

Mr President, Honourable Members and fellow citizens,

I. Introduction

1. Since taking office, the current-term Government has focused its efforts on promoting democracy and boosting the economy. We have also risen to the challenge and strived to pragmatically address livelihood issues such as housing, elderly care, poverty, support for the disadvantaged and environmental protection.

2. Despite the weak external environment, Hong Kong has achieved moderate economic growth and the Government has recorded satisfactory revenue in the past three years. In 2014-15, profits tax and salaries tax both reached new highs. Hence, the Government was able to implement initiatives to improve people's living quality. In particular, we have devoted considerable effort and substantial resources to poverty alleviation, elderly care and support for the disadvantaged, which has enabled the underprivileged to live with dignity and helped foster harmony in the community.

3. Efforts to develop and increase land supply have begun to deliver results. Property and rental prices have started to fall, and we can see the first glimmer of hope for solving the housing problem. Hong Kong's living environment, in particular air quality and water quality in the harbour is improving gradually. They demonstrate the resolve and perseverance of the Government of the Hong Kong Special Administrative Region (HKSAR) in addressing livelihood issues and show effectiveness of our policies.

4. This year marks the start of the National 13th Five-Year Plan and the implementation of the Belt and Road Initiative, as well as the launch of various innovation and technology initiatives. It will be a year of significant opportunities for Hong Kong's future. Taking forward plans in hand, all HKSAR Government departments will be heavily engaged in their work.

The Government is determined to join different sectors to seize these rare opportunities that will provide fresh impetus to our long-term economic and social development.

5. The global economy still faces immense challenges. To overcome the obstacles ahead, our society has a greater need for harmony and solidarity. Together we will strive for a better life for Hong Kong people. We will give our young people more career choices and better opportunities for upward mobility. Joining hands, we will be able to chalk up even greater achievements for Hong Kong.

II. Economy

6. Last year, we saw the worst performance of the global economy since 2009 and the consequential slackening of our external trade. That said, our economy registered moderate growth and we have an extremely low unemployment rate. Uncertainties in the external environment will continue to impact on Hong Kong this year. We must strive for excellence through unceasing efforts to enhance our competitiveness and improve the business environment. We must promote the restructuring and upgrading of traditional industries, strengthen emerging industries, and widen and deepen our external economic and trade relations.

7. By leveraging the combined advantages of “one country” and “two systems”, industries in Hong Kong, regardless of scale, can perform their role as a “super-connector” to attract foreign technologies and investment. They can also serve as a platform or partner for Mainland enterprises to “go global”.

Financial Services

8. Hong Kong is already a major international financial centre, and still has immense potential for further development. The financial sector, an important economic pillar, provides the highest contribution to our Gross Domestic Product (GDP) per capita among all major industries. In 2013, the financial services industry provided around 230 000 jobs, and accounted for over 16% of GDP. The Government will continue to seize the opportunities flowing from the reform and opening up of our country and foster the diversification of our financial services industry.

9. The Shanghai-Hong Kong Stock Connect and mutual recognition of funds will not only help reinforce our status as an international financial centre and a global hub for offshore Renminbi (RMB) business, it will also provide a wider choice of RMB investment products in Hong Kong. The Government will continue to broaden the legal infrastructure and create a

favourable tax environment to consolidate Hong Kong's status as a premier asset management hub in the Asia-Pacific region.

10. The banking sector launched the e-Cheque service at the end of last year. The Government is working with the financial sector, scientific research institutions and regulatory authorities to develop Hong Kong into a financial technology hub by providing policies and an environment conducive to the development of the industry.

11. Since its establishment in 2013, the Financial Services Development Council (FSDC) has made specific recommendations to the Government to enhance the development of our financial services industry. The Government values the FSDC's recommendations and will endeavour to implement those that are feasible. The FSDC will conduct policy research with different sectors of the industry, and step up publicity and promotion activities in the Mainland and overseas. The Government will continue to provide more resources to support FSDC's operation. To this end, \$100 million has been earmarked to implement a three-year pilot scheme for enhancing manpower training for the insurance sector and asset and wealth management sector.

Transportation Services and Logistics Industry

12. Maritime services and the logistics industry accounted for 3.3% of GDP in 2013 and around 190 000 jobs.

13. To further strengthen Hong Kong's edge as a major regional aviation hub, the Airport Authority will establish a civil aviation academy to nurture local and regional aviation management talent. The Government is formulating measures to develop Hong Kong into a centre for aerospace financing.

14. A high-level advisory committee has been formed under the Transport and Housing Bureau to help monitor the implementation of the three-runway system project at the Hong Kong International Airport by the Airport Authority.

15. On maritime services, the Government has decided to merge the existing Maritime Industry Council and the Port Development Council to form a new Hong Kong Maritime and Port Board. The Board, to be chaired by the Secretary for Transport and Housing, will promote manpower development, marketing and research on all fronts to develop a high value-added maritime services sector. It will also assist the Government to formulate strategies and policies to enhance Hong Kong's status as an international transportation centre and, in particular, to spur further growth of the maritime services cluster.

16. To raise the quality of local and regional rail services, the MTR Corporation Limited (MTRCL) will set up an academy to train personnel in rail management and operation. The Government welcomes the plan as it will further the development of the local transport professional services and support the Belt and Road Initiative.

Tourism

17. Tourism is a major industry in Hong Kong. It accounted for 5% of GDP in 2013 and provided nearly 270 000 jobs. However, we should not merely focus on the growth in tourist numbers. Last year, I stressed that we should pursue a balanced, healthy and long-term development of the tourism industry, and move towards diversified and high value-added services. While promoting tourism, the receiving capacity of various districts should also be considered. In light of the above, the "one trip per week" Individual Visit Endorsements for residents of Shenzhen was implemented last year.

18. Last year, the Hong Kong Tourism Board (HKTb) was asked to step up its overseas publicity efforts, especially in Southeast Asia. To this end, \$80 million was allocated to the HKTb. A matching fund of \$10 million has also been set up to support the overseas promotion efforts of our tourist attractions.

19. These measures have begun to deliver results. The overall number of tourists is largely stable. Total visitor arrivals in 2015 fell slightly by 2.5% over 2014. While there was a drop in inbound visitors from the Mainland, the visitors from other places, including Southeast Asia and long-haul destinations, showed signs of a pick-up with a year-on-year increase of about 5% in the fourth quarter last year.

20. To move our tourism industry up the value chain, the Government will highlight the unique and diversified experiences Hong Kong offers and showcase our gourmet culture. It will also promote cultural and creative tourism, organise mega events, and draw more conventions and exhibitions to Hong Kong. In addition to taking forward planning studies on the Tourism Node at Kai Tak and Lantau, the Government is discussing the further development of the Hong Kong Disneyland Resort, including the Phase 2 expansion.

Professional Services

21. Professional services accounted for 4.8% of GDP in 2013 and provided around 200 000 jobs. Of these services, dispute resolution services have room for development and will enhance Hong Kong's competitiveness and image as a global financial, trade and business centre.

22. Good progress has been made in developing Hong Kong as an international legal and dispute resolution services centre in the Asia-Pacific region. Apart from local organisations, related institutions at both international and regional levels, including the International Court of Arbitration of the International Chamber of Commerce, the China International Economic and Trade Arbitration Commission, the Hague Conference on Private International Law and the China Maritime Arbitration Commission, have set up offices or arbitration centres in Hong Kong. In addition, in relation to the conduct of dispute settlement proceedings in the HKSAR by the Hague-based Permanent Court of Arbitration (PCA), the Central Government signed the Host Country Agreement and the HKSAR

Government signed the related Memorandum of Administrative Arrangements with the PCA respectively last year. The Department of Justice (DoJ) will continue to take forward the related work.

Creative Industries

23. Cultural and creative industries employed some 210 000 people in 2013 and accounted for about 5.1% of GDP. Development of these industries will help further diversify our economy. The Government will inject an additional \$400 million into the CreateSmart Initiative to develop creative industries and, in particular, nurture start-ups and talent.

24. The Government plans to increase the admission quotas of the Design Incubation Programme. From this year, pilot measures will be rolled out over three years to boost promotion of local fashion design and brands, provide technical training and support for the trade and launch the Fashion Incubation Programme.

25. The Government continues to foster the development of the film industry, including encouraging more local film production, nurturing new talent, building up audiences and promoting the Hong Kong film brand. We will also work to attract overseas production crews to use Hong Kong as a base for location filming, production and post-production activities. The Government is actively considering the option of requiring developers to include cinemas in their development projects as appropriate in the terms and conditions of the land lease.

Intellectual Property Industry

26. The total value of exports and imports of services related to the use of intellectual property (IP) has increased significantly in recent years and reached \$20.2 billion in 2013. The Government will continue to strengthen Hong Kong's status as an IP trading hub.

27. With increasing IP transactions, there is growing demand for dispute resolution services. The DoJ will help strengthen Hong Kong's status as an international IP arbitration and mediation centre and consider amendments to relevant legislation.

Agriculture and Fisheries

28. The value of agriculture goes beyond its economic contribution. Developing local agriculture not only increases choices in terms of origin of food, it also helps optimise land use, improve the environment and hygiene in rural areas, and conserve the natural ecology. The Government has decided to implement the New Agriculture Policy. Major measures include establishing an Agricultural Park, exploring the feasibility of designating agricultural priority areas, setting up a \$500 million Sustainable Agricultural Development Fund, providing better support and assistance to help farmers move up the value chain, in areas such as product marketing and brand building, and developing leisure and educational activities related to agriculture.

29. So far, the Sustainable Fisheries Development Fund has granted subsidies totalling \$28 million. The Government will continue to encourage the use of the fund to provide technical support and training for those engaged in fishery operations, including the fishing and aquaculture industries.

The National 13th Five-Year Plan

30. The Government attaches great importance to the National 13th Five-Year Plan and is participating actively in preparatory work under the principle of "one country, two systems". The Steering Committee on Co-operation with the Mainland chaired by the Chief Secretary for Administration has been providing steer to and co-ordinating with relevant departments on relevant work.

31. The Proposal on Formulating the National 13th Five-Year Plan promulgated by the Central Authorities in November last year expressed clear support for Hong Kong in leveraging our unique advantages to enhance our role and functions in our country's economic development and opening up to other countries, as well as in consolidating our status as international financial, transportation and trade centres, and in participating in our country's two-way opening up and in the Belt and Road Initiative. The Proposal clearly supports Hong Kong in strengthening our status as the global offshore RMB business hub and in promoting high value-added financing services, business and commerce, logistics and professional services, etc.. At the same time, the Proposal states that the Mainland will step up efforts to further open up its markets to Hong Kong and Macao and expedite development of Guangdong-Hong Kong-Macao co-operation with particular regard to Qianhai, Nansha and Hengqin, etc., and enhance co-operation and exchanges between the Mainland and Hong Kong/Macao in the areas of social policies, livelihood issues, technology, culture, education, environmental protection, etc., as well as deepen regional co-operation in the Pan-Pearl River Delta Region.

32. In line with the policy of "what the country needs, what Hong Kong is good at", the Chief Secretary for Administration will continue to lead various departments to fully demonstrate our role as the "super-connector" for our country, actively implement related policies and grasp new opportunities in the coming five years.

Forging Closer Ties and Co-operation

33. The current-term Government strives to expand the network and enhance the functions of its offices in the Mainland, and will establish six more liaison units. The aim is to have two liaison units under every Mainland office. The Economic and Trade Office (ETO) in Wuhan will set up two liaison units this year, one in Hunan Province and another in Henan Province. The Government will set up an Immigration Division under the

Shanghai ETO and deploy dedicated staff to the Beijing Office to handle cultural matters. Bureaux and departments will continue to foster diverse exchanges and co-operation with the Mainland.

34. The paragraphs relating to the HKSAR in the Proposal on Formulating the National 13th Five-Year Plan states that regional co-operation should be strengthened and Guangdong-Hong Kong co-operation is of utmost importance in this regard. Currently, apart from the Hong Kong-Guangdong Cooperation Joint Conference co-chaired by me and the Governor of Guangdong Province, the three Guangdong Pilot Free Trade Zone regions, i.e. Qianhai, Nansha and Hengqin, also come under the auspices of the Hong Kong-Shenzhen, Hong Kong-Guangzhou and Hong Kong-Zhuhai co-operation meetings respectively. These high-level co-operation meetings work to deepen sustainable collaborated development to capture immense opportunities. The three regions each has its own unique characteristics, with Qianhai serving as the Shenzhen-Hong Kong Modern Service Industry Cooperation Zone; Nansha, with the largest physical area, focusing on promoting Guangdong-Hong Kong in-depth co-operation and establishing a technology and innovation transfer platform between the two places; and Hengqin attaching importance to development of cultural, creativity, tourism and leisure industries. Having accumulated considerable international experience in these aspects and with a rich pool of professional talents, Hong Kong will be able to enhance our co-operative partnerships with Guangdong Province and the three regions under the principle of “one country, two systems”, thus providing better and greater opportunities for Hong Kong people and enterprises.

35. On the principle of achieving mutual benefits through active participation and joint planning, the Guangdong Province intends to draw on Hong Kong’s experience in economic development and social management services when establishing the Guangdong-Hong Kong in-depth co-operation zone in Nansha. The HKSAR Government will provide advice on planning concepts and other areas to Guangdong.

36. The Government will also continue to negotiate with Macao on the establishment of a closer economic partnership arrangement.

37. On investment protection agreements, the Government will continue to negotiate with Russia, Chile and the United Arab Emirates, and will commence negotiations with Mexico this year.

III. Belt and Road Initiative

38. At the end of March 2015, our country issued a document entitled “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road”, outlining the development ideas and blueprint of the Belt and Road Initiative. The proposed “five areas of connectivity” – policy co-ordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond – will foster the concurrent development of the Belt and Road countries and strengthen co-operation on the political, economic and cultural fronts.

39. As a highly open economy with extensive and strong external connections, Hong Kong uniquely demonstrates the characteristics of “two systems” among our country’s many cities. The HKSAR Government will play an active role to facilitate the implementation of the Belt and Road Initiative.

40. Hong Kong has strong complementarity with the Belt and Road countries, and great potential to create synergy with them. Our most internationally competitive pillar industries, namely financial services, trade and logistics, high-end services and tourism, and even our emerging industries, can all complement the national strategies to “go global” and “attract foreign investment”.

41. Apart from the priority industries which belong to tertiary production, Hong Kong enterprises also own or administer many primary and secondary business operations in areas such as agriculture, forestry, fishing, mining, as well as light and heavy industries in the Mainland and overseas. With solid experience and enormous capabilities, including quality management teams, these enterprises are ready to engage in joint ventures with countries along the routes.

Platform for Capital Formation and Financing

42. Hong Kong can provide various countries with the capital required for infrastructure construction. We have a diversity of financing channels in place, including equity listing, syndicated loans, private equity funds, ordinary bonds, dim sum bonds and Islamic bonds (*sukuk*).

43. On infrastructure investment and financing, the Asian Infrastructure Investment Bank (AIIB) is an integral part of the Belt and Road Initiative. In addition to its initial capital, the AIIB will need to obtain project financing such as loan syndication or bond issuance. Hong Kong is actively participating in the preparatory work for establishing the AIIB. We have indicated to the Central Government our intention to join the AIIB, and provide mediation and arbitration services in Hong Kong.

44. Stronger economic and trade ties between the Mainland and the Belt and Road countries will render the RMB more widely accepted. Given the enormous demand for RMB-denominated trade and investment, the Belt and Road regions will be in need of a full-fledged international centre for offshore RMB business to cater for their RMB settlement, financing and fund management needs. Blessed with well-developed RMB payment and settlement infrastructure, Hong Kong has been providing reliable and efficient services for various RMB inflow and outflow transactions in the Mainland and offshore markets. Moreover, Hong Kong's vibrant offshore RMB foreign exchange market offers an array of financial products. It serves as an ideal platform for RMB capital and risk management for Mainland and international enterprises and financial institutions.

45. To complement the Belt and Road Initiative, Hong Kong will continue to promote the offshore RMB business. We will further upgrade and bring into full play our functions and services as a global hub for offshore RMB business. For example, we will strengthen market infrastructure and financial platforms, enhance RMB business links with countries along the routes, and promote RMB business between Hong Kong banks and

international financial institutions and enterprises. We will step up efforts to stage roadshows abroad to encourage overseas financial institutions and enterprises to conduct transactions on our RMB financial platform.

46. As a centre for international asset management, risk management and multinational corporate treasury services, Hong Kong is well-positioned to capture the wealth of the Belt and Road and meet the demand for risk management services. The implementation of the Mainland-Hong Kong Mutual Recognition of Funds in July 2015 has further promoted the mutual access of the Hong Kong and the Mainland capital markets, enabling both places to enhance competitiveness and influence in the international asset management arena. Hong Kong boasts a number of large-scale major insurance companies and international reinsurance companies, talented professional teams, well-developed laws and regulations, as well as rich experience and knowledge of insuring major infrastructure (e.g. airports and express rail links). We can therefore provide professional insurance and reinsurance services for major Belt and Road infrastructure. Furthermore, as more and more Mainland enterprises seek to “go global” under the Belt and Road Initiative, Hong Kong will continue to encourage Mainland enterprises to establish captive insurance companies in Hong Kong, make insurance arrangements and enhance risk management for their overseas businesses expanded under the Belt and Road Initiative.

47. Driven by the Belt and Road Initiative, Mainland enterprises will expand their overseas business, and there will be a greater demand for business services to lower corporate financial costs and enhance treasury risk management. Hong Kong is an ideal location to set up corporate treasury centres. To further attract multinational and Mainland enterprises to establish corporate treasury centres in Hong Kong, the Government proposes, under specified conditions, interest deductions under profits tax for corporate treasury centres, and profits tax reduction by half for specified treasury activities. For this purpose, a bill was tabled in this Council last month.

48. We also strive to set up a platform conducive to the development of Islamic finance. Our efforts include enhancing the related market infrastructure, providing manpower training, and promoting the development of Islamic financial products and co-operation with other Islamic financial markets.

Trade and Logistics Platform

49. Hong Kong has developed an extensive network of business connections, and is the most important Meetings, Incentive Travels, Conventions and Exhibitions (MICE) centre, sourcing centre and business matching centre in Asia. As such, Hong Kong may help governments and enterprises identify business partners, and serve as a major platform to promote trade and logistics under the Belt and Road Initiative.

50. The Belt and Road Initiative will expedite co-operation in the fields of highways, railways and maritime transport, and build a secure and efficient economic and logistics corridor connecting core cities and ports along the Belt and Road. At the same time, it attaches importance to infrastructure standards and safety to meet the requirements for sustainability and environmental protection. Hong Kong may provide support services such as project feasibility studies and risk assessment, research and development, financing and management.

51. Of the 60 or so Belt and Road countries, Hong Kong has signed Air Services Agreements or international Air Services Transit Agreements with 40 countries. The Government will continue such efforts and seek to discuss Air Services Agreements with other aviation partners along the routes. This will reinforce Hong Kong's position as an international aviation hub.

Trading Environment

52. At the government-to-government level, Hong Kong will, by fully leveraging our advantages under "one country, two systems" and a high degree of autonomy, strengthen economic

and trade ties with our major trading partners along the Belt and Road, promote visits by senior officials and conclude Free Trade Agreements (FTAs) as well as Investment Promotion and Protection Agreements with these countries.

53. In 2014, half of Hong Kong's 20 major trading partners were Asian countries and regions, of which five are members of the Association of Southeast Asian Nations (ASEAN). Among the countries along the routes, Hong Kong has established an ETO in Singapore. The three Hong Kong ETOs in Europe, on the other hand, are responsible for liaison with 32 European countries. The Government has decided to set up ETOs in countries along the routes. A new ETO will be set up in Indonesia this year and another in Korea as soon as possible.

54. Our negotiations with the 10 member states of ASEAN on an FTA are progressing smoothly and the FTA is expected to be concluded this year. The Government seeks to protect the investments of Hong Kong businessmen in ASEAN countries through the FTA. Other key issues include reduction of tariffs and liberalisation of trade in services. Moreover, we will continue to explore the possibility of joining the FTAs signed, or to be signed, by our country with its trading partners, including the Belt and Road countries.

55. In addition, Hong Kong will expand its networks of investment protection agreements, comprehensive avoidance of double taxation agreements and agreements on double taxation relief arrangements for shipping income, with a view to protecting and facilitating business co-operation between Hong Kong and the Belt and Road countries. For this purpose, we will seek to negotiate as soon as possible with those countries which have yet to sign these agreements.

56. The Government will step up research efforts and establish databases for the reference of the business sector. The Trade Development Council (TDC) launched a Belt and Road Portal last month, and the Government is also considering building a platform for Hong Kong's construction-related

professional sector to participate in the infrastructure projects relating to the Belt and Road.

Platform for Professional and Infrastructure Services

57. There is a strong demand from regions along the Belt and Road for professional and infrastructure services. Hong Kong enjoys advantages in various areas including accounting, legal, investment environment and risk assessment, environmental consulting, construction and project management. Among these, Hong Kong meets advanced international standards in the operation and management of infrastructure, such as railways, airport, port, electricity supply and gas supply. Local professions also have experience in exporting such services. We may provide consultancy services for regions along the Belt and Road and participate in the operation and management of their projects. Hong Kong enterprises may, having regard to their own strengths, make sole or joint investment in suitable projects, or participate in the construction of industrial parks.

58. Moreover, Hong Kong has a sound legal system and adopts the common law regime which is very familiar to the international business community. In establishing economic and trade ties with the Belt and Road countries and helping competitive enterprises “go global”, we may provide professional international legal and dispute resolution services for our country, and assist in developing a sound risk management system for overseas business.

59. Our professional services can fully demonstrate their strengths during the implementation of the Belt and Road Initiative. The Government will allocate \$200 million to support the professional services sector in enhancing exchanges and co-operation with the Belt and Road countries and other regions outside Hong Kong (including Mainland China), and promote related publicity activities.

Strengthening People-to-people Bond

60. Among the “five areas of connectivity”, the HKSAR Government will first of all initiate work to foster “people-to-people bond” with the Belt and Road countries. We will join quasi-governmental organisations and various community bodies in Hong Kong to connect with the people of these places. As a highly international city with the widespread use of English, Hong Kong can provide a platform for educational, cultural and youth exchanges.

61. Hong Kong is home to world-class universities which use English as the medium of instruction. This has attracted students from all around the world. Currently, many students from the Belt and Road countries study in Hong Kong. Since the 2012/13 academic year, the Government has offered dedicated scholarships in the nine government-funded institutions. The scope of scholarships will be expanded to cover the whole Belt and Road region. The Government will promote Hong Kong’s tertiary education in the Belt and Road countries to recruit students for undergraduate courses in Hong Kong. This will encourage the interaction of Hong Kong people with those of the Belt and Road countries.

62. To attract more students from the Belt and Road countries to study in Hong Kong, the Government will increase the number of offers under the Targeted Scholarship Scheme, currently 10 per year, by about 100 in phases, and inject \$1 billion into the scholarship fund for this purpose. The Government will also encourage schools to include content about the Belt and Road countries in relevant subjects and student activities. At the same time, a priority theme will be introduced under the Quality Education Fund to encourage students to learn more about the Belt and Road Initiative and have more exchanges with the relevant regions, during which they may introduce the contributions that Hong Kong can make.

63. On the cultural front, Hong Kong offers the freedom and an environment conducive to artistic creation and cultural diversity. Coupled with our efficient immigration control

policies, we can attract artists, art groups and cultural organisations from all over the world to perform, exhibit works or participate in seminars and forums in Hong Kong. Over the past years, Hong Kong has had cultural exchanges at different levels with some Belt and Road countries. Hence, we can play an active role in cultural exchanges under the Belt and Road Initiative.

64. On youth, various exchange programmes under the Home Affairs Bureau, such as the International Youth Exchange Programme and the Summer Exchange Programme organised in collaboration with the Commission on Youth, provide opportunities for two-way exchanges between young people from Hong Kong and other places. These programmes enable young people to broaden their horizons, enrich their life experience and learn how to think from multiple perspectives. To tie in with the Belt and Road Initiative, the Government will explore the feasibility of expanding these programmes to cover more Belt and Road countries.

65. Many community organisations in Hong Kong, such as trade associations, youth bodies, social organisations and non-governmental organisations (NGOs) are energetic and flexible in their operation. They organise many high-quality activities every year, and will be able to align with the Belt and Road Initiative by establishing and enhancing their connection and co-operation with counterparts in the Belt and Road countries.

Belt and Road Office

66. The HKSAR Government will set up a steering committee for the Belt and Road. I will chair the committee, which will be responsible for formulating strategies and policies for Hong Kong's participation in the Belt and Road Initiative. A Belt and Road Office will also be established to take forward related studies, and co-ordinate work between government departments and other organisations, such as the TDC and the HKTb. It will also liaise with the central ministries, provincial and municipal authorities, as well as various sectors, professional bodies and community organisations in Hong Kong.

IV. Innovation and Technology

67. Innovation and technological capabilities are key indicators of the level of social and economic development. Innovation and technology not only create new momentum for economic growth, they also provide us with a more convenient, comfortable and secure way of living.

68. The newly established Innovation and Technology Bureau (ITB) will make strenuous efforts to co-ordinate, support and complement the development of Hong Kong's innovation and technology industry. It will, among other things, proactively co-ordinate the work of universities, the Hong Kong Science Park, industrial estates, the Cyberport, the Productivity Council, the Applied Science and Technology Research Institute and four other research and development centres, and set up a robust system for scientific research, development and production.

69. 2015 is an important year for innovation and technology in Hong Kong. We saw the establishment of the ITB and the Academy of Sciences of Hong Kong. The world-renowned Karolinska Institutet of Sweden has decided to open its first overseas research facility at the Hong Kong Science Park. The Massachusetts Institute of Technology has also announced the establishment of its first overseas Innovation Node in Hong Kong. In the year ahead, we must maintain our efforts to promote innovation and technology.

70. Hong Kong enjoys the advantages of both "one country" and "two systems" in developing the innovation and technology industry. In addition to attracting top research and development institutions from around the world, we can more proactively seek co-operation opportunities with the Mainland at both national and local levels.

71. In collaboration with the Ministry of Science and Technology, 16 Partner State Key Laboratories have been established at the University of Hong Kong, the Chinese University of Hong Kong, the Hong Kong University of Science and Technology, the City University of Hong Kong, the Hong

Kong Polytechnic University and the Hong Kong Baptist University. This year, the five new Hong Kong branches of the Chinese National Engineering Research Centres (CNERCs), together with 16 Partner State Key Laboratories and one Hong Kong branch of a CNERC already established, will conduct research and development activities in a diverse range of disciplines. The Government will set aside over \$100 million a year to support these projects.

72. Moreover, in the 2015 State Science and Technology Awards announced recently, five of the winning projects were led or participated by Hong Kong scientific researchers.

73. Since the launch of the Hong Kong, Macao and Taiwan Science and Technology Co-operation Programme by the Ministry of Science and Technology in 2012, a total of 80 projects have been initiated so far. Among these, Hong Kong took part in 41 projects. The projects in turn promoted research and development collaboration between Hong Kong and the Mainland in areas such as biomedicine, electronic information, new energy and new materials.

74. Currently, there are six Hong Kong universities with offices in the Shenzhen Nanshan High-Tech Zone. An entrepreneurship group from the Hong Kong University of Science and Technology and the Dongguan Songshan Lake Science and Technology Industrial Park have jointly set up an international robot industrial base. Hong Kong and Shenzhen have also signed a co-operation agreement for promoting innovation and entrepreneurship among young people.

Downstream Research

75. Hong Kong's scientific research efforts are concentrated in universities. A key issue concerning the development of our innovation and technology industry is how the research results of universities can be commercialised. To further encourage University Grants Committee-funded institutions to carry out more mid-stream applied research projects, the Government will

earmark \$2 billion to the ITB. Investment income generated from the allocation will be used to fund research undertaken by the institutions.

Development of Industries

76. The Science Park provides well-equipped office space for research and development, laboratories and comprehensive technical and corporate development support. It focuses on three cross-disciplinary platforms, namely “smart city”, “robotics” and “healthy ageing”. Housing 580 companies and employing 11 500 people, the Science Park creates a huge clustering effect. The gross floor area of the park will be increased to 330 000 square metres upon completion of Phase 3 and will be able to meet development needs for the next two to three years. The Hong Kong Science and Technology Parks Corporation is also planning to further increase the gross floor area of the entire park by around 70 000 square metres.

77. “Re-industrialisation” is a potential new area of economic growth for Hong Kong. The Government and the Hong Kong Science and Technology Parks Corporation have revised the industrial estate policy. Apart from constructing multi-storey buildings in the remaining space of the industrial estates for lease to innovation and technology industries, we will also recover idle factory premises. This will promote smart production, attract high value-added technology industries as well as high value-added manufacturing processes. The Hong Kong Productivity Council will also facilitate industrial upgrading and transformation, enabling enterprises to embrace “re-industrialisation” and move towards high value-added production. On testing and certification, measures will be introduced this year to exempt relevant waiver fees to facilitate the operation of laboratories in industrial buildings.

78. In view of an anticipated increase in the demand for sites for scientific research and new industrial use, the Government will identify sites near the Liantang/Heung Yuen Wai Boundary

Control Point for the development of the Science Park and industrial estates.

79. In the past 10 years, the Cyberport has endeavoured to groom information and communication technology (ICT) talent and successfully nurtured more than 160 start-ups. Making reference to the concept of shared working space, the Cyberport has also sought to encourage start-up businesses by providing working space at concessionary rents with flexible tenancy terms. In addition, the Cyberport Creative Micro Fund provides financial assistance for aspiring entrepreneurs to put their ideas into action and develop prototype products.

Support for Innovation and Technology Start-ups

80. In recent years, there have been breakthroughs in the support for start-ups. Apart from the Science Park and Cyberport, which support start-ups in research and development and assist them to open up markets, the number of incubation and co-work locations funded and operated by the business sector has increased from just a few six years ago to over 40 now. This shows that investors attach greater importance to the development of innovation and technology. There are currently around 1 600 start-ups occupying these incubation and co-work locations and most are innovation and technology start-ups. According to an international study last year, the growth of Hong Kong's start-up ecosystem ranked fifth globally.

81. Through the Science Park and Cyberport, the Government will continue to give full support to start-ups at different stages of development. The Cyberport will increase the incubation scheme quotas and establish new clusters for areas such as financial technology and e-commerce to meet the latest development of the industry and the market. It will increase the provision of facilities such as Smart-Space small offices and workstations by 50% within next year and explore ways to better utilise its facilities and spaces, so as to cater for the development needs of the ICT industry.

82. Innovation and technology start-ups require capital input at different stages of development. In addition to current sources including the Innovation and Technology Fund, the Cyberport Creative Micro Fund, the Corporate Venture Fund set up by the Science Park, as well as the funding schemes of various universities, the Cyberport will allocate \$200 million to launch a Cyberport Macro Fund for investment in its ICT start-ups.

83. To encourage investment from venture capital funds in local innovation and technology start-ups, the Government will set aside \$2 billion to set up an Innovation and Technology Venture Fund for co-investing with private venture capital funds on a matching basis.

Digital Development and Smart City

84. The Internet is of increasing importance to us. According to the World Competitiveness Yearbook, Hong Kong has ranked first globally in technology infrastructure for five consecutive years. At present, there are over 17 000 Wi-Fi.HK hotspots offering free Wi-Fi services. The Government will progressively expand the coverage of free Wi-Fi services by doubling the number of hotspots to 34 000 within three years to provide such services at all public rental housing (PRH) estates and public hospitals, markets, parks, sitting-out areas, promenades, tourist spots, public transport interchanges and land boundary control points. Hong Kong will then have one of the highest Wi-Fi densities in the world. The existing speed of Wi-Fi connection at government venues will be progressively doubled and security enhanced. We will offer free Wi-Fi services at all youth service centres and study rooms run by the Government and non-profit-making organisations, and work with schools to improve the quality of their Wi-Fi services in order to support e-learning.

85. The ITB will, in collaboration with research institutions and public and private organisations, study the development of a “smart city”, which includes providing free Wi-Fi services at bus stops and shopping arcades, opening up more public data to facilitate development of user-friendly mobile applications (apps)

for the public, and developing intelligent homes. The ITB will formulate a digital framework and standards for the development of a “smart city”.

86. The application of big data can be very extensive. Examples include analysing and forecasting meteorological changes, traffic situation, spread of diseases and business trends. In response to the global trend of big data analytics, the ITB will formulate policies on big data application. Last year, the Government launched the Public Sector Information portal (data.gov.hk) to provide more than 5 000 datasets. The Government will continue to encourage public service bodies and commercial organisations to open up more data.

Innovation and Technology Fund for Better Living

87. Innovation and technology can improve our everyday life in a wide range of aspects, including communication, transportation, healthcare, education, the environment, public order, consumer spending and food safety. The Government will set aside \$500 million to set up an Innovation and Technology Fund for Better Living to finance projects that make use of innovation and technology to improve our daily life.

Other Supporting Initiatives

88. The Government will review the functions and composition of the Advisory Committee on Innovation and Technology to meet the needs arising from the new landscape.

89. The Government will step up efforts to promote STEM (Science, Technology, Engineering and Mathematics) education and encourage students to pursue the study of these subjects.

V. Housing, Land and Transport

Housing

90. Housing is still the most important livelihood issue we have to address. Exorbitant property prices, high rentals, small living spaces, the proliferation of subdivided flats and record high PRH applications all tell us clearly that we must tackle the housing problem with resolve and perseverance.

91. Since taking office, the current-term Government has stated its determination to increase housing supply and curb property speculation and overheated investment. It has also reminded the community of the need to watch out for fluctuations in the property market caused by a long period of ultra-low interest rates and low supply.

92. Our efforts over the past three and a half years have produced results. The housing supply has significantly increased and property prices and rentals have started to fall, reversing the perception that property prices and rentals can only go up. Some people wonder whether the Government will relax the demand-side management measures or even reduce land supply. In the past three and a half years, other government officials and I have reiterated the Government's courage and determination to tackle the housing problem and there should be no doubt in this regard. While it is the Government's responsibility to provide land and public housing to cater for the housing needs of the public, it is not the Government's duty to ensure that property prices can only go up. Neither should property prices be kept at a high level by generating a man-made shortage. The current property price and rental levels are still beyond what people can afford, and have distorted the values of the younger generation. We should continue to tackle the housing problem head-on and must not concede.

93. The Housing Authority and the Hong Kong Housing Society (HKHS) will, over the next five years, produce about 97 100 public housing units, of which about 76 700 will be PRH

units and about 20 400 will be subsidised sale flats. This latest production forecast is higher than similar forecasts starting from 2013-14 and 2014-15.

94. The Housing Authority and HKHS will put up a total of about 3 700 flats for pre-sale this year. Another batch of about 2 600 flats in total will be put up for pre-sale in 2017.

95. Last year, I proposed that as a pilot scheme, the Housing Authority should identify suitable flats among its PRH developments under construction for sale to eligible Green Form applicants to further improve the housing ladder. The Housing Authority has selected the PRH development at San Po Kong for this purpose and worked out the implementation details. Around 860 flats are expected to be provided for pre-sale in the second half of this year and for occupation in mid-2017.

96. On private housing, projected supply from the first-hand residential property market for the coming three to four years is approximately 87 000 units, a record high since the first release in September 2004 of the quarterly statistics on supply.

Land

97. Land is fundamental to Hong Kong's social and economic development. What Hong Kong lacks is not land, but land that is developable. The root of many social, economic and livelihood issues often lies in the fact that land planning and development fail to keep pace with the growth in demand. Since taking office, the current-term Government has been increasing land supply through a multi-pronged approach and addressing the supply-demand imbalance by formulating short, medium and long-term measures. Nevertheless, land development is often met with resistance, and may affect vested interests.

98. As for land supply, we need to have long-term planning to build up a land reserve for our next generation.

Short and Medium-term Land Supply

99. In the short and medium term, the Government will continue to rezone sites, increase development intensity and conduct holistic land use reviews to make optimal use of land. By the end of last year, the Town Planning Board (TPB) had approved applications for relaxing the development intensity of 41 housing sites, which will lead to an additional supply of about 7 750 units.

Review of Land Use

100. In the 2014 Policy Address, I announced that the Government had identified some 150 potential housing sites through land use reviews and would seek to make most of these sites available for housing development in five years to produce over 210 000 flats, with over 70% for public housing. Proposals to amend the statutory plans of 63 of these sites have been submitted to the TPB over the past two years. This is expected to provide about 74 400 housing units, including 42 500 public housing units and 31 900 private housing units. To date, the statutory planning procedures for 46 of these sites (capable of producing about 41 000 flats) have been completed.

101. Apart from the sites mentioned above, the 2013 Policy Address also mentioned a number of initiatives to increase land supply, including the identification of 42 sites which might be used for residential development in the short and medium term. These sites were zoned or undergoing rezoning for such use in 2013 and are expected to provide about 39 200 flats in total, including 23 500 public housing units and 15 700 private housing units. At the end of last year, 38 of the sites (capable of producing about 38 600 units) had been allocated for residential use.

102. The Government is determined to identify more sites, and will consider slightly expanding the area of certain sites to generate an additional supply of about 17 000 units, 90% of which will be public housing units.

Development of Former Quarry Sites

103. The statutory planning procedures for the ex-Cha Kwo Ling Kaolin Mine site and the Anderson Road Quarry site have been completed. The two development projects will provide over 11 000 residential units and over 25 000 square metres of commercial floor area. The aim is to have the units ready for occupation progressively from 2023 to 2024.

Land Sale Programme

104. In 2014-15, the Government sold 20 residential sites. Together with other sources of supply, about 21 200 private residential flats can be produced, exceeding the target of 18 800 set for the year and being a record high since 2010.

105. In 2015-16, a total of 16 residential sites were sold or will be put up for sale under the Land Sale Programme. Together with other private housing land, it is estimated that about 20 300 flats can be produced. This is higher than the target of 19 000 flats, and the second highest since 2010.

106. Since July 2012, the MTRCL has successfully tendered 13 railway property development projects, which will provide about 21 800 residential units. The Government is actively exploring with the MTRCL the development potential of stations and related sites along existing and future rail lines. The preliminary estimate is that such sites, including the Siu Ho Wan Depot in Lantau, can provide over 12 000 flats.

107. The Government will continue to increase private housing supply through a multi-pronged approach, which includes putting up land for sale and encouraging the MTRCL to take forward residential development projects.

Medium and Long-term Land Supply

108. The Government will make vigorous efforts to take forward new development and extension projects in the New Territories and Lantau, with a view to supplying housing units

and promoting the local economy. We are planning the future development of Lantau and New Territories North, and considering projects such as reclamation on an appropriate scale outside Victoria Harbour, development of artificial islands in the central waters, as well as the use of rock cavern and underground space.

New Development Areas and Extension of New Towns

109. The Government is proceeding in full steam to take forward projects relating to the development of new development areas (NDAs) and the extension of new towns. It is estimated that Kwu Tung North and Fanling North NDAs, Tung Chung New Town Extension, Hung Shui Kiu NDA and Yuen Long South Development can provide over 197 000 units for occupation starting seven years from now.

Tseung Kwan O Area 137

110. The Government will carry out new planning for the development of the 80 hectares of land at Tseung Kwan O Area 137 and examine the feasibility of using the site for residential, commercial and other development purposes.

Rock Cavern Development, Underground Space Development and Reclamation outside Victoria Harbour

111. The Government is about to complete the territory-wide Cavern Master Plan. Feasibility studies on the relocation of three sewage treatment works and service reservoirs to caverns are expected to be completed early next year.

112. The Government will consult the public on the formulation of preliminary underground master plans for four urban areas and identify priority projects.

113. The Government will commence two studies on the development of artificial islands in the central waters and the Sunny Bay reclamation respectively as soon as possible. We will

also explore the feasibility of reclamation in Lung Kwu Tan to build up the land reserve.

Lantau

114. The Lantau Development Advisory Committee has submitted a report to me, proposing the development of an economic and housing corridor at Northshore Lantau. The population will be concentrated in Tung Chung and Siu Ho Wan. Development for commercial, tourism and recreational purposes will be located at the airport, the boundary crossing facilities island of Hong Kong-Zhuhai-Macao Bridge, Tung Chung East and the Sunny Bay reclamation area. Northeast Lantau will be for leisure and entertainment uses. Another proposal is to examine the possibility of further developing the East Lantau Metropolis by constructing an artificial island near Kau Yi Chau. In the long run, the Metropolis will become the third core business district and a community with a population of 400 000 to 700 000. It will link Hong Kong Island, Lantau and the New Territories West. Priority will be given to building transport infrastructure and a low-carbon smart city in developing the above.

115. Most places in Lantau are rich in natural and cultural resources, but lack facilities. Both the Lantau Development Advisory Committee and the Government consider that apart from stepping up conservation efforts, short and medium-term improvement measures should be put in place to facilitate public enjoyment of Lantau, especially central and south Lantau.

116. The Government will conduct public consultation in the first half of this year before promulgating a blueprint for Lantau development, which will set out the indicative implementation timetable for related projects. The Government will set up a dedicated Lantau Development Office as soon as possible to undertake these tasks.

Commercial and Economic Land Uses

117. Aside from land for housing, the Government will also increase the land supply for economic use. All new development plans will take into account people's housing and employment needs in tandem. The projects regarding Kwu Tung North and Fanling North NDAs, Tung Chung New Town Extension, Hung Shui Kiu NDA and Yuen Long South Development are progressing as scheduled. They will provide over 7.8 million square metres of floor area for commercial or industrial uses and nearly 240 000 employment opportunities in various sectors.

118. The Government will continue to put up commercial sites for sale next year, and gradually rezone suitable Government, Institution or Community sites in core business districts, including the multiple-storey carpark at Murray Road in Central. In the short and medium term, Queensway Plaza will be redeveloped and the government site at Caroline Hill Road will be rezoned for commercial development. On the other hand, since the implementation of the industrial building revitalisation measures in 2010, the Lands Department has approved 68 applications for wholesale conversion and eight for redevelopment, and signed the related land documents. This will provide a total of about 1.06 million square metres of floor area for commercial and other non-industrial uses. The policy has achieved the intended effect of maximising the use of industrial buildings. As the vacancy rate of industrial buildings has dropped steadily to a low level over the past few years, the policy will cease at the end of March this year as scheduled.

Kowloon East

119. As a new business district, Kowloon East has great development potential and can supply an additional commercial or office floor area of about 5 million square metres. The commercial floor area that can be provided by the two action areas in Kwun Tong and Kowloon Bay will increase from 500 000 or so square metres to about 560 000 square metres. Two pieces of government land in the Kowloon Bay Action Area, sold last

year, will provide over 120 000 square metres of commercial floor area. The Government is considering the relocation of the existing government facilities in the Kowloon Bay Action Area and will commence a study on the Kwun Tong Action Area shortly. Development of the Kowloon Bay Action Area will include projects for commercial and office uses. The development plan will adopt the concepts of sustainable development and “smart city” in respect of information dissemination, traffic management, architectural design and facility management, refuse collection and treatment, as well as greening.

120. The Government will implement new policies for Kowloon East, including a pilot scheme of waiving the land premium for lease modification to encourage landowners to construct footbridges or subways at their own cost in accordance with the planned pedestrian network, with a view to providing a safe, comfortable and convenient network which separates pedestrians from vehicles. This will help turn Kowloon East into a quality business district.

Kai Tak Development Area

121. The infrastructure project at the north apron east in the Kai Tak Development Area was completed last year. Major projects underway include the infrastructure for the south apron and the “hotel belt” at the former runway. Residential and commercial sites in the area will be made available for sale later this year. After completing advance works for water quality improvement at Kai Tak Approach Channel and Kwun Tong Typhoon Shelter, the water quality there has improved. The next stage of works will further improve the water quality.

122. The Government is undertaking planning and engineering studies for the Kai Tak Fantasy project and planning a tourism node development. We will endeavour to facilitate hosting of more mega events and activities, and provide basic facilities that meet the requirements of a water-friendly culture as soon as possible.

Long-term Town Planning

“Hong Kong 2030+”

123. Hong Kong faces a serious housing problem, which needs to be urgently addressed so as to improve the living quality. We must have the commitment and courage to pursue the vision for a better living environment for our young people and the next generation. We must plan early for our future development strategy and identify sites with potential for long-term development.

124. “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030” (“Hong Kong 2030+”), officially launched last year, aims to formulate a sound and flexible territory-wide long-term strategy for planning beyond 2030.

125. The Government will listen to the views of different sectors on “Hong Kong 2030+” and adopt a proactive, pragmatic and action-oriented approach to draw up a blueprint for the future sustainable development of Hong Kong.

Development of Agricultural Land and Brownfield Sites in the New Territories

126. In developing the New Territories, acquiring agricultural land is inevitable. There are around 4 000 hectares of agricultural land in Hong Kong, of which about 15% is actively farmed while the rest is mostly fallow. The Government proactively supports the development of local agriculture and will explore ways to optimise use of quality agricultural land through planning and land management. Through consolidation, sites no longer suitable for agricultural purposes can be released for other uses, thereby improving the rural environment.

127. Some brownfield sites in the New Territories have development potential. Most, however, are currently used for various operations and it is not possible to put a stop to these operations all at once. The Government is stepping up efforts to explore ways to accommodate brownfield operations that are

necessary and will earnestly study the possibility of moving some of these operations into multi-storey buildings. The proposal will improve the environment of rural New Territories and release land for development. The Government has set aside 24 hectares of land in Hung Shui Kiu NDA for such uses, and is working to identify suitable land in adjoining areas for use as a pilot site to consolidate different types of operations.

Construction Industry

Public Works Projects

128. Construction costs have been escalating in recent years. Several major projects have experienced significant cost overruns. There is a need for the Government to strengthen cost control.

129. The Government will soon roll out new measures in relation to public works projects to reduce unnecessary design and contractual requirements under a “no frills” principle. Such measures, including a holistic review of relevant guidelines, will embrace innovative design concepts and approaches without compromising technical and safety standards. The Government will put in place an indicative cost system for public works projects. Except for special circumstances and projects that have entered the design stage, the unit cost of all new government building projects must be lower than the benchmarks. In addition, the works departments will enhance the standardisation of project design, promote mechanisation and construction by prefabrication, and adopt the guiding principle of “design for buildability” so as to reduce costs without undermining safety. Procurement and tendering of projects will be refined with the aim of lowering the risk premium included in the tender price and reducing the overall project cost. The Secretary for Development will establish and lead a dedicated office to take forward the relevant work.

130. The Government will make reference to overseas practices and bring in contractors and consultancies from overseas, with a view to expanding the overall capability and capacity of the local

construction sector to undertake projects. This will help contain cost escalation caused by insufficient capability and capacity.

Enhancing Technical Support for Building Repair and Maintenance

131. The Government is very concerned about the problem of bid-rigging in certain building repair and maintenance works, and will tackle the problem by adopting a variety of measures, including enforcement action, support to building owners and publicity and public educational activities. In this regard, the Government is discussing with the Urban Renewal Authority (URA) the implementation of a pilot scheme by the URA to enhance technical support for owners, which includes providing guidelines and contract samples, arranging professionals to provide independent advice, establishing a tendering platform, etc.. Such support measures will help reduce the risk of bid-rigging.

Manpower Resources

132. Established to strengthen recruitment of local construction workers, the Construction Industry Recruitment Centre of the Labour Department came into operation this month.

133. The Government will, in collaboration with the Construction Industry Council (CIC), provide workers with a clear career ladder, boost skill and professional development, and attract new entrants to the industry.

134. The construction industry will implement the requirements of “designated workers for designated trades” under the relevant legislation in April next year. Together with the industry, the Government will promote tests and registration for skilled workers.

Expediting the Processing of Applications for Labour Importation in Construction Industry

135. According to a CIC forecast, there will be a shortage of about 10 000 to 15 000 skilled workers in the construction industry for the coming few years. While we will strive to provide training and attract local workers to join the industry, there is still a genuine need to import workers to cater for our development needs, on the premise of according priority to local workers in employment and safeguarding their wage levels.

136. The Government will review the effectiveness of the enhancement measures under the Supplementary Labour Scheme to ensure the sustainable development of the construction industry.

Transport

137. A number of major transport infrastructure projects will be completed in succession. The Kwun Tong Line Extension and the South Island Line (East) are expected to be commissioned within this year. For the Shatin to Central Link, the sections up to Hung Hom and Admiralty are expected to be commissioned in three and five years respectively. Upon completion of these projects, our heavy rail will have a total route length of more than 270 kilometres and cover areas housing over 70% of Hong Kong's population. The commissioning of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link in 2018 will bring significant transport, economic and social benefits to Hong Kong. As for road infrastructure, the local project of the Hong Kong-Zhuhai-Macao Bridge, the Tuen Mun-Chek Lap Kok Link, the Central-Wan Chai Bypass, the Island Eastern Corridor Link and the widening of Tolo Highway and Fanling Highway will be commissioned in succession within four years. These infrastructure projects will help enhance our internal and external transport links and alleviate road traffic congestion.

138. Strategic highways and related roads in the pipeline include the Tseung Kwan O-Lam Tin Tunnel and the Central Kowloon Route. The Government will also conduct strategic studies on railways and major roads beyond 2030.

139. The Government has long adopted a public transport-oriented policy with railway as the backbone. The Public Transport Strategy Study, expected to be completed in two and a half years, commenced in phases at the end of 2014. The study aims to examine the functions of public transport services other than railway, and priority will be accorded to reviewing taxi and public light bus services. Key areas of study include the feasibility of introducing premium taxis and increasing the seating capacity of public light buses. We will also improve the assessment criteria for issuing hire car permits and the relevant regulatory system.

140. In recent years, the Government has been pursuing bus route rationalisation vigorously through means such as reviewing and re-organising bus services in a number of districts holistically under an Area Approach and setting up more interchanges to enhance efficiency. These efforts have yielded positive results and will continue. The Government will also continue to promote a pedestrian-friendly environment and foster a bicycle-friendly environment in new towns and NDAs.

141. The Government has earmarked over \$80 million to provide franchised bus companies with a subsidy to install seats at over 1 000 bus stops and real-time bus arrival information display panels for the convenience of waiting passengers.

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

Poverty Alleviation

142. Poverty alleviation, elderly care and support for the disadvantaged are at the top of the current-term Government's agenda. Shortly after assuming office, I introduced the Old Age Living Allowance, which has benefited about 430 000 elderly persons. In the same year, the Guangdong Scheme was implemented to provide Old Age Allowance for elderly persons who have chosen to reside in Guangdong, benefiting 16 300. In the past three years or so, the Government has launched various measures to alleviate poverty and these efforts are gradually delivering results. Our poor population and poverty rate dropped to 960 000 and 14.3% respectively in 2014, which are record lows since 2009. I am glad to see that the number of unemployment cases under the Comprehensive Social Security Assistance (CSSA) Scheme has decreased for more than 70 consecutive months, and the overall caseload has also dropped to the same low level recorded in 2002.

143. The Government very much encourages underprivileged people capable of working to achieve self-reliance through employment. The Low-income Working Family Allowance Scheme, which I proposed in the Policy Address two years ago, will accept applications in May this year. The scheme also aims at encouraging self-reliance, and is expected to benefit around 200 000 grassroot families with some 700 000 people, including 170 000 eligible youngsters.

144. The Government provides a transport subsidy to encourage employment. We proactively advanced the review and enhancement of the Work Incentive Transport Subsidy Scheme and have adopted a "dual-track" approach. At the end of last year, over 98 000 people had received total subsidy of nearly \$1.2 billion. The Government is now conducting a comprehensive review of the scheme.

145. The Government will continue to implement the \$2 public transport fare concession scheme. The scheme was extended to green minibuses in phases from March 2015, and the number of daily passenger trips taken by beneficiaries of the scheme has now exceeded 930 000.

146. On care for the elderly, apart from earmarking sites in 20 new development projects for the construction of elderly facilities, the Labour and Welfare Bureau is actively pursuing the Special Scheme on Privately Owned Sites for Welfare Uses. About 9 000 new elderly service places and 8 000 new rehabilitation service places will be provided if the 60 or so projects under the scheme are implemented.

147. The Government will strengthen home care services. The number of places for Enhanced Home and Community Care Services and Integrated Home Care Services (Frail Cases) increased to 8 365 in 2015, 35% higher than that in 2012. Apart from stepping up community care services under the conventional approach, the Government has also implemented the Pilot Scheme on Community Care Service Voucher for the Elderly. Under a new funding mode of “money-following-the-user”, the Government provides subsidies for service users directly in the form of service vouchers, allowing them to choose the community care services that suit their needs. All 1 200 vouchers under the first phase were issued by early April 2014. The Social Welfare Department is preparing to issue an additional 1 800 vouchers in the second phase expected to be launched this year.

Retirement Protection

148. The Commission on Poverty is now conducting a public engagement exercise to build community consensus on retirement protection. I call on all of you to actively express your views and engage in an in-depth, informed, objective and rational discussion.

Elderly Services

149. Over the past four years, public resources allocated to elderly services have increased by 55%. The Government will continue to strengthen the community and residential care services for the frail elderly based on the principle of “ageing in place as the core, institutional care as back-up”. The Elderly Commission is pressing ahead with the formulation of the Elderly Services Programme Plan for the medium and long term.

150. To further support elderly people living in the community, the Government will provide about 70 additional subsidised day care places between now and 2016-17.

151. The Government will continue to increase the supply of subsidised residential care places for the elderly and improve the service quality of residential care homes. It will also comprehensively strengthen the monitoring of residential care homes for the elderly and those for persons with disabilities. Measures include enhancing inspection and supervision, improving the regulatory mechanism and promoting staff training.

152. The Government will strengthen healthcare services for the elderly, including expanding the services of the Community Geriatric Assessment Teams of the Hospital Authority (HA) to more districts.

Support for the Disadvantaged

Persons with Disabilities

153. Compared with four years ago, the Government’s recurrent expenditure on support services for persons with disabilities has increased by nearly 50%. In future, continuous and comprehensive support for persons with disabilities will be provided, such as training subsidies and offering on a pilot basis on-site rehabilitation services to pre-school children; extending the duration of post-placement follow-up service, raising the amount of employment and job trial subsidies, and giving

employers subsidies to carry out workplace modifications; and supporting persons with disabilities through case managers, and providing home care service for persons with severe disabilities.

154. The inter-departmental working group co-ordinated by the Labour and Welfare Bureau has completed the review of the eligibility criteria for the Disability Allowance. The Government will implement the following recommendations of the working group:

- (i) Improve the existing medical assessment arrangement for the Disability Allowance; and
- (ii) Invite the Community Care Fund (CCF) to introduce pilot schemes to provide a living allowance for low-income carers of persons with disabilities, raising the maximum level of disregarded earnings for recipients with disabilities under the CSSA Scheme, and providing an additional grant for eligible recipients of higher Disability Allowance who are in paid employment. The Labour Department will invite NGO(s) to assist in following up the employment support provided for job seekers with disabilities.

155. The Government will continue to increase manpower to better implement and monitor rehabilitation services. It will provide additional service places, increase the number of places purchased under the Bought Place Scheme from private residential care homes for persons with disabilities, raise subventions for visiting medical practitioners to enhance the primary medical service for users of residential care homes, and provide additional Rehabuses and replace the old ones.

Children with Special Needs

156. The Pilot Scheme on On-site Pre-school Rehabilitation Services introduced in 2015-16 provides timely support for children waitlisted for services. The Government has approved the provision of over 2 900 on-site service places by 16 NGOs for more than 450 kindergartens or child care centres.

157. To fulfil the performance pledge of providing assessment and professional diagnosis within six months, the Department of Health will set up an additional Child Assessment Centre. The Government will also increase the training hours for those children on the waiting list for special child care centres.

158. Some middle-income parents are concerned that after their passing, the care for their children with special needs, particularly those with intellectual disabilities, would be upset. The Labour and Welfare Bureau will establish a working group to explore the feasibility of setting up a public trust and review the related guardianship system, with a view to providing affordable services.

Family Services

159. The Government is conducting a public consultation on the legislative proposal for Parental Responsibility Model. By implementing measures such as a pilot project on children contact service, it will promote the continuing parental responsibility of divorced parents towards their children.

160. The Government will give better support to victims of domestic violence and families in need by providing additional places in refuge centres for women and the Family Crisis Support Centre and increasing their resources.

Social Welfare Planning and Human Resources in Care Services

161. The Government is actively implementing the Special Scheme on Privately Owned Sites for Welfare Uses under which five projects are expected to provide about 240 additional elderly service places and about 450 additional subvented rehabilitation service places by 2017-18.

162. The Government has launched the Navigation Scheme for Young Persons in Care Services to offer employment and training opportunities to young persons interested in providing care services in the welfare sector. A total of 1 000 training places will be provided in stages by five NGOs.

VII. Responding to Population Ageing

163. The proportion of elderly population aged 65 or above will increase from 15%, or 1.07 million, in 2014 to 36%, or 2.58 million, in 2064. At the same time, our labour force will decrease continuously from 3.6 million in 2014 to 3.11 million in 2064.

164. The Government is tackling ageing population in five ways, namely unleashing the potential of the local labour force, nurturing local manpower, attracting talent from outside Hong Kong, fostering a supportive environment to form a family, and active ageing. Apart from the package of measures announced in my last Policy Address, I propose to make greater efforts attracting talent and building an age-friendly environment.

Attracting Talent to Work in Hong Kong

165. The Government has launched a number of measures to refine the existing talent admission arrangements. The pilot scheme to facilitate the return of the second generation of Hong Kong emigrants for employment has been well received. The Government plans to set up a dedicated information platform for the second generation of Hong Kong emigrants, Hong Kong students educated in overseas tertiary institutions and overseas professionals to provide them with employment information.

Building an Age-friendly Environment

166. An ageing population will bring extra financial burden to the areas of retirement protection, medical care and elderly services. The Commission on Poverty is collecting public views on improving retirement protection, and the Elderly Commission has started to plan elderly services in the medium and long term. The Government has also drawn up a blueprint for hospital development.

167. Elderly people of the new generation will be healthier, more energetic and better educated. They are fully capable of making further contributions to the community. The

Government will make continuous efforts to develop Hong Kong into an age-friendly city and promote active ageing.

Providing the Elderly with Safe and Easy Access

168. The Government is progressively enhancing barrier-free access facilities at public walkways under the Universal Accessibility Programme. Having completed more than 20 projects, the Government will press ahead with the remainder of about 180 projects in all 18 districts, including the three priority projects identified by each District Council (DC). It is expected that about 80% of the projects will be completed in phases within three years. From the fourth quarter of this year, the Government will again invite the DCs to further nominate not more than three existing walkways in each district for the second phase of the programme. The walkways eligible for consideration by the DCs will no longer be confined to public walkways maintained by the Highways Department, provided that certain criteria are met.

169. Slopes and staircases are a common sight in Hong Kong. The Government will strive to take forward in the fourth quarter of this year the construction of three lift and pedestrian walkway systems in Tsing Yi, Kwai Chung and Kowloon City, and build an elevated walkway in Tseung Kwan O and a footbridge in Tsuen Wan to provide convenient access for the public.

170. The Government will invite DCs to nominate suitable major walkways on which covers are to be provided. It is expected that construction will begin in 2018. The Government will also examine the use of information technology to allow longer pedestrian green time at road junctions for the elderly and the needy. Moreover, a new interface and new functions will be introduced to the HKeTransport app of the Transport Department to make it more age-friendly.

Additional Outdoor Seating and Other Facilities for the Elderly

171. The Government will provide additional chairs or priority seats for the elderly in existing public facilities such as markets, swimming pools and sports centres, and incorporate more age-friendly design when planning and constructing new public space and facilities.

172. Apart from fitting public toilets with non-slip surfaces, auto-sensor water taps and handrails according to prevailing design standards, the Government will install additional age-friendly facilities where practicable, and consider providing larger toilet compartments in newly-built public toilets for priority use by elderly people.

Providing a Safe and Comfortable Home Environment for the Elderly

173. Currently, around 40% of the elderly live in PRH estates. Over the years, a universal design has been adopted for newly-built PRH units, which includes widening the flat entrance, kitchen and bathroom doors, as well as using safer materials such as non-slip floor tiles. Hence, residents can safely live in the same flat even in their old age. For eligible elderly tenants living in old PRH blocks, the Housing Authority will modify the facilities of their flats to cater for their needs.

174. The HKHS is implementing the Elderly Safe Living Scheme in five districts, including Wan Chai, Yau Tsim Mong and Sham Shui Po, to give advice to elderly people living in private buildings on ways to enhance home safety. HKHS occupational therapists will pay home visits to assess and advise on the home environment and health conditions of the elderly. The services offered under the scheme are free of charge, and elderly owners can decide whether or not to engage a contractor to carry out the proposed works. Eligible elderly owners who cannot afford the maintenance costs may apply for a maximum grant of \$40,000 under the Building Maintenance Grant Scheme for Elderly Owners.

175. The Housing Authority also plans to increase the provision of recreational facilities for the elderly in PRH estates with more elderly residents, or change the use or design of public space in those estates to meet tenants' needs. After reviewing their effectiveness, the Housing Authority will extend the arrangements to other estates.

Design Manual and Long-term Planning to Meet the Needs of the Elderly

176. Most of the above-mentioned facilities catering for the abilities and daily needs of the elderly have been included in dedicated chapters of the Design Manual. The manual serves as a guideline on top of statutory provisions to encourage private property developers to create a more pleasant and safer environment for the elderly. The Buildings Department will from time to time review the Design Manual and recommend updates for the reference of different sectors.

177. The study "Hong Kong 2030+" will examine the impact of the increasing elderly population on land demand for housing, healthcare services and elderly care facilities, and explore, based on the age-friendly criteria, ways to plan the indoor and outdoor environment to cater for the housing and activity needs of elders. The Government will continue to reserve sites for elderly care facilities.

Digital Inclusion

178. To help elderly people integrate in an increasingly digital world, the Government has financed the development of the eElderly website providing information about elderly services. The Government also promotes the adoption of barrier-free website design and mobile apps by public and private sectors for the convenience of the elderly. Funding has been provided for developing mobile apps to offer cognitive training for elderly people suffering from dementia and to help the elderly search for information on activities available.

Cross-sectoral Collaboration

179. The Government will join forces with other organisations, such as the Hong Kong Jockey Club and the DCs, to address the demands of the elderly. In the coming year, additional resources will be provided for DCs to promote the building of age-friendly communities at the district level.

Labour

180. The Standard Working Hours Committee completed an extensive public consultation exercise and a comprehensive survey on working hours in 2014. With reference to the findings of these two exercises, the committee will conduct a second round consultation shortly and submit a report as soon as possible.

181. The Government has provided about 1 200 additional places of extended hours service in child care centres for children aged below six. Resources were also allocated to over 300 aided standalone child care centres and occasional child care service units to enhance supervisory and administrative support. This will help unleash the working potential of women.

Women

182. Following the extensive application to their work of the Gender Mainstreaming Checklist by government bureaux and departments, the Government will implement a pilot scheme to encourage NGOs in the social welfare sector to refer to the checklist and apply gender mainstreaming when formulating policies and programmes.

VIII. Education and Youth Development

Youth Development

183. The Government attaches great importance to youth development and strives to provide ample and diverse chances for young people to pursue further studies and training, better equip themselves and broaden their horizons. This will help them seize the opportunities brought by social and economic development and achieve upward mobility.

184. The Government has developed different platforms to provide development opportunities for young people with different aspirations. In the past few years, the Government launched an array of new measures to support the diversified development of young people, such as the Multi-faceted Excellence Scholarship and the Funding Scheme for Youth Life Planning Activities, a substantial increase in recurrent subvention for youth uniformed groups, and additional resources to expand the Funding Scheme for Youth Exchange in the Mainland and the Funding Scheme for Youth Internship in the Mainland. Moreover, the Government will continue to take forward the Youth Hostel Scheme, such that some young people may have their own living space.

185. The first batch of students awarded the Multi-faceted Excellence Scholarship was admitted to various tertiary institutions last September. Following completion of the preparatory work, the Youth Development Fund will be launched after funding approval is given by this Council. The fund will mainly help, on a matching basis, young people who want to start their own business.

186. The Government will continue to increase the quotas of the Funding Scheme for Youth Internship in the Mainland, and will work with NGOs and tertiary institutions to improve the scheme.

187. The Police will adopt a host of measures to enhance the Junior Police Call and youth work, including the setting up of a Junior Police Call Permanent Activity Centre and Integrated Youth Training Camp at Pat Heung. The centre is expected to start operation next year and will provide services for Junior Police Call members, students, youth organisations, ethnic minorities and Senior Police Call members. In addition, the Police plan to increase the number of school liaison officers.

Kindergarten Education

188. The Government has decided to implement a free quality kindergarten education policy from the 2017/18 school year to improve the quality of kindergarten education in various aspects through the following measures:

- (i) Provide eligible local non-profit-making kindergartens with a basic subsidy for a three-year quality half-day service for all eligible children. It is estimated that about 70% to 80% of the places in half-day kindergartens will become free-of-charge. The estimate is based on a number of assumptions. For instance, that kindergartens recruit teachers at the recommended teacher-pupil ratio of 1:11; that Government funding other than that used for paying teachers' salaries and provided as specific subvention is used in a flexible way; and that rental expenses of kindergartens remain stable at the current level. The Government will also provide an additional subsidy for eligible whole-day and long whole-day kindergartens, and revise the planning standards to offer more whole-day places progressively;
- (ii) Further improve the teacher-pupil ratio to 1:11 to strengthen support for students with diverse needs, and encourage kindergartens to establish a career ladder and provide competitive remuneration to attract and retain quality teaching staff;

- (iii) Review the Guide to the Pre-primary Curriculum, taking into consideration the experience of learning and teaching in kindergartens and societal needs;
- (iv) Refine the Quality Assurance Framework; enhance the governance and transparency of kindergartens; and step up the Government's monitoring efforts;
- (v) Strengthen support for needy students, non-Chinese speaking students and students with diverse learning needs;
- (vi) Enhance parent engagement and parent education; and
- (vii) Improve school premises and facilities and explore feasible measures to increase kindergarten premises in the long run.

189. Before the new policy is implemented, I will invite the CCF to consider providing a one-off grant for kindergarten students from needy families in the 2016/17 school year to cover their school-related expenses.

Primary and Secondary Education

190. The Government will continue to provide financial support for public sector primary and secondary schools to set up Wi-Fi infrastructure in campuses and procure mobile computing devices. Related works at half of the public sector schools in Hong Kong have been completed.

191. The New Academic Structure Medium-term Review at senior secondary level has been completed and the Government will actively promote life planning education. To enhance the implementation of the senior secondary curriculum, and strengthen life planning education and related guidance services, schools may turn the existing Senior Secondary Curriculum Support Grant as well as Career and Life Planning Grant into regular teaching posts from the 2016/17 school year. This will provide about 1 000 additional teaching posts at the Graduate

Master/Mistress rank. We will review the implementation of the measures in schools in the next two school years.

192. To address the temporary decline in the number of secondary school students, the Government has introduced a basket of targeted relief measures to help stabilise the teaching force. The measures aim at maintaining the stability and strength of schools as well as the teaching force during this transitional period. To stabilise secondary school development before a gradual rebound of the student population, the Government will continue to provide relief measures, such as allowing schools to extend the retention period of surplus teachers arising from fewer secondary one classes from one year to three years. To further stabilise the teaching force, aided secondary schools in need may apply to extend the retention period for these surplus teachers up to the 2017/18 school year. Around 130 teachers in 30 schools will be involved.

193. To cultivate more talent, the Government proposes to set up an \$800 million Gifted Education Fund for supporting the Hong Kong Academy for Gifted Education's work in nurturing exceptionally gifted students aged between 10 and 18. Meanwhile, the Education Bureau will continue to implement school-based gifted education programmes, which include training for principals and teachers in primary and secondary schools, and establishment of school networks for practices and experience sharing.

194. The Government will further enhance the School-based Educational Psychology Service by progressively improving the ratio of educational psychologist to school to 1:4 for public sector primary and secondary schools with a large number of students with such needs.

Vocational and Post-secondary Education

195. The Education Bureau will advance its review of ways to extend the scope of the subsidy of the Mainland University Study

Subsidy Scheme, with a view to assisting more students with financial needs to pursue further studies in the Mainland.

196. As pointed out in my previous two Policy Addresses, young people can develop their interests and realise their potential through vocational education. The Government has accepted all the recommendations of the Task Force on Promotion of Vocational Education and will actively consider how to implement them. The recommendations include fully subsidising Applied Learning courses by secondary schools, extending the Pilot Training and Support Scheme to benefit two more cohorts of 2 000 students in total, and supporting major vocational and professional education and training providers to organise large-scale skills competitions to select representatives of Hong Kong to take part in world skills competitions.

197. The Government will earmark a site in the urban district to develop a Vocational Training Council campus with adequate capacity and state-of-the-art facilities.

IX. Environmental Protection and Conservation

Air Quality

198. From 2010 to 2015, air quality has improved considerably. The average ambient and roadside concentrations of major air pollutants, including nitrogen dioxide, sulphur dioxide and respirable suspended particulates, saw drops ranging from 12% to 25%, though that of ozone increased due to the regional smog problem. The Government will proceed with the review of the Air Quality Objectives within this year.

199. Co-operation with the Mainland will be strengthened. The focus will be on designating an emission control area in the waters of the Pearl River Delta, reducing emissions from marine vessels, monitoring air quality, and studying the formation and control of ozone and fine suspended particulates.

Water Quality of Victoria Harbour

200. The Harbour Area Treatment Scheme Stage 2A has been completed, and overall water quality has improved further. In the past year, the biochemical oxygen demand decreased by 20% and the level of *Escherichia coli* decreased by 74%. The Government will undertake a study on ways to further tackle the problem of pollution and odour nuisance caused by the discharge of urban residual pollutants into urban coastal waters, as part of our efforts to promote a water-friendly culture. The target is to complete the study in two years. At the same time, the Government is preparing for the construction of dry weather flow interceptors and the rehabilitation of trunk sewers in Kowloon and Tsuen Wan to reduce residual pollution discharge along the shore of Victoria Harbour as soon as possible. Furthermore, a pilot scheme will be implemented to establish angling zones in venues under management of the Leisure and Cultural Services Department (LCSD).

Climate Change and Energy

201. The Paris Climate Conference held last month achieved positive outcomes by laying down a clear direction and objectives for global co-operation to address climate change. To this end, the Government will take forward mitigation measures proactively and has published the Hong Kong Climate Change Report 2015. The Chief Secretary for Administration will chair an inter-departmental committee to steer and co-ordinate the implementation work.

202. The Energy Saving Plan for Hong Kong's Built Environment 2015~2025+ has set a new target of reducing energy intensity by 40% by 2025. The Environment Bureau will expand the scope of the Mandatory Energy Efficiency Labelling Scheme to cover more electrical appliances and promote low-carbon living in the community.

203. The Government will discuss with the power companies the new Scheme of Control Agreements to improve the regulatory arrangements, so as to enhance energy efficiency and promote the development of renewable energy.

Electric Vehicles

204. Electric vehicles have zero tail-pipe emission, and their wider use will reduce roadside air pollution. The number of electric vehicles has increased from less than 100 at the end of 2010 to nearly 4 000 now.

205. The Government will focus its efforts in promoting the use of electric vehicles in the public transport system, and has been working with the franchised bus companies to conduct trial runs of 36 electric single-deck buses within this year. The Government will also upgrade more public chargers to medium-speed chargers, and support property management companies to install more charging facilities.

Nature Conservation

206. The Government is now consulting the public on the formulation of the first Biodiversity Strategy and Action Plan for Hong Kong, with a view to implementing enhanced measures on nature conservation and supporting sustainable development in the coming years. The Government has earmarked additional resources to take forward the relevant initiatives, which include promoting awareness and knowledge of biodiversity among stakeholders and the general public, enhancing conservation of ecologically important areas and species, carrying out studies on biodiversity, and monitoring the biodiversity trends.

207. The Government is very concerned about the illegal poaching of elephants in Africa. It will kick start legislative procedures as soon as possible to ban the import and export of elephant hunting trophies and actively explore other appropriate measures, such as enacting legislation to further ban the import and export of ivory and phase out the local ivory trade, and imposing heavier penalties on smuggling and illegal trading of endangered species. Meanwhile, the Government will strengthen enforcement and take rigorous action against the smuggling and illegal trade in ivory.

Waste Management

208. The Government has been pressing ahead with a number of initiatives in accordance with Hong Kong: Blueprint for Sustainable Use of Resources. Launched in October last year, the Recycling Fund helps upgrade the operational capabilities of the recycling industry. In parallel with a clean recycling campaign rolled out at the community level and the implementation of Community Green Stations in phases, the Government is vigorously taking forward projects relating to environmental infrastructure and waste-to-energy facilities, along with the extension programmes of landfills.

209. Apart from constructing new facilities, the Government is exploring the use of existing sewage treatment works facilities for

food waste/sewage sludge anaerobic co-digestion as an additional part of the network of organic waste treatment facilities to help raise the food waste treatment capability. A pilot trial will be run to confirm the technical feasibility and installation requirements, and preparations will start this year. The Government will also study the planning of future waste management and transfer facilities. Based on the concepts of a circular economy and “smart city”, the study will determine the additional waste facilities and technologies needed up to 2041 to support sustainable development.

210. To reduce waste, the Government will proactively introduce a quantity-based charging scheme for municipal solid waste. In addition to the drafting of legislation, the Government is now pursuing measures complementary to the charging scheme. The Environmental and Conservation Fund has earmarked \$50 million to fund community involvement programmes to prepare the community for the implementation of the charging scheme.

211. The Government is now reviewing the Construction Waste Disposal Charging Scheme and will explore the direction for long-term development, including the scheme’s interface with municipal solid waste charging. The Government has put forward a proposal to raise charges to achieve full-cost recovery as soon as practicable, and will introduce legislative proposals accordingly.

212. Under A Food Waste and Yard Waste Plan for Hong Kong 2014-2022, the Government will take forward the phase two project of the Organic Waste Treatment Facilities as soon as possible, and will carry out tender preparation work this year. Government departments will continue to reduce, reuse and recycle yard waste in different stages of their greening efforts.

213. The Government will step up efforts to mobilise the community to engage in the food wise culture and implement the Food Wise Eateries Scheme to reduce food waste at source. Support will be enhanced for NGOs collecting surplus food and redistributing it to those in need, with a view to achieving the

dual goal of caring for the needy and waste reduction. The Food Waste Recycling Projects in Housing Estates will continue to raise residents' awareness and participation.

214. The Government will press ahead with the two producer responsibility schemes on waste electrical and electronic equipment and glass beverage containers respectively. We will draw on our experience and study the possibility of implementing producer responsibility schemes on other products.

215. To prevent the illegal processing of waste cooking oils into edible oils, the Government will introduce administrative measures to regulate the recycling of waste cooking oils. Collectors, disposers and exporters of waste cooking oils will be required to register and keep transaction records. The Government also plans to amend the Waste Disposal Ordinance to strengthen regulatory control.

Light Pollution

216. The Government will launch the Charter on External Lighting to encourage switching off at a preset time lights for decorative, promotional or advertising purposes that affect the outdoor environment.

Heritage Conservation

217. The Government will continue to provide statutory protection for 111 monuments. Moreover, batch V projects under the Revitalising Historic Buildings Through Partnership Scheme will be launched this year.

218. In the past few years, the Government secured the consent of the owners concerned to conserve 12 privately-owned historic buildings. We encourage more private owners to conserve and revitalise their buildings. In this connection, the Government has recently refined the Financial Assistance for Maintenance Scheme for privately-owned graded historic

buildings to attract more owners to apply for assistance to carry out maintenance works.

219. The Government will earmark \$500 million to implement recommendations of the Antiquities Advisory Board in its review of the built heritage conservation policy to establish a dedicated fund for the conservation of built heritage. The fund will provide subsidies for public education, community involvement and publicity activities and academic research. It will also cover certain existing government initiatives and activities on built heritage conservation.

X. Healthcare

Public Healthcare Services

220. An ageing population puts tremendous pressure on our healthcare services. This year, the HA will strive to provide about 230 additional hospital beds, and increase operating theatre sessions, quotas for general out-patient consultation, places for endoscopy examination and provision of emergency surgical service this year.

Ten-year Blueprint for Hospital Development

221. To meet new demand and improve existing services, the Government has worked with the HA to devise an overall hospital development plan, and \$200 billion will be used to implement the plan in the next ten years.

222. Tin Shui Wai Hospital and the Hong Kong Children's Hospital are expected to be completed in 2016 and 2017 respectively. Apart from projects that have commenced, namely the redevelopment of Kwong Wah Hospital, Queen Mary Hospital and United Christian Hospital, and stage one construction of an acute general hospital in the Kai Tak Development Area, the hospital development plan for the coming decade also includes stage two construction of the acute general hospital in the Kai Tak Development Area, and the redevelopment or expansion projects of the Tuen Mun Hospital Operating Theatre Block, Haven of Hope Hospital, Prince of Wales Hospital, Kwai Chung Hospital, North District Hospital, Princess Margaret Hospital Lai King Building, Grantham Hospital and Our Lady of Maryknoll Hospital. The above projects will provide some 5 000 additional public hospital beds and over 90 new operating theatres.

223. The Government puts much emphasis on putting in place major hospitals to offer one-stop and multi-disciplinary healthcare services to the public. According to the plan, the acute general hospital in the Kai Tak Development Area will provide

around 2 400 beds. Together with the 468-bed Hong Kong Children's Hospital, the two will form a large state-of-the-art medical centre. This is another large-scale medical institute since the completion of Pamela Youde Nethersole Eastern Hospital in 1993, which signifies our commitment to public healthcare services.

Ambulatory Services

224. An ageing population will lead to increased prevalence of chronic diseases. The HA will progressively strengthen ambulatory services, including making plans to construct ambulatory care centres and large day hospitals, which will provide more facilities such as those for day surgery, rehabilitation, endoscopy, diagnostic radiology and laboratory services. Patients who receive diagnosis and treatment in hospitals in the daytime and return home to recuperate can stay connected with their family and the community. This is beneficial to their recovery and hospital beds to be used for serving patients in need.

Primary Care

225. We should begin with preventive care and encourage our people to pay attention to personal health. We should make good use of community resources to improve healthcare services. The Department of Health has devised reference frameworks for healthcare personnel and patients on diabetes, hypertension and preventive care for children and elderly people. It has also established the Primary Care Directory, an electronic database to facilitate the public in their search for healthcare services. The Government has proposed allocating \$10 billion to the HA to set up an endowment fund to generate investment returns for regularising and enhancing pilot clinical public-private partnership (PPP) programmes, as well as develop new clinical PPP initiatives. The Health and Medical Development Advisory Committee will focus on ways to further promote primary care to ensure the long-term sustainability of the public healthcare system.

226. The Government will invite the CCF to consider a pilot scheme for providing teenage girls from eligible low-income families with a free cervical cancer vaccination.

Mental Health

227. In accordance with the preliminary recommendations of the Review Committee on Mental Health, the HA will continue to allocate additional resources to provide new generation psychiatric drugs and strengthen manpower for enhancing psychiatric in-patient and out-patient services. In addition, the HA and Social Welfare Department will launch a two-year pilot scheme to provide services for elderly persons with mild or mild to moderate dementia through medical-social collaboration at District Elderly Community Centres. The scheme aims to reduce the waiting time for HA assessment and specialist services, and enhance community care services for dementia patients.

Implementing the Recommendations of the Review of the Hospital Authority

228. The Steering Committee on Review of Hospital Authority put forward 10 major recommendations in its report published in mid-2015. With the introduction of measures such as refining the delineation of cluster boundary and resource allocation model, the waiting time of patients will be shortened and the HA will be better prepared for challenges such as an ageing population and increased prevalence of chronic diseases. The Government has earmarked an additional one-off provision of over \$1.1 billion for three years starting from this year to facilitate implementation of the recommendations.

Public Health

Combating Seasonal Influenza

229. The Government has expanded on a pilot basis in 2015-16 the scope of the Government Vaccination Programme and the Vaccination Subsidy Schemes to cover persons with intellectual

disabilities and elderly people aged 65 or above. The measures will be regularised in 2016-17.

Tackling the Threat of Antimicrobial Resistance

230. Antimicrobial resistance poses a major threat to global public health. The Government will set up a high-level steering committee to formulate strategies in collaboration with the relevant sectors to tackle the threat.

Tobacco Control and Smoking Cessation Services

231. The Government will step up inspection in statutory no-smoking areas, enhance smoking cessation services and consider the regulation of electronic cigarettes through legislation. It will also strengthen public education on the potential harm of electronic cigarettes.

Chinese Medicine

232. Traditional Chinese medicine is of great value and has been making significant contributions to the health of mankind. The award of the 2015 Nobel Prize in Medicine to Ms Tu Youyou has shown the world that the knowledge and theories of traditional Chinese medicine can be taken to a new level through the application of modern science and technology. Built on a solid foundation, the practice of Chinese medicine in Hong Kong is blessed with an internationally recognised regulatory regime and close connections with world-class research institutions and experts. The Government is determined to develop Hong Kong into a regional innovation hub in the area of technologies and their application. Therefore, Hong Kong is well prepared to further the development of Chinese medicine.

233. The Chinese Medicine Development Committee set up by the current-term Government has put forward plans for the development of Chinese medicine in four major areas, namely Chinese medicine services, personnel training and professional development, research and development and the Chinese medicines industry. The Government has been implementing the

committee's recommendations in phases, including the launch of the Integrated Chinese-Western Medicine Pilot Project by the HA and the planning and establishment of a testing centre for Chinese medicines to be administered by the Department of Health.

234. The Government has reserved a site in Tseung Kwan O to develop a Chinese medicine hospital. It has also completed the compilation of Hong Kong Chinese Materia Medica Standards for about 230 Chinese materia medica commonly used in Hong Kong, and will launch a pilot study on the standard setting for Chinese medicines decoction pieces.

Healthcare Reform

Healthcare Manpower Planning and Professional Development

235. To maintain quality healthcare services and to ensure the sustainable development of the services, the Government will soon complete the strategic review of healthcare manpower planning and professional development and implement the recommendations in phases. This will serve to meet the future demand and keep the regulatory regimes for healthcare professions in pace with the times.

236. Based on the preliminary results of the strategic review, the Government will increase the number of publicly-funded degree places in medicine, dentistry and other healthcare disciplines by 50, 20 and 68 respectively in the 2016/17 to 2018/19 triennium. It will gradually implement other regulatory proposals including launching a voluntary accredited registers scheme for supplementary healthcare professions.

237. The Government plans to introduce a bill to this Council in the first quarter of this year for amending the Medical Registration Ordinance, which will cover, among other things, the proposal made by a Legislative Council Member to increase by four the number of lay members appointed to the Medical Council of Hong Kong (MCHK). The proposed increase aims at

improving the MCHK's mechanism for complaint investigation and disciplinary inquiry. Moreover, the Government will review the organisation structure of the MCHK in detail to ensure that there is sufficient professional representation and public engagement, and to enhance its administrative flexibility in admitting non-locally trained professionals to meet local demand.

Regulation of Private Healthcare Facilities

238. The Government will tighten the regulation of private healthcare facilities by establishing a new regulatory regime through legislation to ensure patient safety and protect consumer rights.

Voluntary Health Insurance Scheme

239. The Government will prepare to implement the Voluntary Health Insurance Scheme, including setting the minimum requirements for insurance products, drafting standardised policy terms and conditions and planning for the migration of existing policies.

Electronic Health Record Sharing

240. The Electronic Health Record Sharing System, which promotes co-operation between the public and private sectors, will be commissioned early this year. The second stage of the programme will also commence in due course. Tentatively, the project will cover sharing of radiological images and expansion of the sharable scope of data.

XI. Culture, Leisure and Municipal Services

Culture, Recreation and Sport

241. The Government continues to press ahead with the West Kowloon Cultural District project. The Nursery Park was open to the public last year. The Government will launch a \$300 million Art Development Matching Grants Pilot Scheme, under which the amount of private donation and sponsorship secured by local art groups will be matched by grants.

242. The month-long free museum admission under the “Appreciate Hong Kong” Campaign has been well received by the public. The Government has decided to make free admission to the permanent exhibitions of designated LCSD museums a standing practice.

243. I have decided to implement the proposal in my Manifesto and appoint the Deputy Secretary for Home Affairs responsible for sports policies as the Commissioner for Sports to co-ordinate cross-bureau or cross-departmental sports initiatives.

244. Commenced in last August, the detailed preparatory works for the Multi-purpose Sports Complex at Kai Tak are expected to be completed next year.

245. The Government will formulate a career programme for retired athletes, under which schools and national sports associations will be subsidised and encouraged to employ retired athletes. This will help the athletes build a solid foundation for their career plans and future development, and assist schools and national sports associations in promoting sport and nurture sporting talent.

Municipal Services

246. Many public markets are in prime locations, but their management mode and facilities are outdated. The Government

is actively following up on improvement works in several public markets to enhance their competitiveness. It will also formulate plans to improve, alter the use of or vacate individual public markets and cooked food centres.

247. Our society has been beset with problems relating to the supply and management of columbaria for years. The Government has secured the support of DCs for the proposed provision of about 450 000 new niches. It will continue to consult the DCs on new projects to secure the supply of public niches for the next 15 years. The Government will endeavour to promote green burials in the long run. On the management front, it is rendering full support to the Bills Committee in the scrutiny of the Private Columbaria Bill, with the aim of passing the bill within the current legislative year to facilitate early implementation of a licensing scheme.

XII. District Administration and Governance

District Administration

248. The DC election was conducted last November. From this term, all DC appointed seats have been abolished, and the number of DC elected seats has increased by 19 to 431. The Government looks forward to fully co-operating with the DCs in their new term of office in serving the community.

249. Under the pilot scheme implemented in Sham Shui Po and Yuen Long, the District Management Committees chaired by District Officers were given the power to address certain management and environmental hygiene problems of public areas and the DCs would advise on the work priorities. The scheme was completed in August last year with satisfactory results. The Government suggests implementing the District-led Actions Scheme in all 18 districts to further take forward the concept of “addressing district issues at the local level and capitalising on local opportunities”. The District Officers of various districts will consult the new-term DCs, and the District Management Committees will decide on the specific details of the scheme, working together to address the issues requiring immediate attention in their districts.

250. Funding approval has been given to some of the 27 projects proposed by the 18 DCs under the Signature Project Scheme. The Government hopes that funding approval will be granted by this Council for early implementation of the remaining projects so as to address district needs.

Law and Order

251. The fact that Hong Kong is one of the safest cities in the world is attributed to our disciplined services, which are strongly committed to their duties. They deserve the public’s support and collaboration. Security is now an issue of global concern. As a

highly international and open city, Hong Kong must remain vigilant against potential dangers here and abroad.

252. The Government will conduct a comprehensive review of the strategy of handling non-refoulement claims, including a review of the Immigration Ordinance. We will expedite screening of claims to address various acute problems such as illegal immigration and overstaying.

The Civil Service

253. I wish to extend my heartfelt gratitude to our civil servants for their professionalism, dedication, full support and collaboration, which have facilitated effective governance in serving the community.

254. To establish and consolidate a new form of partnership with the civil service, all politically appointed officials under the accountability system and I maintain close liaison with various civil service organisations. Regular visits to departments are also made by Secretaries of Departments and Directors of Bureaux to enhance communication. These help us better understand the work and views of our frontline colleagues. Suitable training will be provided for them to ensure that public services keep pace with the times. In addition, the Government will proceed with the planning for a new Families Clinic and enhance the specialist dental service for civil service eligible persons.

XIII. Conclusion

255. Mr President, Honourable Members and fellow citizens, over the past year, in line with the concept of seeking change while maintaining overall stability, the current-term Government has continued to work with the community to improve Hong Kong's social and economic development. Our concerted efforts have born fruits. In the year ahead, to make the best use of the new opportunities arising from the 13th Five-Year Plan, the Belt and Road Initiative as well as innovation and technology, all of us must join forces to work for the short, medium and long-term development of Hong Kong.

256. Though highly developed, as an export-dependent small and open economy, Hong Kong is vulnerable to external changes. We must therefore stay vigilant and take precautions to deal with fluctuations in the external environment.

257. In the coming year, the Government and the whole community will need to reach a consensus on a number of major labour relations issues and the direction of social security. In the process, the Government and I will do our best to promote mutual understanding among all sectors and all walks of life. I hope that the efforts we make will benefit all parties and enhance social harmony and stability.

258. The Government will continue to uphold Hong Kong's core values such as human rights, freedom, democracy, the rule of law and clean governance. It will fully and faithfully implement the principles of "one country, two systems", "Hong Kong people administering Hong Kong" and a high degree of autonomy in accordance with the Basic Law.

259. Hong Kong enjoys unique advantages in economic development. We must have confidence, work hard and capitalise on the opportunities presented to us. The theme of my Policy Address this year is "Innovate for the Economy Improve Livelihood Foster Harmony Share Prosperity". As long as we stand united and seize each and every opportunity to implement various initiatives and proposals, we will have new and stronger

impetus for economic growth, our people's living quality will continue to improve and the community will become more harmonious. People from all walks of life will be able to share the fruits of prosperity.

260. Lastly, I wish to extend my gratitude to all politically appointed officials and our civil servants for their diligence and dedication. My thanks also go to the Executive Council, this Council, statutory and advisory bodies as well as members of the public for all their support and co-operation.

261. Thank you.