

Seek Change Maintain Stability Serve the People with Pragmatism

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

June 2013

Economy and Business
Transport
A Caring Society
Housing and Land Supply
Culture, Creativity, Arts, Leisure and Sports
Education
Healthcare
Environmental Protection and Conservation
Transport
Administration and Constitutional System
Livelihood
Housing and Land Supply
Culture, Creativity, Arts, Leisure and Sports
A Caring Society
Livelihood
Healthcare
Economy and Business
Education
Environmental Protection and Conservation
Administration and Constitutional System



**Seek Change
Maintain Stability
Serve the People with Pragmatism**

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

Content

3	Foreword
4	Economy and Business
8	A Caring Society
12	Housing and Land Supply
16	Environmental Protection and Conservation
18	Education
20	Healthcare
22	Transport
24	Culture, Creativity, Arts, Leisure and Sports
26	Administration and Constitutional System
28	Livelihood

Foreword



Over the past year, with the support of civil servants, the political team of the fourth-term government and I have taken challenges head on and strived to address the needs and concerns of the people in a pragmatic way. We have resolved or effectively addressed several thorny issues in a short time, including the influx of pregnant Mainland mothers who rushed to accident and emergency wards for delivery; the short supply of baby formula; disruptions at train stations caused by parallel goods traders; admission to Primary One for cross-boundary students; multiple-entry permits to non-residents of Shenzhen; the threat of H7N9 influenza, etc. At the same time, we have made progress in delivering the pledges made in my election manifesto and my first Policy Address.

Over the past year, the HKSAR Government has clearly established the following key visions in administration: (1) resolve long-term social problems with economic development; (2) give priority to Hong Kong people on issues of scarce resources; (3) in view of the housing supply shortage, give priority to Hong Kong people, especially those acquiring properties for self-occupation; (4) manage Hong Kong's political, economic and social relationships with both the Mainland and overseas; (5) make long-term planning for the future and discard short-sighted thinking; (6) take care of people in need and other disadvantaged groups; and, (7) attach great importance to communication with all walks of life in society.

The five key policy concerns clearly established by the Government – (1) economic development; (2) housing; (3) poverty; (4) ageing society; and (5) environmental protection – have received wide support from the community.

Public consensus has also been forged on the policy principles of these five areas, namely: (1) the Government has a role to play in facilitating economic development; (2) the crux of the housing problem is inadequate supply and, thus, increasing land supply is the key to solving it; (3) the poverty problem has multiple causes and needs to be addressed through welfare, education and employment; (4) an ageing society poses unprecedented challenges which call for a feasible population policy and caring for the livelihood of the elderly; (5) the crux of environmental protection is to tackle the problems of air pollution and solid waste.

All seven million people in Hong Kong belong to one family. To keep Hong Kong growing and prospering, the Government and the whole community should share “one heart”. While we do face an array of challenges, there are even more opportunities. I believe that the fourth-term Government can make greater achievements during its tenure.

The achievements made by the SAR Government over the past year are listed below.

C Y Leung
Chief Executive

Economy and Business



- Gross Domestic Product (GDP) grew by 2.8% in real terms year-on-year in the first quarter of 2013. Total employment reached a new high of 3,735,500 persons in March to May 2013. The seasonally adjusted unemployment rate remained low at 3.4%. The Comprehensive Social Security Assistance caseload dropped to 266,510 in May 2013, the lowest in the past 10 years.
- Strengthened Hong Kong's role as an offshore Renminbi (RMB) business hub and its status as an international financial centre by serving as a platform for enterprises and financial institutions all over the world to carry out various financial activities such as RMB payments, financing and investments. At end-April 2013, Hong Kong had the world's largest offshore pool of RMB funds, with total RMB deposits and outstanding RMB certificates of deposits amounting to RMB837 billion. RMB trade settlement conducted through Hong Kong banks in the first four months of 2013 exceeded RMB1,100 billion – a year-on-year increase of 48%.
- Launched RMB Qualified Foreign Institutional Investors (RQFII) A-share ETF in July 2012. At mid-June 2013, the market value of assets managed under the five listed A-share ETFs reached RMB35.8 billion. Since March 2013, the Mainland authorities have allowed more financial institutions to apply for RQFII status and relaxed the restrictions on the investment of RQFII funds, thus facilitating the further development of off-shore RMB business with more market participants and more RMB products in Hong Kong.
- Launched the CNH Hong Kong Interbank Offered Rate fixing (CNH HIBOR fixing) in June 2013, which provides a reliable benchmark for the pricing of loan facilities and is conducive to the further growth of the offshore RMB loan market.
- Implemented the first phase of the Basel III capital standards from January 2013 and the relevant disclosure requirements for banks' capital adequacy in June to strengthen the resilience of banks against risks and align with the international standards, thus contributing to the stability of the banking system.
- Expanded the size of the Government Bond Programme from \$100 billion to \$200 billion, and launched a further issuance of the inflation-linked retail bond (iBond) up to HK\$10 billion in June 2013.
- Extended the application period of the special concessionary measures under the SME Financing Guarantee Scheme to February 2014 to continue helping the trade obtain loans in the commercial lending market. Over the past year, more than 6,800 approved applications have received loan guarantees totalling nearly \$24 billion.

- Established the Financial Services Development Council in January 2013 to engage the industry and formulate proposals to promote the further development of Hong Kong's financial services industry and map out the strategic direction for development.
- The Central People's Government acceded to HKSAR Government's request to establish the CEPA Joint Working Group to assist Hong Kong businesses and professionals to make full and better use of CEPA. At the first meeting held in June 2013, the Working Group explored concrete measures to resolve specific policy and regulatory issues encountered by the trade in using CEPA to enter the Guangdong market.
- Obtained support from the Central People's Government for "early and pilot" implementation of more CEPA measures in Guangdong and other provinces/regions in the Pan-Pearl River Delta, in order to open up markets for Hong Kong enterprises.
- Strengthened co-operation with cities in the Pearl River Delta Region and actively explored opportunities for mutually beneficial development with Nansha and Qianhai.
- Launched the plan to enhance the functions of all four Mainland Offices of the HKSAR Government to better assist Hong Kong residents and enterprises in the Mainland and started preparations for the establishment of a fifth Mainland Office in Wuhan next year. We are also exploring the feasibility of setting up more liaison units in various Mainland cities.
- Established the high-level Economic Development Commission (EDC) in January 2013, underpinned by four Working Groups on transportation; convention and exhibition industries and tourism; manufacturing industries, innovative technology, and cultural and creative industries; and professional services. The Government will seek specific recommendations from the EDC on the formulation of industrial policy, and the overall strategy and policy for broadening the economic base of Hong Kong and enhancing economic development.
- Strengthened economic and trade co-operation with emerging markets. Signed a Free Trade Agreement (FTA) with Chile in September 2012, and secured the agreement of ASEAN in April 2013 to pursue a bilateral FTA.
- Commenced provisions in the Competition Ordinance relating to the Competition Commission in January 2013. We are preparing for full implementation of the Ordinance.
- Announced in February 2013 the way forward for the development of the patent system in Hong Kong, including the introduction of the "original grant" patent system.
- Commenced the Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 with effect from July 2013.
- Promoted economic, trade and financial co-operation between Hong Kong and the United States. In June 2013, the Chief Executive, the Hong Kong Trade Development Council, other organisations and more than 200 delegates visited the United States to encourage the United States business and financial sectors to use Hong Kong for economic, trade and financial activities with Mainland China and Asia.
- The internationally renowned Hague Conference on Private International Law (The Hague Conference) established its Asia Pacific Regional Office in Hong Kong in late 2012. This has enhanced Hong Kong's position as a regional hub for international legal services.
- The Hong Kong Arbitration Centre of the China International Economic and Trade Arbitration Commission (CIETAC), the first arbitration centre set up by CIETAC outside the Mainland, was inaugurated in September 2012. This has reinforced Hong Kong's status as a centre for international arbitration.
- Implemented the Employee Choice Arrangement for the Mandatory Provident Fund (MPF) Schemes since November 2012, which provides about 2.3 million employees greater autonomy in selecting MPF trustees and schemes, enhances market competition and creates room for fee reduction.
- Launched in June 2013 a five-year assistance scheme costing \$230 million to help 4,300 hawkers enhance the fire safety standards and design of their hawker stalls.
- Banned trawling activities in Hong Kong waters since December 2012 to promote the long-term well being of our fisheries industry. In January 2013, we introduced a \$500 million fund to subsidise programmes and research conducive to sustainable fisheries development. In June 2013, we announced details relating to the partial lifting of the moratorium on marine fish culture licences.

A Caring Society



- Launched in April 2013 the Old Age Living Allowance to provide \$2,200 per month to eligible elderly persons. It is estimated that more than 400,000 elderly persons will benefit in 2013-14.
- Reconstituted the Commission on Poverty in December 2012, decided to formulate for the first time a poverty line, and discussed poverty alleviation measures at great length. Six Task Forces were established to explore issues including education, employment and training; special needs groups; social security and retirement protection; and, societal engagement.
- To introduce the Guangdong Scheme no later than November 2013 to enable eligible elderly people who choose to reside in Guangdong to apply for the Old Age Allowance without having to return to Hong Kong each year. The estimated expenditure is \$395 million per annum.
- Extended the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities to buses and ferries in August 2012 and March 2013 respectively to enable these groups to travel for the concessionary fare of \$2 per trip. The daily average passenger trips using MTR, buses and ferries under the Scheme is around 660,000, while estimated expenditure is around \$600 million in 2013-14.



- To launch the first phase of the Pilot Scheme on Community Care Service Voucher for the Elderly in September 2013 in eight districts with an allocation of \$380 million from the Lotteries Fund. By adopting the “money follows the user” approach, elderly people can choose the community care services that suit their individual care needs. At least 1,200 elderly persons will benefit from the scheme.
- Increased the subvention of 7,000 residential care places with continuum of care and upgraded the remaining 7,850 ordinary residential care places in subvented residential care homes for the elderly to places with continuum of care, with an additional recurrent funding of \$164 million. Elderly residents can receive better services as a result.
- To provide about 1,200 additional subsidised residential care places and 320 day care places for the elderly from now to 2015-16.
- Seeking approval from the Legislative Council (LegCo) in June 2013 to allocate an additional \$200 million to extend the service duration of the Short-term Food Assistance Service and increase the allocation provided to the operators with effect from October 2013.
- Announced in January 2013 the regularisation of the “Home Care Service for Persons with Severe Disabilities” from March 2014, and extension of the service to all districts to cover persons with severe disabilities who are living in the community regardless of whether they are on the waiting lists for subvented residential care places. The estimated annual recurrent expenditure is \$203 million, which will benefit 3,250 persons with severe disabilities.
- Regularised the “Transitional Care and Support Centre for Tetraplegic Patients” service since March 2013. The estimated annual recurrent expenditure is \$10.8 million, and 130 persons with severe physical disabilities will benefit.
- Increased the manpower of residential care homes and day training centres for persons with disabilities in 2013-14 to meet the needs of ageing service users. The estimated annual recurrent expenditure is \$67.9 million.
- Increased the manpower of the Integrated Community Centres for Mental Wellness (ICCMWs) in 2013-14 to dovetail with Hospital Authority’s Case Management Programme. The total annual allocation for ICCMWs amounts to more than \$190 million.
- Set up the Standard Working Hours Committee in April 2013 to promote informed and in-depth public discussion of the working hours policy in order to build consensus and assist the Government in identifying the way forward.
- To introduce a bill into LegCo in the 2013-14 legislative session to provide for three days of paid paternity leave to implement the family-friendly policy.
- Increased the Statutory Minimum Wage to \$30 with effect from May 2013, benefiting some 210,000 low-paid employees (based on 2012 statistics), which helps alleviate working poverty.
- Introduced the enhancement measures of the Work Incentive Transport Subsidy Scheme with effect from the claim month of January 2013, providing the option of individual application as an alternative to household application and relaxing the income and asset limits in parallel.
- Abolished the levy imposed on employers of foreign domestic helpers (FDHs) with effect from August 2013 to ease the burden on about 250,000 families employing FDHs, and proposed an injection of \$15 billion into the Employees Retraining Board to provide the Board with long-term support.
- Engaged a consultancy team in May 2013 to study how to improve the retirement protection system in Hong Kong.
- Injected an additional \$15 billion into the Community Care Fund to continue to plug the gaps in the existing system and strengthen poverty alleviation efforts.
- To establish the \$500 million Social Innovation and Entrepreneurship Development Fund within this year.
- Set up an additional support service centre for ethnic minorities (EMs) and two sub-centres in December 2012 to facilitate EMs’ early integration into the community. Introduced two additional radio programmes broadcast in Hindi and Thai in March 2013 to enhance EMs’ understanding of Hong Kong.
- Reconstituted the Steering Committee on Population Policy in December 2012 and brought in non-official members. The Steering Committee is preparing to consult the public on a host of issues relating to population policy in September this year.

Housing and Land Supply



- Announced in October 2012 the enhancement to the Special Stamp Duty and the introduction of the Buyer's Stamp Duty. Announced in February 2013 the doubling of ad valorem stamp duty for residential and non-residential properties and advancing the charging of ad valorem stamp duty on non-residential property transactions. These measures have been effective in combating speculative activities and preventing further escalation in housing prices.
- Abolished the Application Mechanism since 2013-14, thereby resuming the lead in land sales. We plan to put up all the residential sites in the 2013-14 Land Sale Programme for sale in order to increase housing land supply to the largest extent.
- Put forward 10 measures in January 2013 to increase the supply of housing land in the short to medium term. Based on what is currently known, if seven of the measures are implemented, more than 300 hectares of land would be made available for residential use. The measures include converting about 114 hectares of land of various uses to residential use; implementing the development of the former Diamond Hill Squatter Areas and quarry sites to provide about 27 hectares of residential land; and planning the residential development over about 33 hectares

of land at the Kam Tin South West Rail Kam Sheung Road Station and Pat Heung Maintenance Depot, and actively planning the adjoining areas.

- Set up the Long Term Housing Strategy Steering Committee in September 2012. Public consultation will be launched in the third quarter of this year, with a view to formulating new long term housing strategy to address the medium and long term housing needs of Hong Kong.
- Provided sufficient land to the Housing Authority (HA) to build 79,000 Public Rental Housing (PRH) flats in the five years from 2012-13 to 2016-17. Set a production target to provide at least 100,000 PRH flats over the five years starting from 2018 in response to public demand for PRH.
- Secured sufficient land for the development of about 17,000 Home Ownership Scheme (HOS) flats over the four years starting from 2016-17. We will provide an annual average of about 5,000 HOS flats thereafter.
- Implemented in July 2012 the interim scheme to allow up to 5,000 eligible White Form buyers to purchase HOS flats with premium not yet paid on the HOS Secondary Market. HA announced the successful applicants in May 2013. Successful applicants have started purchasing the HOS flats.

- Announced in September 2012 the implementation of the "Hong Kong Property for Hong Kong People" measure. Market response was positive. Two residential sites in the Kai Tak Development Area were sold in June 2013 as a pilot.
- Implemented the Residential Properties (First-hand Sales) Ordinance in full from April 2013 to enhance the transparency and fairness of the sales of first-hand residential properties and strengthen the protection to purchasers.
- Embarked on preparatory work for relaxing or lifting the administrative moratorium in Pok Fu Lam and the Mid-Levels to release the development potential of these two areas.
- Continued to increase the development density of residential sites where allowable in planning terms.
- Implemented the second stage of frontier closed area reduction in June 2013, which released more than 710 hectares of land including the Lok Ma Chau Loop.

- On long-term land supply, completed in September 2012 Stage 3 Public Engagement (PE) of the North East New Territories New Development Areas Planning and Engineering Feasibility Study, involving 533 hectares of land; commenced in April 2013 Stage 1 PE of the planning and engineering study on housing land in Yuen Long South, involving about 200 hectares of land; commenced in May 2013 Stage 2 PE of the Tung Chung New Town Extension Study which is estimated to provide about 189 hectares of developable land according to the preliminary land use options; completed in June 2013 Stage 2 PE for the proposed near shore reclamation sites, artificial islands in the central waters and relocation of three government facilities to caverns, and commenced preparatory work for the next steps.

Environmental Protection and Conservation



- Published a Clean Air Plan in March 2013, which sets out various air quality improvement measures. These include setting joint targets with Guangdong Province for air pollutant emission reduction up to 2015 and 2020; implementing new Air Quality Objectives from 2014 onwards; phasing out heavily polluting pre-Euro IV diesel commercial vehicles with an earmarked allocation of \$10 billion; and reducing emissions from marine vessels through mandating ocean-going vessels to switch to low-sulphur fuel when at berth in Hong Kong, upgrading the quality of local vessel fuel, and planning the installation of on-shore power facilities at the Kai Tak Cruise Terminal.
- Published the “Hong Kong: Blueprint for Sustainable Use of Resources 2013-2022” in May 2013, which sets out a comprehensive strategy, targets, policies and action plans for waste management for the coming 10 years in order to promote a “use less, waste less” culture.
- Launched the Energy Saving Charter on Indoor Temperature and the Energy Saving Charter on “No Incandescent Light Bulbs” in 2013 to encourage the community to save energy and adopt a low-carbon lifestyle.



Education



- Set up a designated committee in April 2013 to study how to practicably implement free kindergarten education. This is a historic stride towards 15-year free education.
- Implemented a series of measures in Primary One Admission for 2013 to cope with the additional demand in North District arising from about 1,700 cross-boundary students. We will also study how to enhance the arrangements for the 2014-15 and subsequent school years so as to accord priority to students residing in Hong Kong in a lawful and reasonable manner.
- Implemented a basket of targeted relief measures with effect from the 2013-14 school year to help preserve our schools, the teaching force and the strengths of our education sector in face of the transient decline in Secondary One student population in the coming few years.
- Raised the ceiling of the Learning Support Grant for public sector primary and secondary schools by 50% to \$1.5 million per school per year with effect from the 2013-14 school year.
- Revised the mode of support for schools for the 2013-14 school year by providing funding to all schools admitting 10 or more non-Chinese speaking (NCS) students so as to widen these students' school choice and step up the support for NCS students' mastery of Chinese Language and integration into the community. It is estimated to benefit about 100 schools.
- Allocated three vacant school premises in April 2013 for international school development in order to provide 1,700 school places by phases from the 2013-14 school year.

Healthcare



- Doubled the annual health care voucher amount for each eligible elder from \$500 to \$1,000 since January 2013. The Elderly Health Care Voucher Scheme will also become a recurrent programme from 2014.
- Implemented as a long-term policy the “zero delivery quota” arrangement to stop expectant Mainland mothers whose husbands are not Hong Kong residents (i.e. NEP2) from giving birth in Hong Kong. In 2013, all beds for obstetric services in public hospitals are reserved for local pregnant women and urgent cases referred by private hospitals. In the first five months of 2013, the average monthly delivery by NEP2 at Accident and Emergency Departments was only 17.6.
- Announced in August 2012 the intention to expedite legislative work relating to formula milk products and foods for infants and young children for health protection. Completed public consultation. Expect to introduce draft legislation in 2013-14 legislative session.
- To set up a committee soon to review the operation of the Hospital Authority. This is the first review of the Hospital Authority since its establishment 22 years ago.
- Established the Review Committee on Mental Health in May 2013 to review the mental health policy and map out the future direction for development of mental health services in Hong Kong.
- Disposed of the Wong Chuk Hang site through tender in March 2013 for developing a new private hospital with 500 beds to increase the overall capacity of the healthcare system. According to the lease conditions, the hospital will accord service priority to local residents and adopt a transparent fee-charging system, thereby providing the public with more choices for quality private hospital services.
- Established the Chinese Medicine Development Committee in February 2013 to discuss and study specific policy and measures relevant to a number of key areas, including personnel training and professional development, Chinese medicine services, scientific research and Chinese medicines industry development; and to give recommendations to the Government.
- Implemented comprehensive measures to prevent emerging global public health threats including the Middle East Respiratory Syndrome and Avian Influenza A (H7N9). These include enhancing surveillance and laboratory tests; liaison with other health authorities; port health measures; strictly implementing infection control measures; publicity and public education and drills. Hong Kong so far has not reported any case of infection.

Transport



- The new Fare Adjustment Mechanism (FAM) for the MTR Corporation Limited which has been in effect since June 2013 will benefit passengers, as it adopts a new, objective and transparent methodology for calculating the Productivity Factor, and introduces a profit sharing mechanism, an affordability cap, a service performance arrangement, as well as new types of concessionary tickets.
- Put forward three toll adjustment proposals in February 2013 as possible measures to improve traffic distribution among the road harbour crossings (RHCs), with a view to alleviating congestion at the Cross Harbour Tunnel and rationalising the traffic distribution among the RHCs. Completed public consultation. Expect to release the final proposal soon.
- Co-ordinating various public transport services to tie in with the commissioning of five new railway lines in the coming seven years, with a view to fully leveraging on the environmental advantages of railways, enhancing the efficiency of the transport network and reducing air pollution.
- Announced in January 2013 that bus route rationalisation would be pursued more vigorously through an "area approach", under which rationalisation would be considered having regard to the overall transport network and environmental benefits for a district/area. This will improve roadside air quality, ease traffic congestion and alleviate pressure for fare increases.

Culture, Creativity, Arts, Leisure and Sports



- Approved the Development Plan for the West Kowloon Cultural District in January 2013. The West Kowloon Cultural District Authority has selected the design teams for the Xiqu Centre and M+ Museum, and will commence the construction work as soon as possible.
- Injected an additional \$300 million into the CreateSmart Initiative in May 2013 to provide sustained support for the development of creative industries.
- Aligned the fees and charges for sports and leisure facilities, municipal facilities and services in urban areas and the New Territories based on the lower of the current levels with effect from July and August 2013, benefiting about 7 million people annually.
- Allocated additional resources to support the Hong Kong Arts Development Council to provide about 10,000 square feet of art space for young artists in an industrial building in Wong Chuk Hang at a concessionary rent. Renovation works is expected to be completed in late 2013 or early 2014 for artists to move in.
- The Oil Street Artspace was partially opened in May 2013 and will be fully opened in September 2013, providing artists, particularly young artists, with a new venue for exhibitions and exchanges.
- Earmarked additional funding of \$150 million to strengthen the training of arts administrators with different levels of experience for five years starting from 2013-14.
- Provided an additional \$20.8 million a year for community involvement programmes from April 2013 to enhance the promotion of arts and culture by District Councils (DCs).
- Earmarked funding to implement the Pilot Scheme for Student Athlete Support in 2013-14 school year.
- Launched the First Feature Film Initiative in March 2013 to nurture talents for the local film industry by subsidising three new directors and their film production teams to make their first feature films on a commercial basis within two years. The estimated expenditure is \$9.95 million.
- Provided annual funding of up to \$4 million, \$5 million and \$5 million to each university designated as a local public research institution; Partner State Key Laboratory in Hong Kong, and Hong Kong Branch of Chinese National Engineering Research Centre(s) respectively for the three years starting from 2013-14. This will strengthen capabilities of research and development as well as technology transfer.
- Earmarked an additional \$100 million in January 2013 for each district, i.e. \$1.8 billion in total, for DCs to implement the Signature Project Scheme in the current term. Preliminary proposals submitted by DCs so far cover improvements to existing cultural or recreational facilities and enhancement of community health services, etc.

Administration and Constitutional System



- Held the LegCo election successfully in September 2012, and implemented the “one-person, two-votes” arrangement which further enhances the democratic elements of the LegCo election.
- Completed in May 2013 the legislative process to abolish all the DC appointed seats from the fifth-term DCs onwards.



Livelihood



- Suspended the implementation of “one-year multiple-entry Individual Visit Scheme endorsement for non-permanent Shenzhen residents” after liaising with the Mainland. This has helped alleviate the burden on Hong Kong’s overall capacity to receive tourists for the time being.
- Secured funding in February 2013 for detailed design and site investigations of the site formation and associated infrastructural works at Sandy Ridge Cemetery, which will eventually provide 200,000 niches in phases starting from 2022.
- Implemented legislation in March 2013 to regulate the export of powdered formula for infants and young children, which ensures a sufficient and stable supply of powdered formula in Hong Kong and significantly reduces related parallel trading activities.
- Announced in August 2012 “Universal Accessibility” to retrofit public footbridges, elevated walkways and subways with barrier-free access facilities such as lifts. We are conducting preliminary technical feasibility studies for the priority projects, and will construct feasible projects as soon as possible.



