also request the CoP to continue strengthening the support for low-income families in the coming year, including the possible provision of a one-off subsidy for children or young people from such families as well as low-income families not living in PRH and not receiving CSSA (known colloquially as the "n have-nots").

Improving the Comprehensive Social Security Assistance Scheme

59. Poverty line analysis shows that the CSSA is effective in alleviating poverty. To keep in line with the broad policy directions of promoting upward mobility and self-reliance through employment as a means of poverty alleviation, new measures should focus on enhancing support for students receiving CSSA and increasing work incentives for adult CSSA recipients. The Government will implement the following measures:

- (i) Increase the grants for school-related expenses for primary and secondary students of CSSA families through regularisation of a CCF programme from the 2014/15 school year;
- (ii) Include post-secondary students of CSSA families in the calculation of rent allowance with effect from April 2014 so a family's entitlement will not be affected if it has members receiving post-secondary education; and
- (iii) Implement a pilot incentive scheme under the CCF in line with recommendations endorsed by the CoP to encourage able-bodied CSSA recipients to leave the safety net and achieve self-reliance through employment.

60. Besides, the Government will provide additional rent assistance for CSSA recipients by:

- (i) regularising a CCF programme to provide rent allowance for CSSA recipients who have been Tenants Purchase Scheme flat owners for more than five years; and
- (ii) inviting the CCF to provide again a one-off subsidy to CSSA households living in rented private housing and paying a rent which exceeds the maximum rent allowance under the CSSA Scheme.

Retirement Protection

61. The CoP has commissioned a consultancy study by a team, with Professor Nelson Chow as the chief consultant, to assess various retirement protection schemes on the basis of the multi-pillar approach advocated by the World Bank and to make recommendations on the way forward. The team will submit a report to the CoP before mid-2014. The Government will adopt an open and pragmatic attitude in considering the way forward for retirement protection.

Social Innovation

62. I proposed in my Manifesto and set up the \$500 million Social Innovation and Entrepreneurship Development Fund after I took office. The fund encourages individuals and organisations who care about social development, including young people who wish to start their own business, to help tackle poverty and associated social problems by innovative ideas and modes of operation. The Social Innovation and Entrepreneurship Development Fund Task Force under the CoP will engage the first group of intermediaries in a few months' time. The fund will be open for applications through intermediaries starting from mid-2014.

Care for the Elderly

Elderly Services Programme Plan

63. I emphasised in my Manifesto the need to respect, love and care for the elderly. I will ask the Elderly Commission to prepare an Elderly Services Programme Plan within two years.

Ageing in Place

64. The Social Welfare Department (SWD) rolled out the first phase of the Pilot Scheme on Community Care Service Voucher for the Elderly in September 2013. The scheme has adopted a "money-following-the-user" approach that enables eligible elderly people to use vouchers to acquire services of their choice. By end-December 2013, about 750 vouchers had been issued by the SWD. Meanwhile, the Government will continue to provide additional resources to increase subsidised places for other community care services.

65. The Government will allocate additional resources to elderly centres to strengthen support for the elderly, including enhancing information dissemination and counselling services, care needs assessment and processing of care services applications. The support rendered to elderly persons with dementia and their carers by district elderly community centres

will be strengthened. The CCF Task Force is also considering a pilot scheme on a carer allowance for the elderly.

Institutional Care

66. The Government will continue to increase the supply of subsidised residential care places for the elderly through a multi-pronged approach that includes, among others, the Special Scheme on Privately Owned Sites for Welfare Uses. We will allocate additional resources to extend the continuum of care to subsidised nursing home places.

67. The Government will purchase residential care places from an elderly home run by a Hong Kong non-governmental organisation (NGO) in Shenzhen to provide an option for the elderly on the Central Waiting List for subsidised residential care places. The SWD will invite eligible elderly people to apply for those places in the second quarter of this year and make move-in arrangements in the third quarter. We are also discussing similar arrangements with another elderly home in Zhaoqing run by a Hong Kong NGO. The scheme will be reviewed two years after implementation.

68. I announced in my last Policy Address that the Government would study the feasibility of adopting the subsidy mode of Community Care Service Voucher for the Elderly for residential care services. We will ask the Elderly Commission to conduct the study and submit a report to the Government in the coming year. If it is considered feasible to run a residential care service voucher pilot scheme, we will provide the necessary resources. In this connection, the Government has earmarked about \$800 million to meet the expenses incurred in issuing a total of 3 000 residential care service vouchers in three phases from 2015-16 to 2017-18. Taking into account these 3 000 vouchers, the Government will provide about 5 000 additional subsidised residential care places for the elderly within the current term of office.

Financial Support

69. The OALA I proposed in my Manifesto has benefited over 410 000 elderly people since it was introduced last April. The Government will review this measure by the end of this year to ascertain, among other things, whether the asset limits should be relaxed.

70. The Guangdong Scheme launched last October allows Hong Kong elderly people residing in Guangdong to continue receiving the Old Age Allowance, commonly known as “fruit money”, without the need to return to Hong Kong every year. The initial response to the scheme has been positive. By the end of last year, about 16 700 elderly people had submitted applications and about 7 000 are now receiving the allowance. This year, the Government will seriously explore the feasibility of extending the OALA to Guangdong in light of the scheme’s operating experience.

Healthcare Services

71. The utilisation rate of the Elderly Health Care Voucher Pilot Scheme has been increasing since the voucher amount was doubled last year. To ease the elderly’s demand for public outpatient services and to enhance their awareness of the importance of primary care, we propose to further double the annual voucher amount to \$2,000 within this year, while incorporating the pilot scheme into the regular assistance programme.

72. As the scheme also applies to dental services, the increased amount will enable the elderly to have access to private dental services. In addition, we will convert the free outreach primary dental care services for the elderly in residential care homes or day care centres into a regular programme, and expand the scope of services to include fillings, extractions and dentures. The CCF Task Force is actively considering expanding the scope of an existing elderly dental programme to benefit more elderly people with financial difficulties.

Active Ageing

73. A total of 108 elder academies have been set up in primary and secondary schools and tertiary institutions. The Government plans to inject \$50 million into the Elder Academy Development Foundation. In addition, the popular scheme allowing the elderly to travel at a concessionary fare of \$2 will be extended in phases to include green minibuses starting from the first quarter of 2015.

Support for the Disadvantaged

Ethnic Minorities

74. There are more than 60 000 South Asian ethnic minority people living in Hong Kong, an increase of 50% over the past decade. They have much difficulty integrating fully into the community due to differences in culture, language and ethnic background. The Government will strengthen education support and employment services for them.

75. Most South Asian ethnic minority residents call Hong Kong home. To integrate into the community and develop their careers, they must improve their ability to listen to, speak, read and write Chinese. We will strengthen the Chinese learning support for ethnic minorities from early childhood education through to primary and secondary levels.

76. For early childhood education, the Education Bureau (EDB) will enhance school-based support services for kindergartens admitting ethnic minority children. The experience gained will be shared with other kindergartens. As ethnic minority students are not native speakers of Chinese, the EDB will make special arrangements in the curriculum design and teaching mode of primary and secondary education. From the 2014/15 school year, the Government will implement a Chinese Language Curriculum Second Language Learning Framework with supporting learning and teaching materials as well as assessment tools for ethnic minority students in primary and secondary schools. Annual funding of approximately \$200

million will be provided from the 2014/15 school year to enhance school support, such as an intensive teaching mode to improve the Chinese foundation of ethnic minority students at junior primary levels to facilitate their migration to the mainstream Chinese language classes. The EDB will offer school-based professional support and in-service professional development programmes to enhance the professional capability of schools and teachers in teaching Chinese as a second language.

77. From the 2014/15 school year, the EDB will, in stages, provide an Applied Learning (Chinese Language) subject for ethnic minority students at senior secondary levels. The subject will be pegged at Levels 1 to 3 of the Qualifications Framework. The EDB is also developing Vocational Chinese Language courses for ethnic minority school leavers to enhance their employability.

78. The Government supports the employment of more ethnic minorities in all sectors. The Civil Service Bureau will continue to follow up with various departments on the review of and adjustments to the language proficiency requirements on the basis that the adjusted requirements will not affect the functioning of the grades concerned, to ensure that ethnic minorities will continue to have equal access to job opportunities in the Government.

79. The Home Affairs Department will strengthen community support for ethnic minorities. A new service centre will be established in Kwai Tsing. More ethnic minority residents will be recruited to expand the outreach service. In addition, the Police Force encourages ethnic minority residents to join the Junior Police Call (JPC) and integrate into the community. Its target is to increase non-ethnic Chinese JPC membership from the existing 1 900 to 2 500 in five years.

Persons with Disabilities

80. In line with the direction of our rehabilitation policy, the Government is committed to building a barrier-free environment, including hardware and software support, to ensure that persons

with disabilities enjoy equal opportunities and participate in full in their personal growth, education, employment and social life. In addition, we need to provide their families and carers with appropriate support to alleviate their physical and emotional burden.

81. The Government proposes:

- (i) to upgrade the Commissioner for Rehabilitation's ranking and strengthen the establishment of the Commission's team to enhance co-ordination among various bureaux and departments;
- (ii) to provide additional teacher assistants for schools for children with intellectual disability, physical disability, and visual impairment cum intellectual disability as well as the psychiatric classes of hospital schools; and reduce progressively to 12 students the class size in schools for children with visual impairment and schools for social development;
- (iii) to increase the staff of the boarding section of special schools and provide an additional grant for these schools to enhance the support for boarders with complex medical conditions;
- (iv) to provide 6 200 additional places for rehabilitation services, including 2 016 places for day training and vocational rehabilitation services, 2 713 places for residential care services and 1 471 places for pre-school rehabilitation during the term of this Government. In the long run, the Government will also provide additional places through the Special Scheme on Privately Owned Sites for Welfare Uses;
- (v) to regularise the Pilot Bought Place Scheme for Private Residential Care Homes for Persons with Disabilities, with the cap of subsidised places in each home raised to 70%;

- (vi) to regularise three CCF programmes. One provides a training subsidy for children with disabilities from low-income families, allowing them to pay for self-financing services while they are on the waiting list for subvented pre-school services. The other two provide a subsidy for persons with severe physical disabilities living in the community to cover their expenses to purchase medical equipment and consumables, and for one-stop integrated support services co-ordinated by case managers in accordance with their needs;
- (vii) to continue to promote the Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme launched in September 2013 to encourage more employers to provide internship and employment opportunities for persons with disabilities. The Government, as an employer, will further promote the employment of persons with disabilities in the civil service;
- (viii) to raise the incentive payment in Sheltered Workshops and Integrated Vocational Rehabilitation Services Centres;
- (ix) to increase funding support for District Support Centres for Persons with Disabilities, self-help organisations, sign language interpretation services as well as short-term day and residential care services to enhance support for persons with disabilities living in the community and their family carers;
- (x) to increase funding support for day training centres to enhance care and support for ageing service users;
- (xi) to inject \$200 million into the Hong Kong Paralympians Fund to strengthen support for athletes with disabilities; and

- (xii) to extend the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities to eligible children with disabilities under the age of 12 starting from the first half of this year so they can travel on general MTR lines, franchised buses and ferries for \$2 per trip. The Government will explore with the trade ways to resolve technical and operational problems to extend the scheme to green minibuses in phases from the first quarter of 2015.

Students with Special Educational Needs

82. In addition to the support measures implemented last year, the Government will step up support for students with special educational needs studying in ordinary schools by increasing the level of the Learning Support Grant by 30% in the 2014/15 school year. The schools will receive an annual subsidy of \$13,000 or \$26,000 for each student with special educational needs, depending on the tier of support required.

Social Welfare Planning

Implementing the Special Scheme on Privately Owned Sites for Welfare Uses

83. In the last Policy Address, I proposed optimising the use of land and utilising the Lotteries Fund in a flexible manner. Over the past year, the Labour and Welfare Bureau (LWB) and the social welfare sector have actively taken this forward. The Special Scheme on Privately Owned Sites for Welfare Uses was formulated to encourage social welfare organisations to better use their land through in-situ expansion or redevelopment, especially to provide additional facilities for elderly and rehabilitation services. We invited applications for the scheme last September and the response was overwhelming. The LWB received preliminary proposals from about 40 organisations involving about 60 in-situ expansion or redevelopment projects. Based on the rough estimates of these organisations, the scheme

will provide about 17 000 additional service places for the elderly and persons with disabilities. The Government will inject \$10 billion into the Lotteries Fund and provide the necessary assistance to ensure that this major social welfare infrastructure programme will be implemented smoothly.

Enhancing the Lump Sum Grant Subvention System

84. From 2014-15 onwards, the Government will increase annual recurrent funding for NGOs under the Lump Sum Grant Subvention System to strengthen their central administrative and supervisory support, and to increase the provision for “other charges”. The Government will allow NGOs more flexibility in using the Provident Fund reserve. The Government will also provide additional resources to enable NGOs to recruit and retain paramedical staff more effectively or hire paramedical services to deliver their SWD-subvented services. In 2014-15, the above measures will together incur additional recurrent expenditure of about \$470 million.

Human Resources in Care Services

85. To cope with the demand for care personnel, and to provide the younger generation with more employment options, the Government introduced a “first-hire-then-train” pilot scheme through the Lotteries Fund last year. Under the scheme, young people are recruited to provide care services at residential care homes for the elderly and are provided with subsidies to pursue a two-year part-time programme offered by the Open University. After completing the programme, they can be promoted to a higher position and pursue further career development in care services. Since the pilot scheme has been well received, the Government has earmarked funding to expand it to cover rehabilitation services and provide an additional 1 000 places in the coming few years.

One-stop Service for Processing Applications for Welfare Benefits

86. To improve the current situation that requires the public to approach different departments to apply for benefits under different welfare schemes, the Government will commission a consultancy study to examine the feasibility of providing a more user-friendly one-stop service.

Occupational Safety

87. The Government attaches great importance to promoting safety at work. The Labour Department (LD) vigorously enforces the law and takes special enforcement actions against industries with poor safety records. Together with the Occupational Safety and Health Council, related workers' unions and trade associations, the LD launches occupational safety and health initiatives, and organises large-scale publicity campaigns and education activities to raise industries' awareness and standards of occupational safety and health.

Women

88. As quite a number of women homemakers are prepared to rejoin the labour market, and many trades and sectors have a tight manpower situation, helping women to achieve a balance between family and work is one issue being addressed by the public engagement exercise on population policy. The LWB and the Women's Commission are conducting a survey to find out the reasons why Hong Kong women leave the labour market and the factors that attract them to take up employment again. The findings will serve as reference for policy formulation.

89. To improve after-school care services provided by NGOs for children aged 6 to 12, the SWD will, from 2014-15, allocate additional resources to extend the service hours on weekday evenings, weekends and school holidays in some after-school care centres and provide additional fee-waiving and fee-reduction quotas. The SWD will also extend the Neighbourhood

Support Child Care Project by lifting the age limit of service beneficiaries from six to nine, and providing additional places for the home-based child care service under the project.

IV. Nurture the Next Generation

90. The Government fosters a culture of multi-faceted excellence and helps nurture young people through education, employment and whole-person development. We provide them with diversified learning, training and development opportunities that match their abilities, aspirations and education levels.

91. Young people should develop a positive approach to life and a sense of social awareness. They should take an interest in the development of Hong Kong and our country and cultivate an international vision. They should attach importance to both individual rights and social obligations.

Education

Early Childhood Education

92. Early childhood education is an integral part of youth development. The Committee on Free Kindergarten Education is studying practical ways to implement three-year free kindergarten education, and plans to submit its recommendations next year. To alleviate the financial burden of kindergarten education on parents, the Government will increase the voucher value of the Pre-primary Education Voucher Scheme by \$2,500 per year for two consecutive school years in 2014/15 and 2015/16. We will also lift the fee remission ceiling to help needy families.

Learning Support for Grassroots Students

93. The Government has devoted considerable resources to providing young people with formal education. To ensure that disadvantaged students have equal learning opportunities, three CCF learning support programmes will be incorporated into the Government's regular assistance programme from the 2014/15 school year. These CCF programmes are: (i) providing free lunch at schools for primary students receiving a full grant under the

student financial assistance schemes; (ii) increasing the flat-rate grant by about 100% for each primary and secondary student eligible under the School Textbook Assistance Scheme; and, (iii) establishing a tuition fee reimbursement mechanism for students in need pursuing eligible programmes below sub-degree level and providing them with a flat-rate academic expenses grant. These three measures will benefit about 270 000 students.

94. To help implement poverty alleviation and other learning support initiatives, the Government will provide public sector primary schools with an additional recurrent grant equivalent to the salary of a Clerical Assistant from the 2014/15 school year. This will help relieve the administrative workload of teachers.

Enhancing Self-learning Ability through Information Technology

95. The Government will launch the Fourth Strategy on Information Technology in Education this year. Major initiatives include the phased provision of wireless network services and other supporting facilities for all public sector schools from the 2014/15 school year.

Increasing the Funding for Higher Education

96. In recent years, the number of students attaining the minimum general entrance requirements exceeded the number of publicly-funded, first-year-first-degree places available. The Government will provide students with more opportunities for higher education in the following five ways:

- (i) From the 2015/16 academic year and in the triennium that follows, the intake of senior-year undergraduate places in University Grants Committee-funded institutions will progressively increase by a total of 1 000 places so that 5 000 meritorious sub-degree graduates will be able to articulate to subsidised degree programmes each year by the 2018/19 academic year;

- (ii) We will study the feasibility of a new scheme to subsidise up to 1 000 students per cohort to pursue self-financing undergraduate programmes in selected disciplines to meet Hong Kong's manpower needs. The scheme, if implemented, will benefit three cohorts of students, and will then be reviewed for its effectiveness;
- (iii) A Mainland University Study Subsidy Scheme will be introduced so that students in need pursuing studies under the scheme for the Admission of Hong Kong Students to Mainland Higher Education Institutions may receive a means-tested grant of up to \$15,000 per year during their studies. The scheme is not subject to any quota. It will benefit three cohorts of students, and will then be reviewed for its effectiveness;
- (iv) A new scholarship scheme will be implemented to support up to 100 outstanding local students each cohort to pursue studies in renowned universities outside Hong Kong, with a view to nurturing a diversified pool of top talent to spur Hong Kong's development. Apart from a scholarship of up to \$250,000, students in need will also receive a means-tested bursary of up to \$200,000 each year. The scheme will benefit three cohorts of students, and will then be reviewed for its effectiveness; and
- (v) In line with our youth policy of fostering a culture of multi-faceted excellence, a \$100 million scholarship fund will be set up. Universities and tertiary institutions will be encouraged to admit on a full cost-recovery basis about 20 local students a year who excel in sport, arts and community service starting from the 2015/16 academic year.

97. Full implementation of the above measures will offer more opportunities and wider choices for senior secondary graduates to pursue higher education. It is expected that an additional 2 120 subsidised places will be provided to local students to pursue degree education in and outside Hong Kong. Students who choose to further their studies in the Mainland will also receive financial assistance.

Other Measures

98. To ensure that no student will be denied the opportunities to fully experience diversified post-secondary student life because of lack of means, the Government will: (i) support about 9 800 students in need to participate in exchange programmes outside Hong Kong selected on a merit basis and arranged by institutions; and, (ii) invite the CCF Task Force to consider providing a hostel subsidy for needy undergraduate students who reside in hostels and increase the academic expenses grant for students in need pursuing eligible self-financing post-secondary programmes.

99. In the past two academic years, all student loan borrowers were given the option of starting the repayment of their student loans one year after completing studies. The Government will make it a standing arrangement to benefit about 23 000 students each year.

100. The “zero delivery quota” policy implemented last year for expectant Mainland mothers whose husbands are not Hong Kong residents has greatly relieved the pressure on local obstetrics and gynaecology services. Next, we will ensure adequate educational opportunities for local students, and continue to strive to alleviate the pressure arising from the demand for local school places by children born to non-local parents.

Employment

Reviewing Vocational Education

101. Last week, I attended a celebratory gathering at the Chinese Cuisine Training Institute to congratulate two teams of Hong Kong chefs who brought glory home by winning two international western culinary competitions held in Switzerland and Korea. Nearly all 25 chefs of the winning teams were past students of the Vocational Training Council (VTC). Their outstanding achievements in the international competitions confirm the Chinese proverb that “every trade has its masters”. Over the past year, I have met many young people working or receiving vocational training in different sectors such as beauty services, information technology, design and construction. Despite their diverse backgrounds, these young people all share one thing in common with the chef teams: they strive to pursue their interests and realise their potentials and are committed to learning and making their dreams come true.

102. Mainstream education is not a straightjacket that fits all young people as everyone has his or her own interests and abilities. The Government should re-establish the positioning of vocational education in our education system and guide the younger generation in choosing their career.

103. The Government will set up a Task Force on Vocational Education to map out a strategy to promote vocational education in the community, and invite the VTC to draw up a strategic development plan for its campuses to foster synergy and provide state-of-the-art facilities pivotal to enhancing the image and quality of vocational education.

104. In the short run, the Government will implement measures to help young people with life planning and strengthen vocational education in four ways.

Strengthening Life Planning

105. First, the EDB will increase the manpower of the Career Guidance Team to provide holistic support to schools in providing career guidance service and life planning education. From the 2014/15 school year, public sector schools operating classes at senior secondary levels will be provided with an additional recurrent grant equivalent to the salary of a graduate teacher to introduce more life planning education elements. In parallel, the Government will encourage greater participation of business establishments and engage more community resources in the Business-School Partnership Programme. We will also allocate additional resources to NGOs to enhance career guidance for secondary students in collaboration with schools.

Integrating Vocational Education with Employment Support

106. Second, the Government will launch a pilot training and support scheme to attract and retain talent for industries with a keen demand for labour by integrating structured apprenticeship training programmes with clear career progression pathways. The Government and participating industries will provide a grant or an allowance for apprentices in the first year of training and the ensuing three years of apprenticeship. These industries must undertake to employ trainees who have completed training at a particular salary level and provide them with clear career progression pathways. The VTC will be responsible for implementing the pilot scheme, which will benefit 2 000 trainees.

107. Third, from the 2014/15 academic year, recurrent funding will be allocated to the VTC to provide industrial attachment opportunities for all students of higher diploma programmes and students of some Diploma in Vocational Education programmes. Over 9 000 students will benefit from the measure.

Qualifications Framework

108. Fourth, the current Qualifications Framework Support Schemes will end soon. After reviewing the effectiveness of the schemes, the Government will set up a \$1 billion endowment fund, the investment income of which will be used to provide long-term support for the sustainable development of the Qualifications Framework.

Whole-person Development

109. Learning outside classroom settings can help students realise their potential in different areas, develop their character and multiple intelligences, and gain all-round learning experience.

After-school Learning and Support

110. Under various assistance schemes offered by the Government and the CCF, schools and NGOs are able to provide extra-curricular activities as well as after-school learning and support for primary and secondary students in need. In the 2014/15 school year, the Government will provide greater flexibility for schools in implementing the School-based After-school Learning and Support Programmes and, by providing funding, encourage schools to make better use of the School-based Grant to benefit more primary and secondary students from needy families. In the long run, the Government will explore ways to consolidate various assistance schemes to achieve greater effectiveness.

Engaging the Community

111. We are pleased to see that the business sector and community organisations have, on their own initiative, launched extra-curricular activities and after-school learning support programmes such as Project WeCan and the 333 Learning Companion Leadership Program with encouraging results. To further encourage the business sector and organisations to work with schools to facilitate the whole-person development of

students mainly from grassroots families, the Government will earmark another \$200 million on top of the original funding of \$200 million for the Partnership Fund for the Disadvantaged. The additional funding will be provided on a matching fund basis through the Partnership Fund, and will be dedicated to launching more after-school learning and support programmes for primary and secondary students from grassroots families.

112. Since the launch of the \$300 million Child Development Fund (CDF) in 2008, the Government has been actively implementing and refining CDF projects. We will earmark \$300 million in the next financial year to ensure the sustainability of the CDF and help more students from needy families.

Youth Hostels

113. The Government will continue to implement the Youth Hostel Scheme. In addition to the two projects in Sheung Wan and Tai Po, we will launch two more projects in Mong Kok and Jordan. Together, the four projects are expected to provide about 1 000 hostel places.

Uniformed Groups

114. The Government will allocate additional resources to strengthen its networking and communication with young people at the district level. In addition, the Government's recurrent subvention for uniformed groups such as the Scout Association, the Hong Kong Red Cross and the Hong Kong Road Safety Patrol will be doubled in the coming year, and funding for the Assistance Scheme for Needy Student Members will be increased to benefit more students from needy families.

115. Furthermore, we have decided to expand the Cadet Corps of the Auxiliary Medical Service from the next financial year. The target is to increase the number of cadets from the current 1 000 to 3 000 in five years.

Broadening Horizons

116. The Government is actively exploring the feasibility of extending the International Youth Exchange Programme to more places. In collaboration with the Commission on Youth, the Home Affairs Bureau also sponsors Mainland exchange and internship programmes for young people arranged by community organisations. Places offered under these schemes will increase from the current 9 600 to 14 000 next year.

117. The Working Holiday Scheme between Hong Kong and other countries has proved very popular among young people. To date, more than 30 000 young people have taken up short-term employment while holidaying in various countries. The Government will explore similar arrangements with more countries.

V. Land, Housing and Transport

Land Supply

118. The housing shortage problem is serious. Apart from soaring property and rental prices, cramped living conditions trouble many Hong Kong people. More than half of private domestic units have a saleable area of less than 50 square metres. Last month, I came across a family in Mong Kok. The young couple took a picture of me with their only daughter, who was three years old. I asked them, “Do you plan to have another baby?” They replied, “Our flat is too small for two children.” This answer is very typical. I know some young people cannot afford a home of their own after getting married. They go to work during the day, have dinner together in a restaurant, and then separately return to the homes of their respective parents.

119. Besides meeting the housing needs of our young people today, we have to plan for our next generation. I often think, if a kindergartener asks me, “Where will I live when I grow up?”, what answer should I give? “Nowhere” is definitely not an acceptable answer. We must set targets, make plans and devise strategies to address the problem. Our target is to ensure that Hong Kong people are adequately housed and will have better accommodation. We must plan not only for the next few years but also for the next 30 years. The strategy is to keep developing new land.

120. It is a difficult challenge for the Government and the community to find adequate land to meet our housing supply target for the next decade. This will involve making choices and accepting trade-offs. In the past year, the Government continued to step up its efforts to boost land supply in the short, medium and long terms. The Government has identified about 80 additional Green Belt sites and Government, Institution or Community (GIC) sites in various districts with a total area of over 150 hectares with the potential to be rezoned for residential use. These sites in various districts can be made available in the next five years to provide about 89 000 units to help meet the

demand for housing land over the next decade. Including sites identified earlier on, there are about 150 sites that have to be rezoned for residential use and will be made available over the next five years to provide about 210 000 additional public and private units. To rezone these sites for housing purposes, increase development intensity and achieve the proposed target for residential flat production, we have to take into account practical planning factors such as traffic and infrastructural capacities, community facilities, technical constraints, local characteristics, existing development intensity, as well as possible impact of the proposed developments on the local environment, landscape and air ventilation. Some sites may require land resumption, clearance or relocation of existing or planned facilities. The Government will give due regard to these factors to minimise the impact on local areas. What is more important, though, is for everyone to work together, and support our measures to rezone these sites for housing purposes and increase their development intensity. With the community's full support, we will be able to provide sufficient land to achieve our housing target. The Government will strive to expedite all necessary procedures.

Land Supply in the Short to Medium Term

Streamlining Procedures and Enhancing the Mechanism

121. The Lands Department (LandsD) continues to rationalise land administration processes, which include consolidating the practice notes on granting approval under lease. The Government will also introduce a Pilot Scheme for Arbitration on Land Premium to facilitate early agreement on land premium payable by way of arbitration. In addition, the Development Bureau (DEVB) will set up a dedicated cross-disciplinary team to assist the Steering Committee on Land Supply chaired by the Financial Secretary in monitoring land supply and promoting land development.

Increasing Development Intensity as Appropriate and Reducing Development Restrictions in Some Areas

122. Except for the north of Hong Kong Island and Kowloon Peninsula, which are more densely populated, the Government considers it feasible to generally increase the maximum domestic plot ratio currently permitted for the other “density zones” in the territory by around 20% as appropriate. The Government has completed the preliminary technical assessments of the Kai Tak New Development Area and Tuen Mun East, and proposes to increase as appropriate the plot ratios of the new housing sites and the number of flats to be built on them. In implementing these measures, we will also duly consider factors such as traffic and infrastructural capacities, local characteristics, existing development intensity and the various possible impacts of the proposed development on the areas concerned.

123. As the MTR’s West Island Line and South Island Line (East) are due to be completed in the near future, and as the Government is actively considering taking forward the South Island Line (West) project, we have decided to first lift the development moratorium at the south of Pok Fu Lam, i.e. the area close to Wah Fu Estate. This area will be used for public housing development and the future redevelopment of Wah Fu Estate, providing about 11 900 additional PRH and Home Ownership Scheme (HOS) units.

Land Use Review

124. In last year’s Policy Address, I proposed to continue reviewing various land uses and rezoning sites as appropriate and, where the original intended use is no longer required, converting the land for housing development or other uses that meet the more pressing needs of the community as soon as possible. Key work progress is provided below.

125. Last year, we proposed to rezone 36 sites for residential use, including GIC sites and other Government sites with a total area of around 27 hectares. Of these, 18 have been rezoned for residential use or are undergoing the statutory rezoning process.

Over the past year, the Planning Department (PlanD) has identified another 21 GIC sites with a total area of around 34 hectares suitable for rezoning for residential use. Of these, 11 have completed or are undergoing the statutory rezoning process. We are taking steps to rezone for residential use sites in Green Belt areas which are devegetated, deserted or formed, as well as suitable industrial sites. The PlanD has commenced a new round of industrial land review, which is expected to be completed in 2014.

Developing the North East New Territories and Hung Shui Kiu

126. The North East New Territories New Development Areas (NDAs) project is essential to Hong Kong's medium and long-term land supply and will become the major source of housing supply from 2022 onwards. The Government has made every effort to increase the development intensity and proportion of subsidised housing in these NDAs. They will provide about 60 000 units in total, of which 60% will be PRH and HOS units.

127. The Government has already formulated the Preliminary Outline Development Plan for the Hung Shui Kiu NDA, which is another important undertaking for the medium and long-term supply of land for development. This NDA can accommodate a new population of 175 000. It can also provide about 100 000 job opportunities.

Extension of the Tung Chung New Town

128. The DEVB conducted Stage 2 Public Engagement of the Tung Chung New Town Extension last year, proposing the extension of the new town to the east and the west. The extension will provide space to construct about 53 000 residential units and a commercial hub.

Review of Deserted Agricultural Land in North District and Yuen Long

129. North District and Yuen Long have some 257 hectares of agricultural land mainly used for industrial purposes or temporary storage, or which is deserted. The Government has identified four sites for planning and engineering studies. According to a preliminary assessment, some sites will be available for housing development as early as 2020.

Sites for Industrial and Commercial Developments

Kowloon East

130. The Energizing Kowloon East initiative will facilitate the development of Kowloon East into a new Central Business District (CBD) to support Hong Kong's long-term economic development. We will capitalise on the transformation of Kowloon East and identify sites to support the development of arts, culture and creative industries, with a view to turning Kowloon East into a distinctive business area. For example, we will convert the sites underneath the Kwun Tong Bypass for arts and cultural events and use by creative industries.

131. We are pursuing the relocation of the existing government facilities in the two action areas of Kowloon East. In the course of planning, apart from building offices, the Government will explore opportunities to provide space for the arts and cultural community and creative industries.

Kai Tak Development

132. To tie in with the transformation of Kowloon East, the Government has reviewed the planning for the Kai Tak Development and is now carrying out technical studies. It is anticipated that an additional floor area of about 430 000 square metres for office accommodation and about 6 800 new residential units can be provided.

Central and Wan Chai

133. The Government will continue to increase land supply for commercial and business uses in the existing CBD in Central and Wan Chai through land sales. We will speed up the process of converting suitable GIC sites in the CBD, including the Murray Road Carpark in Central and the Rumsey Street Carpark in Sheung Wan, to commercial uses where practicable. We will launch the development of Central Harbourfront Site 3 as soon as possible to increase the floor area of office and retail space.

Revitalising Industrial Buildings

134. We will continue to implement the policy of revitalising industrial buildings to meet Hong Kong's changing economic and social needs. To this end, we have further introduced a range of enhanced measures. The PlanD is conducting a new round of Area Assessments of Industrial Land in the territory, which focuses on the industrial and commercial sectors' demand for land and space, and will rezone for residential use the industrial land near residential areas where industrial activities have greatly reduced.

Long-term Land Supply

135. There are vast tracts of undeveloped land in the New Territories North. Except for some with high ecological significance, many others have development potential. The Government will commence the Preliminary Feasibility Study on Developing the New Territories North early this year to integrate land use planning with infrastructural development to facilitate optimal land use planning for housing, social and economic developments.

136. The Government is also actively taking forward further studies on reclamation and developing cavern and underground space. Stage 2 of the public engagement exercise on reclamation outside Victoria Harbour has been completed. We are now carrying out a cumulative environmental impact assessment of the northern Lantau waters and will initiate studies on various

reclamation sites, including strategic studies on artificial islands in central waters for the development of the East Lantau Metropolis, and a planning and engineering study on the reclamation in Sunny Bay. Preliminary feasibility studies on other near-shore reclamation sites will also commence in succession.

137. The feasibility study on relocating the Sha Tin Sewage Treatment Works to rock caverns is largely completed, and we are planning to carry out the investigation and design works. We are also preparing the feasibility studies on relocating the Sai Kung Sewage Treatment Works, Sham Tseng Sewage Treatment Works and Diamond Hill Fresh Water and Salt Water Service Reservoirs to rock caverns. Under the four relocation plans, a total of about 34 hectares of land will be released for development.

138. The Government has commenced a study to identify districts with potential for developing urban underground space, with a view to increasing usable space and enhancing connectivity in the urban areas. Meanwhile, we are preparing a pilot study covering four selected strategic districts, namely Tsim Sha Tsui West, Causeway Bay, Happy Valley and Admiralty/Wan Chai.

Housing

139. Over the past year, the community has come to realise that a housing supply shortage is the major cause of the upsurge in property and rental prices. The public has also reached a consensus gradually on the measures proposed by the Government to increase land supply. The Government has adopted a two-pronged approach to increasing the supply, while at the same time curbing external, investment and speculative demands. These measures have started to deliver results.

140. The private sector has only produced an average of about 9 680 flats each year over the past five years. Based on the preliminary assessment of private residential developments known to have or to be started on disposed sites, it is projected

that the private sector will, on average, produce about 13 600 flats each year in the next five years, an increase of about 40%.

Long Term Housing Strategy

141. Following the completion of the consultation exercise on the Long Term Housing Strategy, the community has reached a clear consensus on the following key points: (i) the community endorses the recommendation that the Government should adopt a supply-led strategy, continue to increase housing supply and enhance the role of public housing; (ii) the public expects the Government to seriously tackle the problem of subdivided units; and, (iii) our younger generation should be given more opportunities to purchase their own homes.

142. The Government accepts the recommendation of the Long Term Housing Strategy Steering Committee to increase housing supply. The new target is to provide a total of 470 000 units in the coming ten years, with public housing accounting for 60%. To achieve this target, we have to ensure that there will be adequate supply of land, funding for the Housing Authority and manpower resources in the construction sector. This will be a tall order for both the Government and the community.

143. Our long-term housing strategy is to: (i) gradually resolve the shortage problem by increasing overall housing supply; (ii) increase PRH production to meet the needs of the grassroots; (iii) increase the supply of HOS and other subsidised sale flats to provide more home ownership opportunities to the low and middle-income groups and young people; and, (iv) rebuild the housing ladder by enabling PRH tenants who can afford it to buy HOS flats, thus freeing up units for reallocation to grassroots in need.

144. The Government has identified sufficient land for 179 000 PRH units and 17 000 HOS units as pledged. With the unreserved efforts of the government departments concerned, we are making good progress in this respect. To meet the new housing supply target, the Government aims to provide an average of about 20 000 PRH units and about 8 000 HOS units per

year. This would mean that the supply of public housing in the coming ten years will increase by 36% compared to what was pledged by the Government last year. The Government will also provide land for private housing according to the new target.

Railway Property Development

145. Railway property development remains a major source of housing supply. Planning studies have been conducted for the residential development above Kam Tin South West Rail Kam Sheung Road Station and Pat Heung Maintenance Depot, which can provide about 8 700 flats. Moreover, a land use review for the adjoining areas of about 110 hectares will soon be completed. The proposed Kwu Tung Station on the Lok Ma Chau Spur Line will be the centre of development of Kwu Tung North NDA. As for Hung Shui Kiu NDA, we will capitalise on the land development near the existing West Rail Tin Shui Wai Station and the proposed Hung Shui Kiu Station.

Urban Renewal and Building Safety

Urban Renewal

146. Last year, the Government invited the Urban Renewal Authority (URA) to forge ahead with its “demand-led” redevelopment pilot scheme, which has received an overwhelming response from property owners. In two and a half years, the URA has commenced eight projects, including one terminated for having failed to meet the threshold requirement of securing the consent of 80% of the owners. Sites covered by the applications under the scheme are becoming larger, while the factors to be considered are also increasingly complex. It is necessary for the URA to review the scheme comprehensively and to continue to operate it with due care under the principle of upholding a self-financing objective in the long run, so as to ensure its sustainability.

Building Safety

147. The Government is very concerned about the safety issues relating to subdivided units used for domestic purposes. The Buildings Department (BD) will strengthen its efforts to eradicate subdivided units in industrial buildings. It will adopt a risk-oriented approach by stepping up its inspection and enforcement actions in industrial buildings more likely to have subdivided units. The BD will step up prosecution action against owners who fail to comply with relevant orders. The LandsD will also step up its lease enforcement action against non-compliant owners.

148. We must also face squarely the problems of subdivided units in residential and composite buildings. Relevant departments will enhance law enforcement action to eradicate and tackle subdivided units that have breached fire safety and building laws. As for the proposal to regulate subdivided units in residential buildings by licensing, we have to weigh the pros and cons and study its feasibility carefully.

Development of the Construction Industry

149. The Government is conducting a comprehensive review of public works policies. The review aims to promote the healthy development of the industry and raise its productivity, which includes improving design and construction methodologies, utilising more advanced technology, enhancing the list system for public works contractors, promoting innovation and creativity, and putting in more efforts to tackle the problem of manpower shortage to meet the needs of various major infrastructure projects.

Transport

150. The Government will continue to develop a transportation system centred on public transport with railway as the backbone, in order to alleviate road congestion and roadside emissions. Given that five new railway lines will be

completed in succession in the next six years, the Government will make further efforts to optimise the public transport system and pursue bus route rationalisation.

151. The report of the consultancy study on the Railway Development Strategy will be completed shortly. In light of the report's findings, the Government will announce as soon as possible a new railway development blueprint setting out new railway projects to be implemented after 2020. The Government will also actively consider constructing the South Island Line (West) to cope with local traffic demand and support public housing developments in Pok Fu Lam.

152. In addition, the Government will promote the use of electric vehicles. Funding was provided for franchised bus companies to purchase 36 single-deck electric buses for performance testing. The first batch of electric buses is expected to arrive by the end of this year. The Government will also launch a trial scheme that enables suppliers of electric taxis to install quick chargers at car parks administered by the Transport Department to encourage the industry to expand the electric vehicle fleet. A total of 100 medium chargers will be provided in various districts to shorten charging time. The Government will continue to purchase more electric vehicles. I and the Principal Officials will take the lead in using them on a trial basis.

153. The Government has conducted the second stage public consultation on the provision of an Elevated Rail-based Environmentally Friendly Linkage System to enhance linkages within Kowloon East. A detailed feasibility study will be carried out this year. We have started to improve the pedestrian environment of the Kowloon Bay Business Area and will proceed with a feasibility study on improving the pedestrian environment of the Kwun Tong Business Area.

154. The Government will foster a "bicycle-friendly" environment in new towns and new development areas. In this regard, a pilot scheme has been launched in Tai Po to improve cycle tracks and parking spaces for bicycles. A 60-kilometre cycling track between Ma On Shan and Tuen Mun is being

constructed in phases. The section between Ma On Shan and Sheung Shui will be completed in the first quarter of this year. Construction of other sections will commence progressively.

155. The Government has made continuous efforts to improve pedestrian facilities, including the provision of barrier-free access. As for existing public pedestrian links, apart from installing barrier-free access facilities at about 160 locations across the territory, we are also conducting technical feasibility studies on the three priority projects identified by each District Council for the early installation of elevators. Meanwhile, we are taking forward 12 projects to provide escalator links and elevator systems to improve accessibility of steep slopes. Among these projects, the pedestrian links at Tsz Wan Shan and Yuet Wah Street, Kwun Tong are scheduled for completion within two to three years.

VI. Environmental Protection and Conservation

156. Environmental protection is one of the priorities of the current-term Government. In my first year of office, the Government drew up a more comprehensive and long-term blueprint to improve Hong Kong's environment and launched a series of major environmental protection initiatives.

Air Quality

157. The Environment Bureau (ENB) announced A Clean Air Plan for Hong Kong last March, with the goal of broadly achieving the new Air Quality Objectives (AQOs) by 2020. The new AQOs took effect this month.

158. The Government has reached a consensus with the industry to phase out some 82 000 old Euro III or earlier diesel commercial vehicles and the relevant legislation has been passed by this Council. Subject to this Council's approval for a provision of about \$11.4 billion to meet expenditure on *ex gratia* payments, we will kick-start the scheme in March this year. Moreover, newly registered diesel commercial vehicles will be subject to a service life limit of 15 years with effect from February 2014.

159. The sulphur content of local marine diesel will be reduced from 0.5% to 0.05%. The relevant legislation will soon be introduced into this Council. To reduce sulphur dioxide and particulate emissions, the ENB will introduce a bill into this Council within this year to require ocean-going vessels at berth in Hong Kong to switch to low-sulphur diesel. We will seek to implement the new requirement next year.

Waste Management

160. The Government needs to bring fundamental changes to the principles of waste management and take actions accordingly in the current term. Last year, the Government published the Blueprint for Sustainable Use of Resources, which sets out our

strategy for waste management for the coming ten years. The blueprint sets a target of reducing waste by 40% in a decade and puts forward the related policies and action plans.

161. We have completed the public consultation on a Producer Responsibility Scheme on Glass Beverage Bottles and introduced into this Council the proposed legislative amendments to extend the scope of the Environmental Levy Scheme on Plastic Shopping Bags. Also, the image of “Big Waster” in the Food Wise Hong Kong Campaign is gradually taking root in people’s minds and changing attitudes towards food wastage.

162. It is our policy to introduce quantity-based charging for municipal solid waste. Based on the principle of “pay-as-you-throw”, the initiative will provide an incentive to reduce and recover domestic, commercial and industrial waste. The Council for Sustainable Development has conducted a public engagement exercise for over three months to explore how quantity-based charging can be implemented. It will collate the views received as soon as possible and put forward specific proposals for the Government to devise a quantity-based municipal solid waste charging mechanism suitable for Hong Kong.

Recycling Industry

163. The newly established Steering Committee to Promote the Sustainable Development of the Recycling Industry will listen to views on the operation of the industry and the support to be given by the Government. To promote the sustainable development of the industry, the Government has earmarked \$1 billion to launch a Recycling Fund and will formulate details on use of the Fund.

Organic Waste and Food Waste

164. Some 40% of Hong Kong’s municipal solid waste is organic waste. While the bulk of it is food waste, it also includes yard waste. We will draw up comprehensive strategies and plans to reduce, recover and treat organic waste, including the

provision in stages of modern facilities to convert organic waste into energy and other useful resources.

Community Green Station Network

165. Early last year, the ENB announced the development of five pilot community green stations. These stations will be operated by non-profit-making organisations to enhance environmental education and help collect different types of recyclables in the local community, with a view to promoting green living at the community level. To implement the “reduction first” waste management strategy, the Government plans to develop one green station in each of the 18 districts and provide funding for their operation. The capital works will cost about \$400 million. Planning is already underway and the first community green station is expected to be completed by mid-2014.

Restored Landfill Revitalisation Funding Scheme

166. As restored landfills are not suitable for large-scale construction or industrial use, some have been developed into community or recreational facilities. There remains about 18 hectares of restored sites available for similar use. To expedite development and make better use of these sites, the Government has earmarked \$1 billion to launch a Restored Landfill Revitalisation Funding Scheme. Non-profit-making organisations, national sports associations and other groups can apply for funding under the scheme to develop recreational, environmental or other community facilities on these sites.

Waste Treatment Facilities

167. The Government will ensure that waste treatment facilities meet high environmental and operational standards. The Government will strengthen communication with local communities regarding the facilities including their management, delivery arrangements, environmental monitoring and hygiene to minimise the impacts on residents.

Alleviating the Pressure on Landfills

168. The Government will continue to encourage public participation in waste reduction at source as well as waste separation and recovery. We will review and rationalise the location of recycling bins in public places and the mode of collecting recyclables. We will also launch a mobile phone application to provide information about waste reduction and the location of recycling facilities.

Water Quality of Victoria Harbour

169. On completion of the main works of the Harbour Area Treatment Scheme Stage 2A by the end of this year, the water quality of Victoria Harbour proper will further improve. To enhance the quality of the coastal waters of Victoria Harbour, the Environmental Protection Department will commission a consultancy study with the long-term objective of enhancing the leisure and amenity value of the coastal areas of Victoria Harbour.

Green Building

170. The Steering Committee on the Promotion of Green Building was set up last year. Apart from reviewing the relevant work of government departments, the Committee also gauges the views of the industry and studies overseas experience. It will formulate strategies to further promote green buildings and make recommendations on relevant measures.

Historic Buildings and Nature Conservation

171. In the past year, the Government reviewed the conservation policy of historic buildings with the assistance of the Antiquities Advisory Board (AAB). The subjects reviewed include the extent and means of using public resources, and the formulation of a more detailed mechanism and more specific criteria. It also studied whether there was a need to enhance the

conservation of private historic buildings in the context of town planning. The AAB will soon submit its report to the Government.

172. The Government is implementing a number of measures to strengthen the conservation of ecologically important sites in private ownership through the Management Agreement Scheme and the Public-Private Partnership Pilot Scheme, and to conserve sites with high ecological significance through statutory procedures.

VII. Healthcare

173. The Government will continue to enhance the quality of public healthcare services, including construction of new hospitals and expansion and redevelopment of existing hospitals. Strategic studies on the planned acute general hospital in the Kai Tak Development are underway.

174. Last year, the Government allocated a one-off lump sum grant of \$13 billion to the Hospital Authority (HA) for minor works projects over the next 10 years to improve existing facilities in public hospitals and clinics.

175. Due to an ageing population and lifestyle changes, the incidence rate of colorectal cancer has continued to increase. It became the most common cancer in Hong Kong in 2011. Therefore, the Government will subsidise colorectal cancer screening for higher risk groups. The Department of Health is conducting a study with the HA and will start the preparatory work of a pilot programme this year.

176. The Review Committee on Mental Health is reviewing Hong Kong's mental health policy to help the Government map out the future policy direction. This year, the Government will earmark additional resources to provide new generation drugs for more patients in need, strengthen manpower to enhance in-patient and out-patient services and expand the Case Management Programme for patients with severe mental illness to cover all 18 districts in Hong Kong.

177. Our growing and ageing population has led to a rising demand for healthcare services. The Steering Committee on Strategic Review on Healthcare Manpower Planning and Professional Development is conducting a comprehensive review of the manpower demand in various healthcare professions. It will recommend how to cope with the manpower demand and facilitate professional development. The Government and the Medical Council of Hong Kong have taken measures to refine the arrangements for the licensing examination for medical practitioners, including increasing the examination sittings to

twice a year and considering more flexibility in internship arrangements, in order to encourage qualified overseas doctors to practise in Hong Kong. The HA will continue to recruit overseas doctors by way of Limited Registration and provide nurse training programmes.

178. The Chinese Medicine Development Committee was established last year. The Chinese medicine sector generally agrees that Hong Kong needs and stands ready to develop a Chinese medicine hospital to provide Chinese medicine in-patient services. This will also help enhance the professional training and standards of Chinese medicine practitioners in Hong Kong. The Government has decided to reserve a site in Tseung Kwan O, originally earmarked for private hospital development, to set up a Chinese medicine hospital.

179. Regarding the voluntary Health Protection Scheme, the Food and Health Bureau is formulating recommendations in light of the consultant's advice, overseas experience and local situation. The Government will consult the public later this year on specific implementation proposals, including exploring the provision of tax breaks to encourage people to purchase health insurance.

VIII. Culture, Leisure and Municipal Services

Culture and Sport

180. Cultural and sports activities are part of a quality lifestyle. The Government will continue to improve and enhance relevant facilities to provide more favourable conditions for the development of culture, arts and sport in Hong Kong.

181. From 2015-16, a range of cultural and arts facilities in the West Kowloon Cultural District (WKCD) will be made available in stages. Work on the Xiqu Centre has commenced, and the construction of a park, the Arts Pavilion and M+ will start within this year. To support WKCD development, the Government will seek funding to construct an integrated basement in the WKCD. The WKCD Authority will strictly control costs, taking function as the primary consideration. To dovetail with the development of the WKCD, the Government will continue to develop arts programmes, build the audience base, promote arts education and nurture talent.

182. To enhance the promotion of local art and bring in more international exhibitions, the Hong Kong Museum of Art will undergo major renovation and expansion to improve facilities and services for visitors. A new gallery will also be built to display the works of local artists.

183. Committed to providing more cultural and arts facilities and venues, the Government plans to build a cross-district community cultural centre in Ngau Tau Kok, which will comprise an auditorium with about 1 200 seats and a theatre with about 550 seats. It will become a major cultural facility in Kowloon East upon completion.

184. Our strategy for sports development is to promote sport in the community, support elite sport and maintain Hong Kong as a centre for major international sports events. The Government will seek funding for the construction of additional

indoor sports centres in Sha Tin and Tuen Mun to meet the needs of local residents, schools and sports associations.

185. The Multi-purpose Sports Complex at Kai Tak is a major sports project. The Government will continue to accord priority to its planning and maintain close liaison with stakeholders, with a view to commencing advance works for the project in 2015.

Municipal Services

186. Facilities in some public markets are less than satisfactory. The Government is conducting a study on improvements to the operating environment of public markets, including their functions and positioning, factors affecting their competitiveness, public expectations and ways to retain hawker trades with traditional characteristics. The consultant is expected to submit preliminary study findings in mid-2014.

IX. Constitution and Administration

Constitutional Development

187. The Government is committed to advancing constitutional development and achieving the objective of selecting the Chief Executive by way of universal suffrage in 2017 in strict compliance with the Basic Law and the Interpretation and Decisions of the Standing Committee of the National People's Congress, and after extensive public consultation. A public consultation on the methods for selecting the Chief Executive in 2017 and for forming the Legislative Council in 2016 was officially launched last month. The Government will collate the views received and commence the "Five-step Process" of constitutional development.

District Administration

188. At the Summit on District Administration held some two months ago, I proposed to strengthen the role of District Officers (DOs) to enable them to co-ordinate the work of different departments at the district level with District Councils (DCs), and respond actively to public aspirations having regard to the district situation. I have decided to introduce a pilot scheme in Sham Shui Po and Yuen Long, providing the District Management Committees chaired by DOs with the decision-making power to tackle the management and environmental hygiene problems of some public areas. The DCs will advise on the work priorities. The Government will provide additional manpower and resources to implement the pilot scheme, which will help consolidate our experience and shed light on effective ways to progressively take forward the concept of "addressing district issues at the local level and capitalising on local opportunities" on a larger scale.

189. From this year, the Government has increased the expense reimbursements for DC members, including an increase of 34% in real terms in the Operating Expenses Reimbursement.

Moreover, we will review and announce the honorarium arrangement for DC members within this year.

Upholding the Core Values

190. The rule of law is vital for safeguarding our rights and freedoms. It is also the cornerstone for maintaining Hong Kong's status as an international financial and commercial centre. The Government will continue to comply fully with the requirements of the Basic Law, take necessary measures to further promote the Basic Law, progressively strengthen our legal system and enhance our legal infrastructure. We will also uphold justice and core values such as human rights, clean governance, freedom and democracy.

The Civil Service

191. To maintain quality and efficient administration, the Government must rely on a professional, clean and dedicated civil service. I wish to extend my gratitude to our civil servants for their commitment to serving the community with tenacity and passion. I will continue to maintain close and candid communication with them, listen to their views and enhance our mutual understanding and mutual trust. The Government will provide more training opportunities for civil servants. We will encourage and provide subsidies for them to attend training courses and exchange programmes to deepen their understanding of national development. In the coming year, the Government will proceed with the planning for a new Families Clinic and enhance specialised dental services for civil servants. We will also expedite eight departmental quarters projects for disciplined services, aiming at providing more than 2 200 flats by 2020.

X. Conclusion

192. Mr President, Honourable Members and fellow citizens, steady economic development throughout the first one and a half years of the current-term Government has landed us in a relatively strong fiscal position. I have stated candidly in public many times that even with such financial strength, I do not consider it appropriate to hand out cash to everyone. Instead, money should be spent on helping those in need, improving the quality of life for all, enhancing our competitiveness as a whole, nurturing the next generation and making long-term investments.

193. The implementation of the policies and initiatives announced in this Policy Address will incur a substantial amount of additional recurrent expenditure. It demonstrates the determination of the current-term Government to tackle the root of the entrenched problems in our society. In particular, it shows our commitment to alleviating poverty, caring for the elderly, supporting the disadvantaged, nurturing the youth and enhancing the quality of public healthcare services.

194. Hong Kong has adequate fiscal reserves and assets, and has often recorded fiscal surpluses in recent years. However, tackling the root of persistent problems will lead to a continuous increase in expenditure. The Government has the responsibility to keep expenditure within the limits of revenue. It requires us not only to control expenses, but also to increase revenue. We should uphold the principle of fiscal prudence, and more importantly, foster economic development.

195. The policies and measures set out in this Policy Address reflect both our determination and confidence in promoting economic growth. I firmly believe that it is imperative to pursue people's livelihood and develop the economy in tandem. The determination of the current-term Government is premised on its understanding of the needs to increase expenditure as well as the importance of economic development. Close to the rapidly growing PRD region, Hong Kong has a sound legal system, a

well-developed market management system, a business-friendly environment, and an extensive pool of international expertise. We also have the staunch support of our country. They provide the foundation on which we built our confidence. Our attitude determines our future. If the people of Hong Kong adopt a positive attitude and strive to achieve more, and if everyone is willing to walk an extra mile and do more, we will have the economic strength to support the needy and let the youth flourish. We will be able to unleash Hong Kong's potential and enable our seven million people to live a better life.

196. Mr President, Honourable Members and fellow citizens, in addition to the progress and new policy initiatives that I have just outlined, the Policy Agenda published today provides details of over 160 new initiatives and more than 430 ongoing initiatives in eight policy areas. In line with our strategies to promote economic development and improve people's livelihood, these initiatives embody the principle of my Manifesto that the Government must be appropriately proactive and seek change while maintaining overall stability.

197. The work of my Government is beginning to bear fruit. I must thank Principal Officials and civil servants for their unflagging efforts, and members of various advisory bodies for their active involvement. I am also grateful for the support of the Central Government, collaboration of the Legislative Council and the trust of the people of Hong Kong.

198. Thank you.