

Uphold the Rule of Law Seize the Opportunities Make the Right Choices

Pursue Democracy
Boost the Economy
Improve People's Livelihood

Report on the Work of the Current-term Government in its Third Year

June 2015



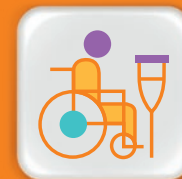
Economy



Housing and Land



Transport



Poverty Alleviation,
Elderly Care and
Support for
the Disadvantaged



Optimising Our Population
for the Future



Youth Education
and Development



Environmental
Protection and
Conservation



Healthcare



Culture, Leisure and
Municipal Services



Constitutional
Development and
District Administration



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Foreword



In the third year, the current-term Government continues to make solid progress in its work. This is my third Report to the people of Hong Kong.

The three major missions of the current-term Government are developing the economy, improving people's livelihood and promoting democracy. On the economy, the HKSAR Government is making relentless efforts to strengthen the established industries, assist the emerging industries and diversify the economic base. In the past year, the Shanghai-Hong Kong Stock Connect was launched, and Hong Kong agreed with the Mainland to implement the mutual recognition of funds. Guangdong Province has implemented the basic liberalisation of trade in services with Hong Kong. We have also decided to build a third runway for our airport. All these are major initiatives to boost the economy now and for the future. In the past year, the economy was generally performing well, and the Government recorded a handsome fiscal surplus that could be ploughed back to society.

On the livelihood front, the Government has announced the Long Term Housing Strategy last year, and has continued to increase housing land supply by multiple means. The increased land supply after the current-term Government assumed office is turning into notably larger housing production. The completions of private domestic units next year is estimated to be a record high for 10 years, and is higher than the average annual production of the past 10 years by about 70%, addressing the serious shortage that has built up over a long time. Our efforts on poverty alleviation are also beginning to show results, with a smaller number of people living below the poverty line. Government Public Transport Fare Concession Scheme has been extended to green minibuses by phases. The Government is also taking a series of measures to handle the challenges posed by the aging population and shrinking workforce.

Opportunities abound for the economy of Hong Kong, and we must seize them. Hong Kong is also facing a host of challenges, and the community must come together in response. After finishing the work on the method of selecting the Chief Executive in 2017, the HKSAR Government will concentrate on addressing the issues of the economy and people's livelihood, and continue to increase housing supply and step up alleviating poverty. We will build a firmer basis for the economy and society of Hong Kong to prosper.

I am grateful for the support of the political team, civil servants and society at large for their support in the past year, and I look forward to working together with all in Hong Kong in the forthcoming year for a brighter future.

C Y Leung
Chief Executive

Economy



- Sustained economic growth and development is crucial to the improvement of people's livelihood. It provides not only job opportunities to and raises the living standard of our citizens, but also provides fiscal resources necessary for enhancing social services.
- Gross Domestic Product (GDP) expanded by 2.1% in real terms year-on-year in the first quarter of 2015. The economy is in a state of full employment, with the unemployment rate staying at a low level of 3.2%. Underlying consumer price inflation eased to 2.6% in the first five months of 2015.
- The financial services industry is one of the pillars of Hong Kong's economic development. It constitutes about 16.5% of Hong Kong's GDP. We see profound development potential in the financial services industry. As long as Hong Kong continues to capitalise on the combined advantages of "One Country, Two Systems", i.e. with the staunch support of the Country and the legal and financial systems different from those of the Mainland, and leverage Hong Kong's unique role as the "super-connector" between the Mainland and the rest of the world, we will be able to further enhance Hong Kong's status as China's international financial centre.
- Our financial services industry has continued to develop and thrive. Launched in November 2014, Shanghai-Hong Kong Stock Connect enables eligible individual and institutional investors in one market to participate in cross-border transactions with the other market. Shanghai-Hong Kong Stock Connect has been operating smoothly since its launch. It represents a milestone in the establishment of mutual access between the two capital markets. To move towards fuller mutual access for the capital markets of the two places, we have discussed with the relevant authorities of the Central Government the launch of Shenzhen-Hong Kong Stock Connect and the enhancement of Shanghai-Hong Kong Stock Connect. The launch of Shanghai-Hong Kong Stock Connect has further enhanced the liquidity of the offshore Reminbi (RMB) market in Hong Kong and reinforced Hong Kong's position as the global offshore RMB business hub. As at end-April 2015, RMB deposits and outstanding RMB certificates of deposit totalled RMB 1,070.9 billion, accounting for about 50% to 60% of the global offshore pool of RMB liquidity. In the first four months of 2015, RMB trade settlement conducted through Hong Kong amounted to RMB 2,110.4 billion, an increase of 8% over the same period last year. In the first quarter of 2015, the average daily turnover on Hong Kong's RMB Real Time Gross Settlement system amounted to about RMB 880 billion.
- The Hong Kong Securities and Futures Commission and the China Securities Regulatory Commission signed in May 2015 a Memorandum of Regulatory Cooperation which provides for mutual recognition of funds between the Mainland and Hong Kong. The arrangement will be implemented on 1 July 2015. This is the first mutual recognition of funds arrangement between the Mainland and a market outside the Mainland, another major breakthrough for the financial market after the launch of Shanghai-Hong Kong Stock Connect. According to the arrangement, qualified Mainland and Hong Kong funds may offer directly to retail investors in each other's market after obtaining authorisation or approval by the relevant regulators under streamlined procedures. The arrangement will help the Mainland and Hong Kong build a mutual recognition platform for funds and broaden cross-border investment channels.
- Two US dollar-denominated sukuk, with an issuance size of US\$1 billion each and a tenor of five years, were issued under the Government Bond Programme in September 2014 and May 2015 respectively. The success of the two issuances demonstrates not only the viability of sukuk issuance using Hong Kong's platform, but also the recognition among international investors of Hong Kong's economic fundamentals and financial structure.
- The Clearing and Settlement Systems (Amendment) Bill 2015 was introduced into the Legislative Council (LegCo) in February 2015, with a view to empowering the Hong Kong Monetary Authority to regulate stored value facilities and retail payment systems to enhance financial stability and user protection, and foster the innovation and development of the industry.
- Put in place legislation to waive the stamp duty for the transfer of shares or units of all exchange traded funds (ETF) in February 2015 to foster Hong Kong's position as an asset management centre. This is conducive to the development of the ETF market in Hong Kong. In addition, the LegCo Bills Committee completed in May 2015 the scrutiny of the Inland Revenue (Amendment) Bill 2015, which seeks to extend the profits tax exemption for offshore funds to private equity funds. We expect the Bill be passed by LegCo in July this year and the relevant tax exemption will take effect soon afterwards.
- Put in place legislation in March 2015 to provide for a legal framework to enable the development of an uncertificated securities market regime in Hong Kong. It helps increase overall market efficiency and competitiveness, enhance corporate governance and secure an improved level of investor choice and protection.

- Preparing an amendment bill to introduce a core fund with fee control, as the default fund of each Mandatory Provident Fund (MPF) scheme. The core fund is to ensure that all MPF scheme members have access to a standardised, low-fee investment product that is designed in a manner consistent with the overall objective of retirement savings. We plan to introduce the bill into LegCo by late 2015.
- At present, there are over 700 maritime-related companies operating in Hong Kong, forming a maritime cluster and providing a comprehensive range of services, especially high value-added maritime services including ship management, broking, finance, marine insurance, law and arbitration. With China emerging as a major maritime nation and following the recent announcement of the “One Belt One Road” development vision, Hong Kong will capitalise on its advantages as a regional hub to play the role of the “super-connector”, by serving as the platform for Mainland maritime companies to “go global” and providing professional services for overseas maritime companies to tap into the Mainland market. This will help drive the further development of high value-added maritime services in Hong Kong.
- Commissioned an expert study in July 2014 to look into the scope of work and organisation of the proposed new maritime body, so as to ascertain its business and financial sustainability.
- Launched the Maritime and Aviation Internship Network in July 2014. With funding support of some \$2 million, over 250 tertiary students were provided with summer internships in the maritime and aviation industries, so as to enhance their understanding of the two industries and their career prospects. The Network will be re-run in 2015.
- Increased funding and provided \$5 million in April 2015 to support the work of the Hong Kong Maritime Industry Council for the next two years, namely policy-related research and enhanced promotion activities in the Mainland and overseas, including visiting Hamburg, Germany in April 2015, so as to attract more maritime enterprises to Hong Kong.
- Strengthened economic and trade co-operation with emerging markets. Hong Kong commenced formal negotiation of a free trade agreement (FTA) with the Association of Southeast Asian Nations in July 2014; and implemented the FTA with Chile in October 2014. In December of the same year, the Financial Secretary led a business delegation to Saudi Arabia and the United Arab Emirates.
- Announced the conclusion of negotiation on Investment Promotion and Protection Agreement with Canada in May 2015. The Agreement will help enhance investment flows between Hong Kong and Canada and boost the local economy.
- Fully liberalised Hong Kong's textiles control measures in November 2014 to facilitate trade.
- Hong Kong, China became the first World Trade Organization (WTO) Member to join the WTO Trade Facilitation Agreement (TFA) in December 2014. The TFA aims to improve and harmonise the import/export and customs procedures of WTO Members, which will reduce the costs in trading. The TFA will come into force upon acceptance by two-thirds of WTO Members.
- The Hong Kong Special Administrative Region Government (HKSARG) and the Ministry of Commerce signed the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong under the framework of CEPA in December 2014. The Agreement enabled early realisation of basic liberalisation of trade in services in Guangdong province, thereby deepening the cooperation in trade in services between Guangdong and Hong Kong, as well as setting a model for achieving the goal of basic liberalisation of trade in services between the entire Mainland and Hong Kong in 2015.
- Established the Hong Kong-Fujian Co-operation Conference in January 2015 to enhance the exchanges and co-operation between Hong Kong and Fujian and to promote the development of the two places.
- Set up a liaison unit each in Liaoning and Shandong for the Beijing Office and the Shanghai Economic and Trade Office of the HKSARG in December 2014 and April 2015 respectively. Plan to set up a liaison unit in the central region of the Mainland next year to better assist Hong Kong residents and enterprises in capitalising on the development opportunities in the Mainland.
- Upon HKSARG's request, the Central Government announced on 13 April 2015 an adjustment to the “multiple-entry” Individual Visit Endorsements for permanent residents of Shenzhen by replacing it with the “one trip per week” Individual Visit Endorsements with immediate effect. The new measure will enhance HKSARG's effectiveness in cracking down parallel trading activities, and lessen the impact of substantial increase in visitor arrivals on some local districts.

- After reviewing the Hotel and Guesthouse Accommodation Ordinance, the public was widely consulted on a series of proposals to enhance the guesthouse licensing regime and strengthen enforcement capacities against unlicensed guesthouses. The amendment bill is expected to be introduced into the LegCo within this year.
- Continued to pursue the establishment of the Innovation and Technology Bureau. The subsidiary legislation for transferring the relevant statutory functions was passed by LegCo in October 2014. Due to filibustering by some of the LegCo Members, the relevant staffing and funding proposals could not be approved by the Finance Committee by the end of 2014-15 financial year. Hence the new Bureau has yet to be established. The updated relevant subsidiary legislation was passed by LegCo again in June 2015, and the staffing and funding proposals were re-submitted to the Finance Committee in the same month. We hope that the Innovation and Technology Bureau can be set up as soon as possible with a view to promoting the development of the relevant sectors as well as our economy as a whole.
- The Chief Executive appointed the Advisor to the Chief Executive on Innovation and Technology (I&T) to render advice on the strategy for developing I&T in March 2015. In April 2015, the Steering Committee on I&T was re-organised into the Advisory Committee on I&T. Chaired by the Advisor to the Chief Executive on I&T, the Advisory Committee advises the Government on the strategic and developmental enhancements of I&T in Hong Kong, with a focus on making the best use of the advantages of “One Country” and “Two Systems” and further strengthening the co-ordination among the government, industry, academia and research sectors.
- Announced in April 2015 the implementation of the revised Industrial Estate Programme and proceeded to study the construction and management of specialised multi-storey industrial buildings in industrial estates by the Hong Kong Science and Technology Parks Corporation for rental, so as to enhance the value chain of I&T industries in Hong Kong and further optimise the use of land in the 3 existing industrial estates.
- Injected \$5 billion into the Innovation and Technology Fund (ITF) in February 2015 and subsumed the Research and Development Cash Rebate Scheme under the ITF to provide sustained and comprehensive support for I&T development.
- Launched the new Enterprise Support Scheme under ITF in April 2015 to encourage local private sector investment in research and development activities. The Scheme is open to companies of all sizes, and each approved project may receive up to \$10 million in government funding on a dollar-for-dollar matching basis. Also, recoupment of government's contribution is not required.
- Further extended the application period of the special concessionary measures under the SME Financing Guarantee Scheme to end-February 2016, so as to continue assisting local enterprises in obtaining commercial loans. At end-May 2015, more than 10 100 applications had been approved with a total loan guarantee amount of more than \$33.1 billion.
- Announced in February 2015 the launch of a series of pilot measures in the next 3 years to promote the sustained development of the fashion industry through promoting Hong Kong's fashion designers and brands through improving local fashion events and participating in those held overseas; rolling out an incubation programme for up-and-coming fashion design start-ups; providing fashion design graduates with overseas internships and study opportunities; subsidising participation in international competitions and exhibitions, etc.. The measures are expected to involve existing and new resources of around \$500 million.
- In September 2014, Singapore became the third place, after Korea and Germany, to implement the mutual use of automated immigration clearance services (e-gate) with Hong Kong to provide greater travel convenience for residents.
- An effective dispute resolution regime is essential to maintaining our competitiveness regionally and internationally. Hong Kong enjoys strong competitive advantages in providing dispute resolution service. With a wealth of professional talents, the presence of world class dispute resolution institutions and facilities, and backed up by a modern legislative regime, Hong Kong is well-placed to be a leader in dispute resolution service in the Asia Pacific region. As part of Hong Kong's service industries, our dispute resolution service, including arbitration and mediation, will continue to enhance Hong Kong's competitiveness and contribute to our GDP growth.
- The Central Government and HKSARG signed a host country agreement and a related memorandum of administrative arrangements respectively with the Permanent Court of Arbitration (PCA) based in the Hague in January 2015, so as to facilitate the conduct of PCA-administered dispute settlement proceedings, in particular state-investor disputes involving one or more parties from Asia, in Hong Kong. This will enhance Hong Kong's attractiveness as a venue for international investment arbitrations.

- The China Maritime Arbitration Commission (CMAC) Hong Kong Arbitration Centre, which is CMAC's first centre outside the Mainland, was inaugurated in Hong Kong in November 2014 to provide international maritime arbitration services. CMAC's presence in Hong Kong would enhance Hong Kong's role in the resolution of maritime disputes and our position as a leading centre for international legal and dispute resolution services in the Asia Pacific region.
- The Advisory Committee on Promotion of Arbitration was set up in December 2014 to advise on and to co-ordinate the overall strategic planning for the development and promotion of Hong Kong's arbitration services at the international level. Chaired by the Secretary for Justice, the Advisory Committee has a membership comprising representatives from the legal, arbitration and relevant sectors in Hong Kong and will enable Hong Kong to respond more effectively to challenges and opportunities arising from its position as an international arbitration centre in the Asia Pacific Region.
- The Department of Justice published a Mediation Handbook for the administrators in the Government in January 2015 to provide practical guidance on the use of mediation for reference by civil servants, thereby building up a healthy mediation culture in the community and within the Government.
- Lantau adjoins the core business district of Hong Kong Island. With the commissioning of major infrastructures such as the Hong Kong-Zhuhai-Macao Bridge (HZMB), Tuen Mun-Chek Lap Kok Link and Airport Three-Runway System in the coming years, the gradual development of the western New Territories including Hung Shui Kui, Yuen Long South, etc. and the continued economic growth of the neighbouring cities in the western Pearl River Delta, the geographical position of Lantau looks very advantageous. Taking forward planning in the short, medium and long-terms for Lantau while balancing between development and conservation is not only beneficial to the local community and economic development of Lantau, but is also very important to the future social and economic development of Hong Kong.
- To plan for the development of Lantau, the Lantau Development Advisory Committee was established in January 2014 and, up to July 2014, has formulated proposed strategic positions and broad development directions. In parallel and up to mid-2015, the Government has commenced 3 topical studies. One of the studies on economic development strategy and market positioning of commercial land uses of Lantau will be completed in the third quarter of 2015. The remaining two studies, including the feasibility study on recreation and tourism development strategy and the preliminary studies on cable car system from Ngong Ping to

Tai O and spa and resort development at Cheung Sha and Soko Islands, will be completed in the second and third quarter of 2016 respectively. In addition, the improvement works to local facilities at Tai O and Mui Wo and sharp road bends at south Lantau are being implemented progressively.

- The artificial island for the Hong Kong boundary crossing facilities (HKBCF) of the HZMB has an area of 130 hectares and will allow for the development of a "bridgehead economy", thereby creating commercial and employment opportunities. The Government commenced a topside development study for the HKBCF island in January 2015 which is expected to be completed in the first quarter of 2017.
- Hong Kong needs to continue expanding her existing lead industries and foster new industries. Through the diversification of our industries, we can create a more prosperous economy that provides our young people with the opportunity to put what they have learnt to good use and allow all to realise their potential. Our agricultural and fisheries industries, though modest in size, have been providing quality fresh produce well sought after by local citizens. Not only would the sustainable development of our agricultural and fisheries industries help meet the demand for fresh agricultural and fisheries produce, it would also bring economic benefits to Hong Kong.

- With a view to providing support for improving the competitiveness of the fisheries industry, the \$500 million Sustainable Fisheries Development Fund was open to applications in July 2014.
- The public consultation exercise on the new agricultural policy was completed in end-March 2015. There was general support for developments in the directions proposed by the Government, including the establishment of an Agricultural Park and the Sustainable Agricultural Development Fund, as well as strengthened support for farmers. Views received on how to implement the various initiatives are relatively diverse. The LegCo Panel on Food Safety and Environmental Hygiene also held a deputation session on 9 June 2015. The Government is examining the views collected and will map out detailed proposals and plans for taking forward the new policy as soon as possible.



Housing and Land



- Housing is one of the most important livelihood issues in Hong Kong. The crux of the housing problem lies with inadequate supply. The Government is determined to solve the problem at source by adopting a supply-led strategy and by continuously increasing supply of land and housing. The Long Term Housing Strategy (LTHS) sets the direction of Hong Kong's housing policy and addresses housing problems with a multi-pronged approach.
- In view of the serious supply-demand imbalance and high property prices and rental level, the current-term Government is determined to increase housing supply, rebuild the housing ladder and play a more active role in housing through the provision of public housing so as to address the demand-supply problem at source in the long run.
 - The LTHS promulgated in December 2014 is the Government's first long-term strategy document on housing since 1998. The Government has adopted a supply-led strategy to gradually avert the current serious supply-demand imbalance in housing. With annual updating of the long-term housing demand projection, the Government will work out a rolling 10-year housing supply target in order to reflect any changes in circumstances in a timely manner.
 - Based on the latest projection of housing demand, the Government has adopted a housing supply target of 480 000 units for the 10-year period from 2015-16 to 2024-25, with a public-private split of 60:40. Accordingly, the public housing supply target is 290 000 units, comprising 200 000 public rental housing (PRH) units and 90 000 subsidised sale flats, whereas the private housing supply target is 190 000 units.
 - According to the latest Public Housing Construction Programme of the Hong Kong Housing Authority (HA), there will be a total production of about 93 100 public housing flats for the 5-year period from 2015-16 to 2019-20, comprising about 75 500 PRH units and about 17 600 subsidised sale flats. Among them, about 34 500 PRH units and 3 000 subsidised sale flats will be completed in 2015-16 and 2016-17.
 - In addition, during the 5-year period from 2015-16 to 2019-20, the Hong Kong Housing Society (HKHS) will complete about 2 700 public housing units, including about 1 100 rental units and 1 600 subsidised sale flats.

- On private housing, based on the preliminary assessment of private residential developments known to have started or to be started on disposed sites, it is expected that about 13 000 and 20 000 private housing units will be completed in 2015 and 2016 respectively, a record high in 10 years and about 70% higher than the average of the past 10 years.
- To achieve the 10-year supply target, apart from planning for land supply and obtaining financial, manpower and other resources, we have been working to secure the support of the local communities for adopting an open attitude and according priority to satisfying the overall housing needs through the provision of public housing in different districts.
- In response to the current difficulties in achieving home ownership given the high property prices, the Government has increased the supply of subsidised sale flats to provide more options and home ownership opportunities for low-to-middle income families. About 1 000 subsidised sale flats of HKHS and the first batch of 2 160 new Home Ownership Scheme (HOS) flats were put on pre-sale in 2012 and end-2014 respectively.
- To further expand the forms of subsidised home ownership under the LTHS, HA decided to turn the PRH development at San Po Kong into flats for sale to eligible Green Form applicants, mainly PRH tenants, as a pilot scheme with prices set at a level lower than that of traditional HOS flats (generally referred to as the “Green Form Subsidised Home Ownership Scheme”). Pre-sale is expected to be launched in the second half of 2016.
- HA decided, after initial assessment, to implement one more round of the Interim Scheme in the second half of 2015 to allow 2 500 eligible White Form applicants to purchase subsidised sale flats with premium not yet paid in the HOS Secondary Market.
- The Government remains vigilant, and continues to closely monitor development in the residential property market and the evolving external economic environment. We will implement appropriate measures to stabilise the property market as and when circumstances warrant. The outcome of the review on Special Stamp Duty and the Buyer’s Stamp Duty, as well as the decision to maintain these measures, were reported to the LegCo in March 2015.
- Since the Residential Properties (First-hand Sales) Ordinance came into operation two years ago, it has improved the transparency and fairness of the sale of first-hand residential properties and protection for consumers. For example, vendors must present the area and price per square foot and per square metre of a first-hand residential property in terms of its saleable area. When a vendor wishes to make available show flats, it must first make available an unmodified show flat. Also, prospective purchasers are provided with convenient access to different sales documents.
- The Free Legal Advice Service on Building Management and Free Mediation Service Pilot Scheme for Building Management, supported by the Law Society of Hong Kong and two professional mediation organisations, were launched in January and March 2015 respectively. Volunteer lawyers and accredited mediators provide free legal advice and mediation service to owners’ corporations and owners of private buildings in need on issues relating to building management.
- The pilot “AP Easy” Building Maintenance Advisory Service Scheme has been extended for one year from April 2015. With the continuous support of 3 professional institutes, professional and tailor-made advisory and support services are provided to owners’ corporations in need for free to assist them to commission a suitable authorised person to carry out building maintenance works.
- Land is prerequisite for the livelihood of our fellow citizens and social and economic development. Land development however takes a considerable time from planning to realisation. Due to economic cyclical changes, the land supply in Hong Kong (in particular the housing land supply) has slowed down in the past, leading to the limited land supply today. The current-term Government has set out the blueprint for land supply in the short, medium and long-term. Under a multi-pronged strategy to increase land supply, the current-term Government is determined to avert the supply-demand imbalance progressively, and is confident and capable of achieving that, with a view to planning the long-term land supply of Hong Kong early.

- In the short to medium-term, the Government aims at providing housing land and increasing the flat production as soon as practicable mainly through land use reviews and increasing development intensity (see latest progress below), which include pressing full steam ahead the rezoning of some 150 sites for residential development to provide more than 210 000 flats in 5 years. At the same time, we will develop the various ex-quarry sites and the former squatter area in Diamond Hill, so as to help achieve the housing supply target under the LTHS, and meet the pressing housing need of the community.
- In the medium to long term, we are expeditiously taking forward the various New Development Areas (NDAs) and new town extension, including the Kwu Tong North/Fanling North NDAs, Tung Chung New Town Extension, Hung Shui Kiu NDA, housing sites in Yuen Long South (see latest progress below). The total developable land area is over 1 000 hectares, which is estimated to be capable of providing over 190 000 residential units for phased population intake starting from 2023, 2024 and 2025. The overall development plans are estimated to continue until 2030 and beyond.
- Besides, we need to focus on the future and make long-term planning for our next generation. Therefore, we are studying the long-term development of Lantau and Northern New Territories, and exploring new modes of providing developable land (including reclamation outside the Victoria Harbour as well as cavern and underground space developments). At the same time, we have commenced the “Hong Kong 2030+” study to update the territorial development strategy, with a view to laying a foundation for Hong Kong’s development beyond 2030 (see latest progress below).
- Over the past year, despite difficulties encountered in increasing land supply in the short, medium and long-term, we managed to achieve the following major progress:
 - As stated in the 2014 Policy Address, about 150 potential housing sites were identified through land use reviews. Most of the sites are expected to be ready in 5 years (2014-15 to 2018-19) for commencement of works, and they are expected to provide over 210 000 flats, of which over 70% will be for public housing, subject to timely amendments to statutory plans for change of land use and/or increase in development intensity. As at early June 2015, proposed amendments to statutory plans for 61 sites, involving about 69 000 flats in total, had been submitted to the Town Planning Board (TPB). Among them, statutory planning procedure has been completed for 24 sites, involving about 21 000 flats.
 - Apart from the some 150 sites mentioned above, the 2013 Policy Address set out a number of initiatives to increase land supply. They involve 42 sites which may be used for residential use in the short to medium-term, and were zoned or undergoing rezoning for such use in 2013. These sites are expected to provide about 39 000 flats in total. As of early June this year, 38 of them have been allocated for residential use.
 - Continued to increase the development intensity of housing sites as appropriate where planning terms permit. Since the inauguration of the current-term Government, TPB had, as at end-May 2015, approved applications to relax the development intensity of 39 housing sites, allowing an additional supply of about 7 500 flats.
 - Secured support of major stakeholders, including District Councils (DCs), for the proposal to increase the development intensity of Kai Tak Development. The proposal will provide about 430 000 square metres of additional commercial floor area and about 6 800 additional housing units. TPB approved some of these additional floor areas in April 2015.
 - In 2014-15, the Government sold a total of 20 residential sites under the Land Sale Programme, with a capacity to produce about 6 300 private residential flats. Together with other sources of private housing land supply, the aggregate land supply had an estimated capacity to produce about 21 200 private residential flats, exceeding the land supply target of 18 800 private residential flats set for that year. This is a record high since the Government introduced the private housing land supply target in 2010.

- In the 2014-15 Land Sale Programme, 4 commercial/business sites, a hotel site and a industrial site, which are capable of providing about 170 000 square metres of commercial floor area, about 1 100 hotel rooms and about 12 000 square metres of industrial floor area respectively, were sold. The sites sold included 2 commercial sites in Kowloon Bay, capable of providing about 127 000 square metres of commercial floor area.
- Planning to convert the multi-storey carpark on Murray Road, Central into commercial use, so as to increase commercial land supply in the Core Business District. The site is estimated to provide about 42 000 square metres of commercial floor area. The Government plans to commence statutory planning and other procedures in 2015-16, with a view to releasing the site to the market as early as possible.
- Studying the relocation of government facilities in 2 Action Areas in Kowloon East to release land for comprehensive commercial and mixed-use development, so as to provide about 500 000 square metres of commercial/office floor space. This involves relocating 2 existing vehicle examination centres within the Kowloon Bay Action Area to Tsing Yi. 2 pieces of government land in the Kowloon Bay Action Area were sold in January and May 2015.
- Invited proposals from interested non-profit making organisations in October 2014 to transform 3 sites under the Kwun Tong Bypass for creative, arts and cultural uses. Aim to select a partnering organisation in the third quarter of 2015 to manage and operate the concerned facilities.
- Conducting consultancy studies for formulating short, medium and long-term proposals to implement the concept of “walkable” Kowloon East, with a view to improving the pedestrian and traffic environment in the Kowloon Bay and Kwun Tong Business Areas. The 2 consultancy studies are expected to be completed in mid-2015 and the latter half of 2016 respectively.
- Announced the results of the Kai Tak Fantasy International Ideas Competition on Urban Planning and Design in November 2014, with “Kai Tak 2.0: Healthy Lift Off” as the winning entry. To commence 2 planning and engineering studies for Kai Tak Fantasy in 2015 with reference to the concepts and ideas of the winning design and the other shortlisted schemes. The studies are expected to be completed in the first half of 2017.
- Made good progress in respect of the development of former quarry sites. Stage 2 community engagement for the future development of Ex-Lamma Quarry was completed in May 2014 and the proposal is expected to provide about 1 900 residential units as well as tourism and recreational facilities, including a low-density resort hotel. Amendments to the statutory plan for the development of Ex-Cha Kwo Ling Kaolin Mine were gazetted in December 2014 to kick start the statutory plan-making procedure, and the development is estimated to have a capacity to provide about 2 200 flats. The plan amendment work for the Anderson Road Quarry site has begun in mid-2015, and the proposed development is expected to provide about 9 410 flats.
- Began the detailed design and site investigation of the advance site formation and engineering infrastructure works for the Kwu Tung North and Fanling North NDAs in November 2014. The outline zoning plans for the two NDAs were passed by TPB in April 2015, and have now been approved by the Executive Council.
- Commenced the Stage 3 community engagement for the Hung Shui Kiu NDA Planning and Engineering Study in June 2015 to collect public views on the Recommended Outline Development Plan, which was prepared with reference to public views collected during the Stage 2 community engagement exercise and the outcome of relevant technical assessments.
- Completed the Stage 3 public engagement for the Tung Chung New Town Extension Study in October 2014. The project proposed to provide about 48 000 residential units and about 850 000 square metres of gross floor area for office, retail and hotel uses, and to create about 40 000 job opportunities. The whole study is expected to be completed by 2015.
- Completed in July 2014, the Stage 2 community engagement for the Planning and Engineering Study for Housing Sites in Yuen Long South collected public views on various proposals of the Preliminary Outline Development Plan, such as the provision of some 26 000 residential units. Taking into account the public views collected, the Recommended Outline Development Plan is under preparation for further community engagement.

- Commenced “Hong Kong 2030+: Towards A Planning Vision and Strategy Transcending 2030” in January 2015 to update the territorial development strategy, which includes reviewing the land requirements for Grade A offices, business and industrial uses, as well as studies and assessments on the strategic environment, transport and land use, etc., with a view to providing the latest planning framework and overall direction for Hong Kong’s land and infrastructure development beyond 2030. The study is expected to be completed in phases by 2016.
- Completed site inspections and questionnaire surveys for the Area Assessments on Industrial Land in the Territory in August 2014. Data analysis and formulation of recommendations are expected to be completed by the third quarter of 2015. Between April 2010 and May 2015, a total of 21 applications for redevelopment and 134 applications for whole conversion of industrial buildings were received under the revitalisation measures. Among these, 18 applications for redevelopment and 92 applications for wholesale conversion had been approved, involving about 1.27 million square metres of converted or new floor space. The application deadline for the incentives is 31 March 2016.
- The Urban Renewal Authority (URA) completed a review of the Demand-led Redevelopment Project (Pilot Scheme) (Demand-led Scheme) and the Facilitating Services Pilot Scheme (Facilitating Scheme) with proposed revisions/enhancements in December 2014. Under the revised Demand-led Scheme, applications would need consent from more owners and cover larger site areas so as to ensure sufficient support and greater planning gain. The enhanced Facilitating Scheme has expanded the scope of service from residential buildings to cover commercial buildings and industrial buildings in non-industrial zones.
- Further to last year’s invitation for tender for the Kwun Tong Town Centre redevelopment project (Development Areas 2 and 3, which can provide about 1 700 residential units), URA invited tender for 3 redevelopment projects in the Sham Shui Po district between July 2014 and June 2015, namely the 2 redevelopment projects at Hai Tan Street and 1 at Fuk Wing Street. The 3 projects can provide about 1 000 flats in total.
- The MTR Corporation Limited (MTRCL) successfully tendered 5 railway property development projects from July 2014 to June 2015. The projects have a total capacity of providing about 9 650 residential flats. The Government will continue to actively explore with the MTRCL and Kowloon-Canton Railway Corporation the development potential of stations and related sites along the existing and future rail lines to increase housing land supply.
- Launched the Pilot Scheme for Arbitration on Land Premium in October 2014 to facilitate agreement on land premium for lease modification or land exchange applications, with a view to expediting land supply for housing and other uses.
- Commenced the Preliminary Feasibility Study on Developing the New Territories North in January 2014 for exploring the development potential of Northern New Territories through comprehensive and integrated planning. The study is progressing well and is estimated to complete in end-2015.
- As regards long-term land supply, completed the Stage 2 Public Engagement for Enhancing Land Supply Strategy: Reclamation outside Victoria Harbour and Rock Cavern Development in January 2014 and proceeded onto the technical study stage. The cumulative environmental impact assessment of the western Hong Kong waters was completed in March 2015. Active preparatory work is being carried out for the strategic studies for artificial islands in the central waters, the planning and engineering study for Sunny Bay reclamation, and the technical studies for the Siu Ho Wan and Lung Kwu Tan reclamations.
- Feasibility studies on the relocation of 3 public facilities to caverns were commissioned between August and December 2014. Investigation and design work on the relocation of Sha Tin Sewage Treatment Works to caverns commenced in September 2014.
- Commenced the pilot study on underground space development in strategic urban areas in June 2015. The study will formulate a master plan for underground space development in 4 strategic districts, viz. Causeway Bay, Happy Valley, Admiralty/Wan Chai and Tsim Sha Tsui West, with a view to identifying priority projects for early implementation.

Transport



- Announced the Railway Development Strategy 2014 in September 2014. Having regard to transport demand, cost-effectiveness and the development needs of NDAs and other new development projects, the Strategy recommends that 7 new railway projects be completed in the planning horizon up to 2031. They include the Northern Link (and Kwu Tung Station), Hung Shui Kiu Station, Tung Chung West Extension, Tuen Mun South Extension, East Kowloon Line, South Island Line (West) and North Island Line.
- The Independent Expert Panel established in the light of the delay of the construction of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) released its Report in January 2015. The Report reviewed and made recommendations on improving the systems, processes and practices for implementing and monitoring the XRL Hong Kong Section as well as future new railway projects. The Government takes such observations and recommendations seriously and will follow up actively. We will also explore with the MTRCL and other relevant parties ways for implementing the recommendations, particularly those in relation to monitoring and reporting of construction works.
- The Government will strengthen the monitoring of MTRCL to ensure safety and reliability of railway services. More resources have been earmarked for the Electrical and Mechanical Services Department to increase its manpower significantly, so as to enhance its regulation of the safety performance of existing railway services and new railway projects.
- Commenced the Public Transport Strategy Study in November 2014, which is expected to take about two and a half years to complete. The Study examines the role and positioning of other public transport services in the light of the further development of the railway network. The objective is to enhance the complementarity amongst various public transport services and their long-term sustainable development whilst still affording the public convenient and efficient service with reasonable modal choices.
- The West Island Line (WIL), together with 2 new stations, viz Kennedy Town and HKU, was commissioned in December 2014, extending the MTR Island Line to serve the Western District of Hong Kong Island. In March 2015, the Sai Ying Pun Station of WIL also commenced service.
- The Airport Authority (AA) submitted its recommendations on the implementation of the Three-Runway System (3RS) at the Hong Kong International Airport in January 2015. In March 2015, the Government affirmed the need for the 3RS project for maintaining Hong Kong's competitiveness as a global and regional aviation hub. AA is actively exploring ways to facilitate the early implementation of the 3RS with a target commissioning date of 2023.
- Continued to take forward the Liantang/Heung Yuen Wai Boundary Control Point (BCP) project. Resite of Chuk Yuen indigenous villagers was completed in May 2014. Site formation and road works are progressing smoothly. The remaining major contracts have been awarded following LegCo's funding approval. We will strive to complete the BCP project by 2018.



Poverty Alleviation, Elderly Care and Support for the Disadvantaged



- Released in November 2014 the updated official poverty line. With the implementation of poverty alleviation measures including the Old Age Living Allowance, the overall poor population dropped to 970 000, below 1 million for the first time and the poverty rate fell to a 5-year low of 14.5% in 2013.
- Secured funding approval of the LegCo Finance Committee in January 2015 for the implementation of the Low-income Working Family Allowance Scheme (LIFA). The estimated annual expenditure for the allowance is around \$3.1 billion and will benefit over 200 000 low-income households (involving 710 000 persons, including over 170 000 eligible children). The Scheme is expected to be implemented in the second quarter of 2016.
- The Commission on Poverty approved 3 new assistance programmes under the Community Care Fund, including the provision of a one-off special subsidy for students on full grant under the School Textbook Assistance Scheme so that timely assistance can be made available to support students from low-income families before the launch of LIFA; the provision of cash grant for ordinary schools with relatively more students with special educational needs (SEN) and financial needs to arrange SEN coordinators; and enhancing the academic expenses grant for students with SEN pursuing post-secondary programmes. The total commitments of the programmes concerned exceed \$700 million, which will benefit more than 140 000 persons. In addition, the Extra Travel Subsidy for Needy Special Schools Students will also be regularised from the 2015/16 school year onwards to benefit 1 700 primary and secondary students each year.
- Announced in January 2015 that the Commission on Poverty will launch a public consultation on retirement protection in the latter half of 2015, and earmarked \$50 billion to underline the commitment of improving retirement protection for the elderly.
- Announced in February 2015 the allocation of \$130 million to strengthen child care services for supporting women in achieving work-family balance. The strengthened child care services will include (a) from 2015-16 onwards, increase by phases the Extended Hours Service (EHS) places for children aged below 6 by about 5 000, from about 1 200 at present to about 6 200, at aided child care centres and kindergarten-cum-child care centres in districts with high demand; (b) from 2015-16 onwards, provide resources for aided

- standalone child care centres and service units providing EHS and Occasional Child Care Service to enhance supervisory and administrative support; and (c) from 2017-18 onwards, provide about 100 additional aided long full-day child care places for children aged below 3.
- Invited non-governmental welfare organisations to submit proposals for the Navigation Scheme for Young Persons in Care Services from February to April 2015. Enrolment of trainees is expected to commence in the third quarter of 2015. A total of 1 000 places will be provided in the coming few years for training young persons to take up care work.
 - Announced in January 2015 the extension of the Integrated Employment Assistance Programme for Self-reliance for 2 years to March 2017, involving an additional expenditure of \$223 million. About 22 800 participants are expected to join the programme.
 - With effect from February 2015, the income and asset limits of the Work Incentive Transport Subsidy Scheme have been increased again under the annual adjustment mechanism. Over 92 000 low-income earners have received subsidy from the Scheme since its introduction.
 - Provided 1 666 additional Enhanced Home and Community Care Service places and enhanced the service content of all 7 245 places starting from March 2015, involving an additional annual allocation of \$170 million.
 - Provided about 330 additional subsidised day care places from 2014-15 to 2016-17. Sites at 11 development projects have been reserved for the provision of day care centres/units. About 550 new day care places are expected to be provided.
 - Provided about 1 710 additional subsidised residential care places for the elderly from 2014-15 to 2017-18 through a multi-pronged approach. Sites at 11 development projects have been reserved for the construction of new residential care homes for the elderly. Some 1 200 new places are expected to be provided.
 - As at May 2015, about 1 985 carers for elderly person have joined the Pilot Scheme on Living Allowance for Carers of the Elderly Persons from Low Income Families financed by the Community Care Fund. The project will incur some \$126 million in additional expenditure.
 - Regularised the Bought Place Scheme for Private Residential Care Homes for Persons with Disabilities in October 2014. An annual estimated expenditure of about \$40 million is earmarked to provide 450 bought places for persons with disabilities.
 - Extended the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities to cover green minibuses in phases starting from March 2015, following the implementation of the Scheme in MTR, buses and ferries. To date, the number of eligible beneficiaries, including elderly people aged 65 or above and eligible persons with disabilities, is around 1.2 million. They can travel by the above means of public transport at a concessionary fare of \$2 per trip. The number of average daily passenger trips made under the Scheme is around 880 000.
 - Extended the Labour Department post-placement follow-up service for job seekers with disabilities from 3 months to 6 months in 2015-16. The new measure would cover over 2 000 persons with disabilities each year.
 - Announced in January 2015 that subsidies would be provided for social enterprises and non-governmental organisations (NGOs), for offering about 2 000 to 3 000 on-site training places for persons with disabilities and other groups in need, including the elderly and ethnic minorities, so as to enhance their employment prospect.
 - Allocated additional annual funding of \$160 million from 2015-16 onwards to strengthen the support for persons with disabilities, including the provision of 1 271 additional places for rehabilitation services; increasing the manpower of long stay care homes and enhancing the allied health services of hostels for moderately mentally handicapped persons; and increasing the social work manpower in the Integrated Community Centres for Mental Wellness and the existing subvented Parents/Relatives Resource Centres.
 - Announced in February 2015 that \$150 million would be earmarked for rolling out a new phase of the Enhancing Self-Reliance Through District Partnership Programme and implementing enhancement measures to support a wider range of social enterprises that provide support to the socially disadvantaged.

- Rolled out 4 projects under the Community Investment and Inclusion Fund in March 2015 at Kai Ching Estate and Tak Long Estate in Kowloon City, Cheung Lung Wai Estate in Sheung Shui and Lower Ngau Tau Kok Estate in Kwun Tong to facilitate the building of mutual help networks among the residents of newly completed or redeveloped PRH estates.
- Implemented a number of initiatives to strengthen community support for ethnic minorities in the second half of 2014 as scheduled, including setting up a new support service centre for ethnic minorities in Kwai Tsing, setting up youth units in all support service centres and sub-centres for ethnic minorities, implementing a youth ambassador scheme and recruiting additional staff familiar with ethnic minority cultures and languages.
- Required all bureaux and departments to adopt gender mainstreaming in formulating major government policies, initiatives and legislation from April 2015 onwards to ensure that women and men have equitable access to, and benefit from, society's resources and opportunities. At the same time, the gender benchmark for appointing women to government advisory and statutory bodies has

been raised from 30% to 35% to increase women's participation in public affairs. These 2 measures would help promote women development and implement the applicable provisions of the United Nations Convention on the Elimination of All Forms of Discrimination Against Women.

- Implemented the 3-day paid statutory paternity leave with effect from February 2015. Tens of thousands of employees are expected to benefit.
- Raised the amounts of 18 compensation items under the Employees' Compensation Ordinance, the Pneumoconiosis and Mesothelioma (Compensation) Ordinance and the Occupational Deafness (Compensation) Ordinance by a range of 5.73% to 44.44% with effect from March 2015, affording better statutory protection for about 10 000 eligible persons.
- Increased the Statutory Minimum Wage rate to \$32.5 per hour with effect from May 2015, leading to further improvement to the earnings of grassroots workers.
- Supported, through the second round of Digital Inclusion Mobile Apps Funding Scheme, the development of 5 mobile apps for providing information and services to

underprivileged groups (including persons beset with dementia, persons with hearing impairment, and children with visual impairment, hearing impairment or dyslexia) and assisting the groups' integration into society. The mobile apps were launched from March 2015 onwards. Continued to organise the Web Accessibility Recognition Scheme to encourage public and private organisations to adopt accessibility design in their websites and mobile apps.

- Launched the ICT Outreach Programmes for Elderly, through which social workers and volunteers visited over 1 000 institutionalised and "hidden" elderly persons between March and December 2014. Through introduction to tablet computers and interesting apps, the elderly are encouraged to make use of information and communications technology in broadening their social circles and enriching their lives.



Optimising Our Population for the Future



- Hong Kong faces the challenges of an ageing population. By 2041, one in three Hong Kong people will be 65 or above. Labour force is expected to decline from 2018 onward. Dependency ratio will worsen rapidly from 371 child and elderly dependents per 1 000 working age persons in 2014 to 712 dependents in 2041. In an ageing society, elderly-related public expenditure will increase, while economic growth may slow down due to a shrinking workforce. In November 2014, the Steering Committee on Population Policy (SCPP) completed its study and formulated wide-ranging measures to deal with these demographic challenges.
- Announced in January 2015 that the recommendations of the SCPP have been accepted, and a range of measures will be implemented to strengthen Hong Kong's competitiveness and enhance our capacity in responding to the challenges of an ageing population and shrinking workforce.
- Introduced a pilot scheme in May 2015 to facilitate the second generation of Chinese Hong Kong permanent residents who have emigrated overseas to return to Hong Kong, and implemented other enhancement measures to attract talent, professionals and entrepreneurs to Hong Kong for complementing the local workforce and supporting our economic development.
- Raised the retirement age of new recruits joining the Civil Service on or

after 1 June 2015 to 65 in respect of the civilian grades and 60 in respect of the disciplined services grades (regardless of their ranks), while formulating implementation details for the relevant initiatives for extending the service of serving civil servants. This package of initiatives would enable the Government, as an employer, to better address the challenges arising from an ageing population and provide flexibility for meeting the manpower needs of departments taking into account their different operational and succession needs.

- Commenced the feasibility study on drawing up a talent list for attracting high-quality talents with reference to overseas experience, so as to support Hong Kong's development as a diversified and high value-added economy in a more effective and focused manner.
- Devised further enhancement measures to the Supplementary Labour Scheme having regard to the unique operational characteristics of the construction industry to increase the flexibility in deployment of imported skilled workers in public sector works contracts with a view to utilising their productivity more effectively. The relevant measures were rolled out in May 2015. The Government will continue to closely liaise with the industry and review the effectiveness of the measures in a timely manner to address the needs of economic and social development of Hong Kong.

- Secured support of the LegCo Panel on Development for providing \$100 million to the Construction Industry Council (CIC) to launch new measures under a pilot scheme for training semi-skilled workers to become skilled workers so as to meet the manpower demand of the construction industry. The pilot scheme, scheduled to be rolled out in the second half of 2015, will also help trainees build their competence, enhance their employability and encourage them to stay in the industry for career development. In the long run, the scheme will help build up a core team of local quality workforce with multi-skills for the sustainable development of the construction industry. The Government will continue to liaise with CIC and the industry to launch other suitable measures in a timely manner to develop the career pathways of construction skilled workers.

- The Labour Department is preparing for the establishment of the Construction Industry Recruitment Centre which will assist local construction workers in job search and employers of the industry in recruiting local workers. The Centre is expected to open in around early 2016.
- With reference to the findings of extensive public consultation and a comprehensive working hours survey, the Standard Working Hours Committee is further exploring the directions of a working hours policy applicable to Hong Kong, with a view to building community consensus and identifying appropriate and feasible working hours policy options. The Committee aims to submit its report to the Government in the first quarter of 2016.



Youth Education and Development



- The Committee on Free Kindergarten Education submitted its report to the Government in May 2015 as scheduled, and made recommendations on the practicable provision of subsidised quality kindergarten education. The Government will study the proposals thoroughly and formulate policies and specific measures to improve the quality of kindergarten education and help children lay a solid foundation for future learning. Currently, over 140 000 children are studying in non-profit making local kindergartens and the new policies and measures are expected to benefit most of them.
- Based on the outcome of consultation, measures under the Fourth Strategy on Information Technology in Education have been refined and are scheduled for implementation from the 2015/16 school year onwards. The key measure is the phased provision of WiFi facilities in 1 000 public sector schools across the territory. Under the pilot scheme, WiFi infrastructure enhancement works at 100 schools were completed by January 2015 as scheduled, while works at the remaining 900 schools will be completed in 3 school years starting from 2015/16.
- Recommendations of the first two stages of the New Academic Structure Medium-term Review were announced in April 2014 and April 2015. They include introduction of additional classical set texts for the Chinese Language subject, cancellation of School-based Assessment for 7 subjects, updates to the curriculum content of different subjects and introduction of an additional level of performance for Applied Learning. The overall recommendations of the Medium-term Review will be announced in July 2015. Through a series of professional development programmes and provision of learning and teaching resources, school-based support, dissemination of good practices, etc., we will continue to enhance the professional capacity of teachers and school leaders to respond to social changes and to cater for students' learning needs.
- Announced the establishment of the Multi-faceted Excellence Scholarship in the 2014 Policy Address. The Scholarship provides full sponsorship in the coming 5 years for universities and tertiary institutions to admit about 20 local students per year who have outstanding performance in sports, arts or community services. Candidates were selected in March 2015 and have been referred to the universities for consideration. The first batch of Scholars is expected to commence university studies in September 2015.
- The Committee on Professional Development of Teachers and Principals released its first progress report in April 2015. In addition to the Committee's work progress and future plans, the report sets out the Committee's views and

recommendations on the professional development of teachers and principals at different career stages of professional growth, with a view to assisting them in preparing our younger generation for the new challenges of the 21st century. The Committee has commenced implementation of its recommendations.

- Subsequent to the allocation of 3 vacant school premises for international school development in April 2013, we have completed the allocation of 2 vacant school premises and 3 greenfield sites in the Southern District, Sai Kung and Tai Po to provide more international school places. A fresh round of consultancy study was commissioned in October 2014 to review the latest demand and supply of international school places. The study is expected to be completed by end-2015.
- The University of Chicago Booth School of Business started offering its flagship Executive Master of Business Administration (EMBA) programme at Cyberport in Hong Kong in August 2014. The School is expected to move into its new permanent campus at the ex-Victoria Road Detention Centre site at Mount Davis in 2018. The site was allocated to the School by the Government under the Land Grant Scheme.
- The Funding Scheme for Youth Life Planning Activities commenced operation in September 2014 and has granted over \$25.6 million to 18 NGOs for organising, in collaboration with secondary schools, projects aiming at enhancing the knowledge and awareness of life planning and multiple pathways of students, parents and teachers. Most activities under that Scheme have been launched; it is expected that over 230 secondary schools (involving over 80 000 students, teachers and parents) will benefit from the Funding Scheme.
- Provided \$1.36 million to the Hong Kong Federation of Youth Groups in 2014-15 for organising the “Promotion for Life Planning – Job-tionary” programme, so as to enhance promotion of life planning education and multiple pathways.
- Announced the establishment of a \$300 million Youth Development Fund in the 2015 Policy Address. The Fund seeks to support innovative youth development activities not covered by existing schemes, and will provide financial support in the form of matching funds for NGOs to assist young people in starting their own business. We are consulting the Commission on Youth on the operational arrangements of the Fund. We plan to seek funding approval from the LegCo Finance Committee in 2015-16 legislative year.
- Building on the present experience in implementing various Mainland exchange programmes, more exchange opportunities will be provided for primary and secondary students from the 2015/16 school year onwards. This includes increasing the number of places for organising exchange programmes in alignment with curriculum, and encouraging schools to apply for subsidy to organise school-based Mainland exchange programmes. Our aim is to allow students to join at least one Mainland exchange programme each in the primary and secondary stages.
- Increased the provision for the Funding Scheme for Youth Internship in the Mainland to \$54 million in 2015-16. About 3 000 young people are expected to benefit from the Scheme, representing an increase of about 100% over last year. The Scheme has also enhanced co-operation with the Guangdong Province for the first time to provide more internship places in Guangdong enterprises and government institutions, etc. for Hong Kong youth. Internship places will be offered in 5 cities, namely Guangzhou, Shenzhen, Dongguan, Foshan and Zhongshan.
- Increased the provision for the Funding Scheme for Youth Exchange in the Mainland to \$30.9 million in 2015-16 to sponsor 199 exchange programmes. About 15 700 young people are expected to benefit, representing an increase of 43% over last year.
- Arranged for 10 university students from Hong Kong to take part in volunteer services of United Nations agencies per year, in collaboration with the United Nations Volunteers and local voluntary agencies. The first batch of volunteers will commence service in Southeast Asia in July 2015. We will also launch the “Guangdong-Hong Kong Youth Volunteers Programme”. Together with their Guangdong counterparts, tertiary students in Hong Kong will take part in a 7-day voluntary service programme in the rural areas of Guangdong Province during summer holiday this year. The volunteers will assist in teaching, cultural promotion, providing technical agricultural support, environmental protection education and providing medical services. The programme seeks to enhance mutual understanding and exchange between the youths in Hong Kong and Guangdong. Around 200 Hong Kong tertiary students are expected to join the programme this year.
- Provided \$2.95 million for the International Youth Exchange Programme in 2015-16. About 140 young people are expected to benefit, representing an increase of 24% over last year.

Environmental Protection and Conservation



- To improve roadside air quality and protecting public health, an incentive-cum-regulatory programme was rolled out in March 2014 to retire some 82 000 pre-Euro IV diesel commercial vehicles by end 2019. By the end of May 2015, some 28 200 vehicles have been retired, accounting for one-third of the target vehicles.
- Continued to progressively implement measures in the Clean Air Plan to improve air quality, including:
 - Enacting the Air Pollution Control (Ocean Going Vessels) (Fuel at Berth) Regulation to require ocean going vessels to switch to fuel with sulphur content not exceeding 0.5% while at berth, to reduce their emissions. The new regulation will come into force on 1 July 2015.
 - Enacting the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation to control emissions from non-road mobile machinery such as generators and excavators. The new regulation commenced on 1 June 2015.
 - Extending the Cleaner Production Partnership Programme for five years until 2020 to continue encouraging Hong Kong-owned factories in both Hong Kong and Guangdong to adopt cleaner production technologies and practices, thereby improving regional air quality through enhancing energy efficiency and reducing emission of pollutants.
- Continued to progressively implement measures set out in the Hong Kong Blueprint for Sustainable Use of Resources, including:
 - Providing funding support to NGOs for recovery of surplus food and re-distribution to the needy through the Environment and Conservation Fund since July 2014.
 - The Council for Sustainable Development submitted its report on the public engagement on municipal solid waste charging to the Government in December 2014. The Government reported to the LegCo on the framework proposal for implementing charging, and commenced preparatory work for taking forward the recommendations in February 2015.
 - Awarding the Design-Build-Operate contract for Phase 1 of the Organic Waste Treatment Facilities (OWTF) in December 2014. The OWTF Phase 1 will have the capacity to turn 200 tonnes of source separated food waste into useful resources per day upon its commissioning in mid-2017.
 - The Sludge Treatment Facility commenced operation in April 2015. The Facility will progressively replace the disposal of sludge by landfilling and generate energy from waste.

- Full implementation of the Plastic Shopping Bag Charging to cover the entire retail sector in April 2015.
 - The Waste Electrical and Electronic Equipment (WEEE) Treatment and Recycling Facility commenced construction in May 2015, and will support the future Producer Responsibility Scheme on WEEE.
 - Developing the Community Green Stations (CGS) in each of the 18 districts, which will be operated by non-profit making organisations to promote environmental education and help collect different types of recyclables at the district level. The first facility under the initiative, namely the Sha Tin CGS, opened doors to the public in May 2015.
- On energy:
 - Completed the works for Phases I and II of the District Cooling System (DCS) at the Kai Tak Development in January 2013 and September 2014 respectively. The DCS Ordinance, which stipulates the charging level, was passed by the LegCo in March 2015. Provision of district cooling services to the Kai Tak Cruise Terminal building and Ching Long Shopping Centre commenced in February 2013 and May 2013 respectively.
 - Consulted the public between March and June 2015 on the future development of the electricity market after the current Scheme of Control Agreements with the 2 power companies expire in 2018.
- Unveiled the first-ever energy saving blueprint for Hong Kong in May 2015. The blueprint sets for Hong Kong a new target of reducing energy intensity by 40% by 2025. The “Energy Saving for All” Campaign was also launched to promote territory-wide energy saving.
- Completed the main works of the Harbour Area Treatment Scheme Stage 2A in January 2015. Upon its full commissioning by end-2015, the water quality of the main body of Victoria Harbour will further improve.
 - The Task Force on External Lighting completed its study and submitted its report to the Government in April 2015. The Task Force recommended a multi-pronged approach to address the issues of light nuisance and energy wastage caused by external lighting. The Government will launch charter and award schemes in 2015, and organise public education and publicity programmes. The Guidelines on Industry Best Practices for External Lighting Installations will also be re-launched.
 - Established task forces from March 2015 to follow up on the Antiquities Advisory Board’s recommendations on the conservation of built heritage. Recommendations included the setting up of a dedicated fund on the conservation of built heritage to support restoration, maintenance and revitalisation of historic buildings, and to provide funding for public education and publicity activities, and academic research etc.
 - Announced the selection result for Batch IV of the Revitalising Historic Buildings Through Partnership Scheme in mid-June 2015. Batch IV projects include No. 12 School Street, Old Dairy Farm Senior Staff Quarters, Lady Ho Tung Welfare Centre and King Yin Lei. Among these 4 historic buildings, the Government will continue to manage King Yin Lei and open it for public enjoyment. The Stone Houses and Old Tai Po Police Station under Batch II of the Scheme were soft-opened in the second quarter of 2015.
 - Declared the Lin Fa Temple in Tai Hang, Hung Shing Temple in Ap Lei Chau and Hau Wong Temple in Kowloon City as monuments in October 2014.



Healthcare



- The Chinese Medicine Development Committee chaired by the Secretary for Food and Health has made recommendations to the Government on the policy and strategy to promote Chinese medicine. On these recommendations, the Government is planning to establish the first Chinese medicine hospital in Hong Kong. We are also preparing the establishment of a testing centre for Chinese medicines under the Department of Health to conduct testing and scientific research on Chinese medicines and set reference standards for the safety, quality and testing methods of Chinese medicines, thereby promoting Hong Kong as an international centre for Chinese medicines research and development.
- Preparing for the Colorectal Cancer Screening Pilot Programme, which is expected to be launched in mid-2016, so as to subsidise screening for eligible Hong Kong residents aged 61 to 70 years by phases over 3 years.
- Obtained approval from the LegCo Finance Committee in April 2015 for providing a loan of \$4.033 billion to the CUHK Medical Centre Limited for developing a non-profit making private teaching hospital. The hospital will increase the overall capacity of the healthcare system and provide patients with more choices.
- Concluded the public consultation on Regulation of Private Healthcare Facilities and Voluntary Health Insurance Scheme in March and April 2015 respectively, which would lay the foundation for the legislative process in 2016-17.
- To complete by mid-2015 the review on the operation of the Hospital Authority (HA). Recommendations will also be made for ensuring HA's capability to respond to challenges arising from social changes and an ageing population. HA will formulate an action plan on the implementation of the recommendations after the release of the review report.
- Commissioned a consultant in June 2015 to study the future of the live poultry trade, including whether the sale of live poultry should be retained in Hong Kong. We aim to complete the study within 2015 and seek public views on the recommendations of the consultant thereafter.



Culture, Leisure and Municipal Services



- Hong Kong athletes took part in a number of major events in 2014, including the Youth Olympic Games in Nanjing and the Asian Games and Asia Para Games in Incheon. They achieved outstanding results, winning a total of 93 medals: 18 gold, 31 silver and 44 bronze medals in these 3 events alone.
- Some 3 200 athletes from 18 districts participated in more than 1 000 contests in 8 sports in the 5th Hong Kong Games held from April to May 2015.
- Allocated a maximum of \$25 million annually for 5 years starting from 2015-16 to the Hong Kong Football Association for implementing its Strategic Plan so as to further the development of local football.
- Increased the financial support for each district team in 2014. Support for each district team participating in the Hong Kong Premier League (HKPL) has been increased from \$1 million to \$1.5 million per football season. In the 2014-15 season, a total of 3 district teams participated in the HKPL.
- Continued the Pilot Scheme for Student Athlete Support in the 2014/15 school year to support students from low-income families in realising their sporting potential. In its second year of implementation, the number of participating schools has increased by over 30% from 363 to 488.
- Announced in February 2015 the plan to introduce a \$300 million Art Development Matching Grants Pilot Scheme, under which matching grants will be provided for the private donation and sponsorship secured by eligible local arts groups. The Pilot Scheme aims at encouraging different sectors of the community to sponsor local art and cultural activities, promoting closer partnership and jazzing up the cultural aura of the city.
- Various cultural and leisure facilities came into operation in the past year, including the Tin Yip Road Park and the Ko Shan Theatre New Wing dedicated for Cantonese opera performances in October 2014; the Tiu Keng Leng Sports Centre, the Tiu Keng Leng Public Library and open space opened in phases from March 2015; and the Kwun Tong Promenade (Stage II) and the redeveloped Kwun Tong Recreation Ground in the second quarter of 2015.
- With “When Blossoms Dance” as its theme, the Hong Kong Flower Show held at Victoria Park in March 2015 displayed over 350 000 flowering plants and attracted a record number of almost 600 000 visitors.

- A number of major exhibitions were held by the Leisure and Cultural Services Department (LCSD) in 2014-15, including the “Treasures from Tsarskoye Selo, Residence of the Russian Monarchs” and “Dunhuang - Untold Tales, Untold Riches” exhibitions. LCSD museums saw a record number of over 6.52 million visitors in 2014, an increase of about 6% over 2013 and a growth of 13% since 2012. These exhibitions have successfully built up a wider audience base and helped raise public interest in art, history and science.
- Promulgated the first inventory list of Hong Kong’s intangible cultural heritage (ICH) in June 2014. The State Council announced in December 2014 that 4 items from Hong Kong (including the arts of the Guqin, Quanzhen temples Taoist ritual music, Hakka unicorn dance in Hang Hau, Sai Kung and Wong Tai Sin belief and customs) had been successfully inscribed onto the latest national ICH list. Together with the 6 items inscribed earlier, a total of 10 Hong Kong items are on the national ICH list. Also, the Intangible Cultural Heritage Unit currently under the Hong Kong Heritage Museum will be upgraded as the Intangible Cultural Heritage Office to heighten its endeavours on the identification, documentation, research, preservation, promotion and transmission of ICH.
- Launched the “My Library” and “Multimedia Information” mobile apps in July and September 2014 respectively, to enable members of the public to access library services and digital collections anytime and anywhere.
- The TPB approved the West Kowloon Cultural District Authority’s planning application for minor relaxation of development intensity of the West Kowloon Cultural District (WKCD) site in November 2014 to fully bring out the development potential of the site. The construction works of the foundation of M+ and the main superstructure of Xiqu Centre in WKCD have commenced in August and December 2014 respectively. M+ and Xiqu Centre are expected to be completed by the second half of 2018 and mid-2017 respectively. Construction works of the Arts Pavilion have also started in April 2015, with expected completion date in 2016. Besides, the construction works of the temporary Nursery Park are expected to be completed in mid-2015 and will be open for public enjoyment afterwards.
- Launched a \$230 million 5-year scheme for providing financial assistance to hawkers in June 2013 to enhance the fire safety standards of hawker stalls. As at May 2015, of the about 500 stalls identified as carrying higher fire risks, over 60% have been vacated whilst consensus about the relocation arrangements have largely

been reached in all remaining cases. Reconstruction of stalls in various hawker areas is being completed progressively, in accordance with the new fire safety requirements.

- Reported to LegCo in January 2015 the outcome of the consultancy study providing reference for improving the operating environment of public markets. We plan to put forward concrete improvement proposals for a number of public markets in 2015,

after taking into account their conditions as well as the challenges and opportunities facing individual markets.

- Secured support of DCs for 4 columbarium development projects at Sandy Ridge, Chai Wan, Wo Hop Shek and Tsang Tsui in 2014-15. These projects will provide about 430 000 new niches, which are expected to become available from 2019 onwards.



Constitutional Development and District Administration



- Submitted a report to the Standing Committee of the National People's Congress (NPCSC) in July 2014 to invite the NPCSC to make a determination on whether there is a need to amend the methods for selecting the Chief Executive in 2017 and for forming the LegCo in 2016. This formally kick-started the "Five-step Process" of constitutional development. In August 2014, the NPCSC adopted a decision that universal suffrage for the Chief Executive election could be implemented starting from 2017.
- Launched the second round consultation on the method for selecting the Chief Executive in January 2015.
- Published the Consultation Report and Proposals on the Method for Selecting the Chief Executive by Universal Suffrage in April 2015, and on 2 June 2015, put forward to the LegCo a motion to amend the method for the selection of the Chief Executive. The motion was vetoed on 18 June 2015. The method for selecting the 4th term Chief Executive in 2012 will be adopted to select the 5th term Chief Executive in 2017.
- Consulted the LegCo Panel on Home Affairs in February 2015 on the proposals to increase the honorarium of DC members by 15% in real terms and offer every DC member a new provision of \$10,000 per term to cover duty visit expenses with effect from the 5th term DC (2016-2019). The funding application will be submitted to LegCo Finance Committee within 2015 for consideration.
- Provided an additional annual dedicated funding of \$20.8 million for community involvement programmes from 2015-16 to 2019-20 to further strengthen the support for DCs in promoting arts and cultural activities in the districts.
- Successfully conducted the Rural Ordinary Election in January 2015 under the supervision of the Electoral Affairs Commission. In particular, the Kaifong Representative Election was held under a legal framework for the first time.
- HKSARG attaches great importance to the relationship between the Executive and the Legislature. The Basic Law has endowed different powers and responsibilities to the two authorities. In the current LegCo session, thus far the LegCo has passed 16 bills covering a range of policy areas and about 110 subsidiary legislation proposals or amendments put forward by the Government.

- Some LegCo Members filibustered on the Appropriation Bills for 3 consecutive years, causing a waste of time to the Legislature and hindering government operation, to the detriment of Hong Kong. The public at large is tired of the “non-co-operation movement” of some Members at the Finance Committee. Passage of the 2015 Appropriation Bill was delayed to end-May this year. To maintain core public services, the Government implemented contingency measures in mid-May by re-deploying remaining funds under the Vote-on-Account and deferring subvention payment for June in respect of the HA, LegCo Commission and the tertiary educational institutions funded by the University Grants Committee. Owing to the slow progress in the examination of items by the Finance Committee in the last legislative session, 27 public works items had been deferred for 6 months on average and the total project cost had increased by \$2.5 billion.
- HKSARG looks forward to working hand in hand with the LegCo for the social and economic betterment of Hong Kong. On 19 June 2015, the Government proactively announced that 11 economic and livelihood items would be submitted to the LegCo Finance Committee, prior to submission of the proposals for the establishment of the Innovation and Technology Bureau.

