

# Support the Needy Let Youth Flourish Unleash Hong Kong's Potential

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

June 2014





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# Foreword



Last year, I uploaded onto the Internet the *Report on the Work of the Current-term Government in its First Year*, highlighting our work and achievements. Similarly, this year's report outlines the progress made by the current-term Government on various fronts in its second year.

The current-term Government is committed to promoting economic development, improving people's livelihood, and taking forward constitutional development for more effective governance. We seek change while maintaining stability, adopt an appropriately proactive approach, attach importance to long-term planning and have abandoned the mindset of focusing on short-term needs. We hope that all Hongkongers will enjoy the opportunity to realise their potential and live out their aspirations.

Over the past two years, the Government has worked hard to sustain our economic growth and to address many of Hong Kong's deep-seated problems. We have achieved significant progress on a number of important issues. For example, we are doing our utmost to increase land and housing supply in the short, medium and long terms. We have implemented measures to effectively manage demand and curb rising property prices. The Government has set our first-ever official poverty line and has consulted the public and canvassed views on important issues affecting Hong Kong's future development such as the long-term housing strategy and population policy, as well as the methods for selecting the Chief Executive in 2017 and for forming the Legislative Council in 2016.

Our policy initiatives this year are focused on assisting low-income working families, the elderly and the underprivileged, and providing the younger generation with better education and training opportunities to help them seize opportunities and overcome challenges. At the same time, we are committed to further enhancing our economic development, and improving the environment and quality of life.

Supported by, and working in tandem with, the political team and our huge team of dedicated civil servants, the current-term Government will continue to build a better Hong Kong together with the whole community with one heart and one vision.

A handwritten signature in black ink, appearing to be 'CY Leung'.

C Y Leung  
Chief Executive

# Economy





- Gross Domestic Product expanded by 2.5% in real terms year-on-year in the first quarter of 2014. We are seeing full employment, with the unemployment rate at a 16-year low of 3.1%. Underlying consumer price inflation eased to 3.5% in May 2014.
- Our financial industry continues to gain momentum: Premier Li Keqiang announced in April 2014 the establishment of mutual access between the Hong Kong and Shanghai stock markets, further opening up both stock markets and enabling eligible individual and institutional investors to participate in cross-border transactions directly in each market. The Shanghai and Hong Kong Stock Connect programme is a major breakthrough for the two-way opening up of the Mainland's capital markets and a great milestone for financial co-operation between the two places. This shows that Hong Kong and Shanghai are more partners than competitors.
- As at end-April 2014, renminbi (RMB) deposits and outstanding RMB certificates of deposit totalled RMB 1,169 billion, accounting for about 70% of the offshore pool of RMB liquidity. In the first four months of 2014, RMB trade settlement conducted through Hong Kong amounted to RMB 1,950 billion, an increase of 76% over last year. In April 2014, the average daily turnover on Hong Kong's RMB Real Time Gross Settlement system amounted to about RMB 700 billion.
- The Ministry of Finance announced in April 2014 its plan to issue RMB sovereign bonds totalling RMB 28 billion, compared to the RMB 23 billion issued last year. As in 2013, RMB sovereign bonds would be issued twice this year, demonstrating the regularisation of the issuance programme in Hong Kong by the Central Government. The first tranche of RMB 16 billion was issued to institutional investors, overseas Central Banks and monetary authorities on 21 May 2014.
- Provided a comparable taxation framework for Islamic bonds vis-à-vis conventional bonds in July 2013 to enhance Hong Kong's competitiveness in developing the Islamic bond market. The relevant legislation was also amended in March 2014 to accommodate the issuance of Islamic bonds under the Government Bond Programme.
- The new Companies Ordinance came into effect in March 2014 to provide a modernised legal framework for the incorporation and operation of over 1.2 million companies in Hong Kong. It enhances corporate governance, ensures better regulation and facilitates business to consolidate Hong Kong's position as an international business and financial centre.
- Amended the Inland Revenue Ordinance in March 2014 to reduce by half the profits tax rate for a captive insurer's insurance business of offshore risks.
- Introduced the Insurance Companies (Amendment) Bill 2014 in April 2014 to provide a legal framework for establishing an independent Insurance Authority and a statutory licensing regime for insurance intermediaries, to enhance the protection of millions of policyholders.
- To launch a public consultation in June 2014 on the proposal of including in each mandatory provident fund scheme a core fund, with fee control, as the default fund. The proposal would assist employees in choosing low-fee funds consistent with the concept of retirement protection, increase market competition and facilitate fee reduction.
- Established the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland in October 2013 to provide concrete recommendations to the Hong Kong Special Administrative Region Government (HKSARG) on matters relating to the strengthening of co-operation with the Mainland in economic, trade and other relevant areas.
- Established the fifth Mainland Office in Wuhan in April 2014. A liaison unit in the Northern Region of the Mainland would also be set up this year, to be followed by another one in the Eastern Region next year, to assist Hong Kong residents and enterprises in capitalising on development opportunities in the Mainland.
- Signed a Co-operation Agreement with the Qianhai Authority of Shenzhen in September 2013 to facilitate the direct practice of Hong Kong professionals and enterprises of the construction and engineering sectors in Qianhai.
- The CEPA Joint Working Group held three meetings in Guangzhou, Shanghai and Chongqing in June 2013, December 2013 and April 2014 respectively. The meetings explored concrete measures to resolve specific policy and regulatory issues encountered by the business community in using CEPA to enter the Mainland market. The HKSARG would continue to assist the business community to make fuller and better use of CEPA.
- In February 2014, the Secretary for Justice led a delegation of legal and arbitration professionals on the first two visits to the emerging markets of South East Asia and to promote Hong Kong as a centre for international legal and dispute resolution services in the Asia-Pacific region.
- In March 2014, the Department of Justice held its first "Mediation Week" to promote the understanding of mediation and its wider use as a means of dispute resolution. The "Mediate First" pledge has been signed by about 160 companies and organisations so far, and they pledge to consider the use of mediation first before resorting to other means of dispute resolution.

- Further extended the application period of the special concessionary measures under the “SME Financing Guarantee Scheme” to end-February 2015 to continue assisting local enterprises obtain commercial loans. At end-May 2014, more than 8 700 applications had been approved with a total loan guarantee amount of more than \$29 billion.
- Reduced the Business Registration Certificate levy from \$450 to \$250 per annum in July 2013 to benefit small and medium enterprises.
- Established the Lantau Development Advisory Committee in January 2014 to map out the economic and social development strategy for Lantau Island to fully capitalise on the benefits brought by major infrastructure in the area and enhance synergy between Hong Kong and the Pearl River Delta.
- Set up the \$500 million Sustainable Fisheries Development Fund in January 2014 to support programmes and research that help enhance the competitiveness of the fisheries industry and put its development on a sustainable path.
- Updated the admission and management requirements for the List of Approved Contractors for Public Works in December 2013 to increase tendering opportunities for small to medium-sized contractors and enhance the capacity of the industry to undertake works projects. The updates would further open up the market for competitive tendering and, at the

same time, enhance the quality and cost effectiveness of government infrastructure projects.

- Devised an arrangement to better prepare for “Supplementary Labour Scheme” applications related to public sector works in March 2014. It aims to reduce the time required for administrative work to smooth the processing of applications. Training for local workers was strengthened to cope with the shortage of skilled workers in the construction industry.
- Announced in February 2014 an additional allocation of \$130 million to implement manpower development measures for the retail industry.
- Launched the \$100 million Maritime and Aviation Training Fund in April 2014 to build a diversified and competitive pool of talent to boost Hong Kong’s position as an international maritime centre.
- Followed up on the recommendations of the consultancy study on Enhancing Hong Kong’s Position as an International Maritime Centre, and commenced necessary preparatory work to establish a new statutory body to drive the development of Hong Kong’s maritime services industry.
- Announced in January 2014 the restarting of work to set up an Innovation and Technology Bureau to promote economic development and improve people’s livelihood through innovation, science and technology. We obtained the support for the proposal from the Legislative Council (LegCo)

Panel on Commerce and Industry and the Panel on Information Technology and Broadcasting. The proposed establishment changes are supported by the Establishment Subcommittee under the Finance Committee, while the Subcommittee set up under the House Committee has completed the scrutiny of the subsidiary legislation for transferring the relevant statutory functions. We hope to secure the early approvals of the LegCo so that the new Bureau can be set up and start operation as soon as possible.

- Held the 2<sup>nd</sup> International IT Fest in April 2014 to showcase Hong Kong’s Information and Communications Technology (ICT) accomplishments, and foster an environment for ICT innovation and businesses to flourish. About 60 000 people participated in the International IT Fest 2014, of which around 20 000 were from the Mainland or overseas.
- To promulgate the new Digital 21 Strategy – “Smarter Hong Kong, Smarter Living” – in mid-2014 as the framework for Hong Kong’s overall ICT development in the next few years. Through the new Strategy, individuals and different sectors of society can leverage on ICT to enhance quality of life as well as productivity.
- Completed the second round Partner State Key Laboratories (PSKLs) application exercise with the Ministry of Science and Technology in July 2013, resulting in the increase of PSKLs in Hong Kong from 12 to 16.

The first round application exercise for Hong Kong Branches of Chinese National Engineering Research Centres started in February 2014, and was open for universities and Research and Development Centres in Hong Kong to apply.

- Provided annual funding of up to \$4 million from 2014-15 onwards to each of the six universities designated as local public research institutions to encourage their teams to start technology businesses and commercialise research and development results.
- The Steering Committee on Population Policy completed the public engagement exercise on population policy in February 2014. It is studying the comments received with a view to formulating short-, medium- and long-term measures to address the issues of ageing population and an inadequate labour supply.
- Implemented the first mutual use of automated immigration clearance services (e-gate) with the Republic of Korea in December 2013 and signed a memorandum of understanding with Germany concerning the mutual use of e-gate in May 2014 to provide greater travel convenience for residents.

# Poverty Alleviation, Care for the Elderly and Support for the Disadvantaged



- Published the first official poverty line in September 2013, and outlined the poverty alleviation blueprint of the current-term Government in the 2014 Policy Address based on the poverty data analysis. The blueprint comprises the pro-employment and pro-child Low-income Working Families Allowance (LIFA) and a range of measures to promote the upward mobility of young people from grassroots families and support the disadvantaged groups.
- Announced in January 2014 the implementation of LIFA in 2015 to relieve the financial burden of low-income working families not receiving Comprehensive Social Security Assistance (CSSA), encourage sustained employment and promote upward mobility among the children and young members of these families. The estimated annual allowance amounts to about \$3.1 billion. The estimated number of beneficiary families is over 200 000, involving 710 000 people including 180 000 eligible children and young people in these families.
- Further raised the income and asset limits of the Work Incentive Transport Subsidy Scheme from the claim month of February 2014 onwards under the annual adjustment mechanism. Over 74 000 low-income earners have benefited from the Scheme since its introduction.
- Provide a subsidy of up to \$15,000 for needy students pursuing full-time undergraduate degree or sub-degree programmes to participate in overseas exchange programmes arranged by institutions from the 2014-15 academic year. About 9 800 students would benefit per annum.
- Regularised from January 2014 the arrangement allowing student loan borrowers to opt to repay their student loans one year after completion of studies. It is estimated that about 23 000 students would benefit per annum.
- Announced in January 2014 the provision of an additional \$300 million for the Child Development Fund to promote the long-term development of grassroots children.
- Strengthened collaboration with employers and training bodies since January 2014. So far, four employment pilot projects to provide young people with appropriate pre-employment training, on-the-job training and employment support services have been launched.
- Implemented the “Future Stars Programme” in collaboration with businesses and non-governmental organisations (NGOs) in September 2013 to provide corporate visits and short-term workplace training and internship opportunities for young people from grassroots families.



- Approved eight new programmes under the Community Care Fund (CCF), including the implementation of a pilot incentive scheme to encourage able-bodied CSSA recipients to achieve self-reliance through employment, the provision of a living allowance to carers for the elderly who are from low-income families, providing hostel subsidy for needy undergraduate students, increasing the academic expenses grant for needy students pursuing eligible self-financing post-secondary programmes, and providing a one-off subsidy for low-income families not living in public rental housing and not receiving CSSA. The total commitment for the programmes is around \$1.65 billion, and it is estimated that over 680 000 persons would benefit.
- Regularised seven CCF programmes to provide assistance to needy families and low-income persons, including primary and secondary school students, children on the waiting list for subvented pre-school rehabilitation services, persons with severe physical disabilities living in the community and CSSA recipients who are Tenants Purchase Scheme flat owners. The estimated annual recurrent expenditure is around \$780 million, and it is estimated that over 400 000 people would benefit.
- Implemented a number of targeted CSSA improvement measures from 2014-15 onwards, including the enhancement of rent allowance arrangements for about 3 600 families at an estimated annual expenditure of about \$36 million.
- Extended the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (\$2 Scheme) to eligible children with disabilities aged below 12 in May 2014, and will extend the \$2 Scheme to cover green minibuses in phases starting from the first quarter of 2015. So far, the number of average daily passenger trips made by the elderly and eligible persons with disabilities on the MTR, buses and ferries has reached 700 000.
- Announced in January 2014 that the Elderly Commission would be tasked to formulate an Elderly Services Programme Plan in two years' time.
- Planned to review the Old Age Living Allowance (OALA) by end-2014 to ascertain, among other things, whether the asset limits should be relaxed and explore the feasibility of extending the OALA to Guangdong in light of the experience with the Guangdong Scheme.
- Increased the annual recurrent provision by \$160 million from 2014-15 onwards to upgrade 51 social centres for the elderly to neighbourhood elderly centres and increase the manpower and programme expenses of all 211 subvented elderly centres.
- Rolled out the two-year first phase of the Pilot Scheme on Community Care Service Voucher for the Elderly in September 2013. By adopting a "money-following-the-user" approach, the Pilot Scheme enables eligible elderly people to choose community care services that suit their individual needs. As at end-May 2014, some 1 210 elderly persons had joined the Pilot Scheme.
- Increased the annual recurrent provision by over \$200 million from 2014-15 onwards to raise the subsidies for places under the Enhanced Bought Place Scheme and the Nursing Home Place Purchase Scheme, upgrade subvented nursing home places to provide continuum of care, and enhance the service of three new contract homes. These would involve a total of 1 810 subsidised places.
- Continued to adopt a multi-pronged approach to increase the provision of subsidised residential care places for elderly persons, including the implementation of a pilot scheme to purchase residential care places from two elderly homes run by Hong Kong NGOs in Guangdong to provide an option for elderly persons waitlisted for subsidised places at their own choice. It is expected that over 1 580 new subsidised residential care places will be provided from 2014-15 to 2016-17.
- Announced in January 2014 that the Elderly Commission would be tasked to explore the feasibility of introducing residential care service vouchers for the elderly in a year's time.
- Injected \$50 million into the Elder Academy Development Foundation in March 2014 to promote the sustainable development of the Elder Academy Scheme.
- Planned to launch by end-June 2014 a pilot scheme to provide a living allowance to carers from low-income families who take care of their frail elderly members at home.
- Announced in January 2014 an additional 6 200 places for rehabilitation services for persons with disabilities during the term of this Government. These include 2 016 places for day training and vocational rehabilitation, 2 713 places for residential care and 1 471 places for pre-school rehabilitation services.
- Allocated an additional \$40 million annually from 2014-15 onwards to regularise the Pilot Bought Place Scheme for Private Residential Care Homes for Persons with Disabilities. The cap of subsidised places in each home would be raised from 55% to 70%, and the number of bought places increased from 300 to 450.
- Allocated an additional annual provision of about \$42 million from 2014-15 onwards to strengthen community support for persons with disabilities, including 442 additional places of short-term day and residential care services for persons with disabilities aged six or above; increasing the manpower of the District Support Centres for Persons with Disabilities and introducing a case management service approach; enhancing sign language interpretation services for persons with hearing impairment; and facilitating the development of self-help groups.

- Regularised and extended the Home Care Service for Persons with Severe Disabilities in March 2014 to cover persons with severe disabilities in all districts, regardless of whether they are on the waiting list for residential care service for persons with disabilities. The service, with an estimated annual expenditure of about \$200 million, would benefit about 3 250 persons with severe disabilities.
- Increased the manpower of day training centres for persons with disabilities from 2014-15 onwards to strengthen the care and support for ageing service users. Additional annual expenditure is about \$93 million.
- Allocated an additional \$9.3 million annually from 2014-15 onwards to strengthen the manpower of the Integrated Community Centres for Mental Wellness, with a view to dovetailing it with the Case Management Programme implemented by the Hospital Authority (HA). Together with the resources injected in the past, the total amount of resources allocated for these centres would be about \$205 million per annum.
- Injected \$200 million into the Hong Kong Paralympians Fund in February 2014 to strengthen support for athletes with disabilities.
- Launched the “Talent-Wise Employment Charter” and Inclusive Organisations Recognition Scheme in September 2013 to mobilise the Government, public and private sectors to make collective efforts to promote the employment of persons with disabilities. As at May 2014, over 260 organisations had participated in the Scheme.
- To provide the “Chinese Language Curriculum Second Language Learning Framework” to schools for implementation from the 2014-15 school year to help non-Chinese speaking students overcome difficulties in learning Chinese, and substantially increased the enhanced funding support to schools to about \$200 million. Relevant professional support would also be enhanced.
- Commenced preparations to introduce an Applied Learning (Chinese) subject for non-Chinese speaking students at senior secondary levels in January 2015, the contents of which would be pegged at Levels 1 to 3 of the Qualifications Framework. The results of the subject would be recorded in the Hong Kong Diploma of Secondary Education for the purposes of further studies and employment.
- Commenced preparations to strengthen community support for ethnic minorities in the second half of 2014, 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.
- To provide, from the 2014-15 school year, additional teacher assistants to schools for children with intellectual disability, physical disability, and visual impairment cum intellectual disability as well as the psychiatric classes of hospital schools; progressively reduced the class size in schools for children with visual impairment and schools for social development to 12 students per class; increased the staff of boarding sections; and provided an additional grant to enhance the support for boarders with medical complexity. About 7 500 students of special schools would benefit.
- Further enhanced support for students with special educational needs in government and aided primary and secondary schools by increasing the grant rates of the Learning Support Grant by 30% from the 2014-15 school year, and adjusting the grant rates and its ceiling annually according to the change in the Composite Consumer Price Index. More than 30 000 students would benefit.
- Announced in January 2014 the injection of \$400 million into the Partnership Fund for the Disadvantaged, of which \$200 million would be dedicated to launching more after-school learning and support programmes for primary and secondary students from grassroots families.
- Implemented in January 2014 the “Bless Hong Kong Campaign” activities to promote caring for the underprivileged and the spirit of mutual help, and foster collaboration amongst businesses, NGOs and the Government in poverty alleviation.
- Transferred \$10 billion to the Lotteries Fund in March 2014 to provide sufficient resources to implement the Special Scheme on Privately Owned Sites for Welfare Uses. Under this Special Scheme, welfare NGOs are encouraged to make better use of their land through in-situ expansion or redevelopment, especially to provide additional facilities for elderly and rehabilitation services. If all 63 preliminary proposals can be fully implemented, about 17 000 additional service places would be provided for the elderly and persons with disabilities.
- Implemented the Navigation Scheme for Young Persons in Care Services in phases from 2014-15 to provide 1 000 training places for young people in elderly and rehabilitation services units and subsidies for those young people to pursue related studies.
- The two working groups of the Standard Working Hours Committee are conducting wide public consultation and comprehensive working hours surveys, with a view to submitting their reports to the Committee by end-2014 for further deliberation.
- Introduced a bill in March 2014 to provide three days of paid paternity leave.

# Nurture the Next Generation



- The participation rate of the relevant age cohort in undergraduate programmes reached 38% in the 2013-14 academic year. Including sub-degree courses, nearly 70% of young people would have access to post-secondary education.
- Announced in January 2014 to further increase subsidised higher education opportunities. Measures included:
  - Increasing the annual intake of senior year subsidised undergraduate places by 1 000. By the 2018-19 academic year, 5 000 meritorious sub-degree graduates could articulate to subsidised degree places each year.
  - Launching a new scholarship scheme to support up to 100 outstanding Hong Kong students per cohort to study in renowned universities outside Hong Kong. We propose that the scheme would benefit three cohorts of students and then be subject to a review on its effectiveness.
  - Exploring how to practically introduce a new subsidy scheme to subsidise up to 1 000 students per cohort to pursue designated full-time locally-accredited self-financing undergraduate programmes in selected disciplines to nurture talent to meet Hong Kong's social and economic needs. We propose that the scheme would benefit three cohorts of students and then be subject to a review on its effectiveness.
  - Launching a Mainland University Study Subsidy Scheme to support needy students pursuing studies under the Scheme for Admission of Hong Kong Students to Mainland Higher Education Institutions. We propose that the scheme would benefit three cohorts of students and then be subject to a review on its effectiveness.
  - Establishing a “Multi-faceted Excellence Scholarship” to subsidise, on a full cost-recovery basis, universities and tertiary institutions to admit annually a total of about 20 local students who excel in sports, arts and/or community service to study undergraduate courses.
- Announced in January 2014 enhanced assistance to young people in relation to life planning and vocational education to further facilitate young people's transition from study to work. Measures included:
  - Setting up a Task Force on Vocational Education to map out a strategy to promote vocational education in the community, and inviting the Vocational Training Council (VTC) to draw up a strategic development plan to enhance the image and quality of vocational education.
  - Launching a pilot scheme at the VTC to integrate vocational education and employment support for industries with a keen demand for labour. Trainees would receive a grant/allowance, while participating industries would undertake to offer employment after training and provide clear career progression pathways.



- Providing the VTC with recurrent funding to provide industrial attachment for all higher diploma and some diploma students. Over 9 000 students would benefit per annum.
- Establishing a \$1 billion fund to provide long-term support to the development of the Qualifications Framework to enhance the quality of the workforce.
- Allocating additional resources to schools and NGOs to enhance career guidance services for secondary students, and promote the concept of multiple pathways. More business establishments and community resources would be encouraged to take part in the Business-School Partnership Programme. From the 2014-15 school year, each government, aided and Direct Subsidy Scheme school operating classes at senior secondary levels would be provided with a recurrent cash grant of about \$0.5 million per annum adjusted annually thereafter.
- Launched the two-year New Academic Structure Medium-term Review in October 2013 to further optimise the arrangement of the senior secondary curriculum and assessment, and announced the first batch of recommendations in April 2014. The last batch of recommendations would be announced by mid July 2015.
- Launched a consultation on the Fourth Strategy on Information Technology in

Education in May 2014. Suggested actions included, amongst others, the setting up of wireless networks in all government and aided schools by phases. Provision of wireless networks for 100 schools would be completed by August 2014, and for the remaining schools starting from the 2015-16 school year, by phases.

- Revised the arrangements under the Central Allocation stage of the Primary One Admission System for cross-boundary students from the 2014-15 school year. A designated Choice of Schools List has been compiled with a view to relieving the pressure on North District by providing these students with school choices in other districts. The revised arrangements aim to cater for the needs of local students while ensuring that cross-boundary students would be provided with government and aided Primary One places.
- Increased the voucher subsidy of the Pre-primary Education Voucher Scheme (PEVS) on a one-off basis in the 2014-15 and 2015-16 school years. The voucher subsidy would be increased by \$2,500 per year, and the fee remission ceiling would be lifted to the 75<sup>th</sup> percentile of the school fees of the respective kindergartens under the PEVS. The increase aims to alleviate the pressure of kindergartens in meeting increased operating costs and relieve the financial burden of parents. In the 2014-15 school year, about 80% of kindergarten students (i.e. around 139 000 students) would benefit from the measures.

- Doubled the recurrent subvention for uniformed groups such as the Scout Association, the Hong Kong Red Cross and the Hong Kong Road Safety Patrol from 2014-15, and increased funding for the Assistance Scheme for Needy Student Members. The two measures are expected to benefit 138 500 and 14 000 members respectively.
- Allocated \$19 million to the Commission on Youth's new Funding Scheme for Youth Internship in the Mainland in 2014-15 to support 38 Mainland internship programmes which would benefit 1 700 youths – an increase of 160%.
- Increased the allocation to the Commission on Youth's Community Participation Scheme for Organising

Exchange Tours to the Mainland by \$3.9 million to \$20.9 million in 2014-15, so as to subsidise 135 exchange programmes which would benefit 11 000 youths – an increase of a 15%.

- Increased funding for the International Youth Exchange Programme by nearly 100% to \$2.95 million in 2014-15. The Programme currently covers Ireland, Singapore and Japan, and would be expanded to cover Poland as well. Meanwhile, discussions with Russia are progressing well.
- Injected \$15 billion into the Employees Retraining Board in February 2014 to finance its services and operation on a long-term basis.





# Land and Housing



- Resolving the housing and land supply problems tops the priorities of the current-term Government. The crux of our housing problem lies with the serious supply-demand imbalance, with rising property prices and rents exceeding the affordability of the general public. To resolve the supply-demand imbalance problem at root in the long run, the Government is striving to increase land and housing supply in a timely manner. In the short-to-medium term, the Government introduced a series of demand-side management measures to curb speculative activities and contain external demand, stabilise the private property market and maintain the healthy development of the property market.
- With concerted efforts, our measures have proved effective in stabilising the property market over the past year. Since the introduction of the latest round of demand-side management measures in February 2013, as at April 2014, overall property prices have only slightly increased by 0.1% per month on average, much lower than the average monthly increase of 2.7% in the first two months of 2013 (i.e. before the introduction of the relevant measures). Residential property prices also decreased slightly (around 0.6%) in the first quarter of 2014.
- The Government has adopted a multi-pronged strategy to increase land supply in the short-, medium- and long-term, including making optimal use of developed land as far as practicable and creating new land for development, in order to cater for the housing needs of the community and

the socio-economic development needs of Hong Kong. Over the past year, while the Government has encountered difficulties in taking forward various initiatives to increase land supply, we managed to achieve the following:

- Announced in July 2013 the latest recommendations of the North East New Territories New Development Areas (NDAs) Planning and Engineering Study to develop the Kwu Tung North and Fanling North NDAs as an extension of the Fanling/Sheung Shui New Town to provide about 60 000 residential flats.
- Conducted the Stage Two Community Engagement of the Hung Shui Kiu NDA Planning and Engineering Study between July and October 2013, which proposed to accommodate an additional population of 175 000 and provide about 100 000 employment opportunities in the NDA.
- Completed the public engagement for the initial land use options formulated in July 2013 for the Tung Chung New Town Extension Study, which proposed to provide about 50 000 residential flats and a commercial hub in the New Town.
- Commenced the Preliminary Feasibility Study on Developing the New Territories North in January 2014. The Land Use Review for Kam Tin South and Pat Heung was completed in April 2014 and public consultation started. The Preliminary Outline Development Plan for the Planning and Engineering Study for Housing Sites

in Yuen Long South was drawn up and the Stage Two Community Engagement commenced in April 2014.

- Completed the Stage 2 Public Engagement for Enhancing Land Supply Strategy: Reclamation outside Victoria Harbour and Rock Cavern Development in January 2014 and proceeded to the technical study stage. 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 feasibility studies for the relocation of three government facilities into rock caverns.
- Announced in July 2013 the Recommended Outline Development Plan for the Lok Ma Chau Loop, which proposed that the Loop (involving about 88 hectares of land) be developed with higher education as the leading future land use, to be complemented by high-tech research and development, and cultural and creative industries.
- Commenced in December 2013 a study to explore the potential and constraints of developing underground space, with a view to creating usable space and enhancing connectivity in the urban areas. Active preparatory work is being carried out for a pilot study on underground space development for four strategic urban areas, viz. Tsim Sha Tsui West, Causeway Bay, Happy Valley and Admiralty/Wan Chai.

- Announced in January 2014 that except for the north of Hong Kong Island and Kowloon Peninsula which are already more densely populated, the maximum domestic plot ratio currently permitted for the other “density zones” in the territory would be suitably increased by about 20%, planning terms permitting.
- Announced in January 2014 that the development moratorium in the area covering the south of Pok Fu Lam and Wah Fu Estate would be lifted to enable public housing development on six sites and to tie in with the redevelopment of Wah Fu Estate, to provide a total of about 11 900 additional Public Rental Housing (PRH) and Home Ownership Scheme (HOS) flats.
- Substantially completed the technical study on increasing the development intensity in the Kai Tak Development in May 2014. The study confirmed that an additional floor area of about 430 000 square metres for office accommodation and about 6 800 new residential units could be provided in the Kai Tak Development. The total population would be increased from about 90 000 to 110 000.
- Announced in January 2014 the introduction of the Pilot Scheme for Arbitration on Land Premium to explore the option of arbitration to facilitate the Government and private land owners in reaching agreement on land premium payable for lease modification/land



exchange, with the objective of expediting housing land and flat supply. The Pilot Scheme is expected to commence in the second half of 2014.

- Completed the feasibility study on relocation of the Sha Tin sewage treatment works to caverns in May 2014, and commenced preparations for the investigation and design for the relocation project.
- The Urban Renewal Authority (URA) completed the third round of invitation for applications for the Demand-led Redevelopment Project Pilot Scheme in 2013-14. It has commenced two of the selected projects from that round, and another project under the industrial building redevelopment pilot scheme in Cheung Sha Wan.
- Announced in January 2014 the results of a series of land use reviews in which about 80 sites in various districts totalling about 150 hectares which could be converted in the short and medium term for housing development were identified. Together with the sites previously identified, a total of about 150 sites had been identified as suitable for housing development. Subject to the smooth passage of amendments to their respective plans under the town planning procedures, these sites are expected to become available in the coming five years (2014-15 to 2018-19) and can provide over 210 000 public and private flats.

- Under the 2013-14 Land Sale Programme (LSP), 36 residential sites that could provide about 13 700 private residential flats were put up for sale, representing a significant increase of about 67% compared to last year and a record high since the 2000-01 LSP. Four commercial sites that could provide about 146 000 square metres of commercial floor area and one hotel site that could provide about 300 hotel rooms were also put up for sale under the 2013-14 LSP.

- On housing, the Government has completed the review on the Long Term Housing Strategy (LTHS). It was decided that a supply-led strategy should be adopted, the total housing supply target for public and private housing for the coming 10 years should be set, and new sites should be actively identified and developed to increase the supply of public and private housing. To meet the supply target, not only do we need to devote financial resources and overcome challenges in land supply and planning, we must also tackle the labour shortage issue in the construction sector and secure the support from District Councils (DCs) and local communities. Over the past year, the major progress has been:
  - Completed the public consultation exercise on LTHS in December 2013. The Government is now formulating the LTHS, taking into account the report submitted by the LTHS Steering Committee and the views of the community.

- Announced in January 2014 that the total housing supply target in the coming 10 years was 470 000 units, with public housing accounting for 60%, i.e. about 280 000 units (including about 200 000 PRH flats and 80 000 HOS flats). The total supply of public housing in the coming 10 years would increase by 36% compared to the Government's previous pledge.
- Commenced preparation for the pre-sale of the first batch of about 2 200 new HOS flats at end-2014, in order to rebuild the housing ladder; address the home ownership aspirations of youngsters and low-to-middle income people; and provide an avenue for better-off PRH tenants to achieve home ownership. The HOS units are scheduled for completion in 2016-17.
- Finalised the future land use of the former Queen's Hill military barracks site in January 2014. The western part of the site would be reserved for public housing development and is expected to provide about 11 000 flats by 2019-20 at the earliest. Studies on development of the remaining part of the site would commence in due course.
- The URA carried out tendering for the redevelopment projects at Shun Ning Road, San Shan Road/ Pau Chung Street and the Kwun Tong Town Centre (Development Areas 2 and 3) which could provide about 1 950 residential flats in total.

- Completed the legislative work in February 2014 to enhance the Special Stamp Duty and to introduce the Buyer's Stamp Duty, which proved effective in curbing speculative activities, giving priority to the home ownership needs of Hong Kong permanent residents and preventing further exuberance in the property market.
- Launched the pilot "AP Easy" Building Maintenance Advisory Service Scheme in April 2014 in collaboration with three professional institutes. The Scheme aims to provide professional and tailor-made advisory and support services to owners' corporations to assist them in appointing suitable authorised persons for carrying out building maintenance works.
- Launched a new phase of the Building Management Professional Advisory Service Scheme in April 2014 to engage property management companies to provide one-stop and tailor-made advisory and support services regarding building management and maintenance to 1200 old buildings without any form of management.
- Introduced the Property Management Services Bill in May 2014 to provide a legal framework for the licensing regime of the property management industry.

# Transport





- Commenced a systemic reform of the Marine Department in May 2013. The reform encompasses a comprehensive review of legislation and measures on the regulation of passenger safety and local vessels, business processes and operational procedures of the Department, as well as the Department's manpower strategy and training matters. In November 2013, as the first phase of improvement measures, the Code of Practice for local vessels was amended to introduce five measures to enhance the safety of local vessels.
- Finalised the "Railway Development Strategy 2014" blueprint to provide a planning framework for the future expansion of Hong Kong's railway network, having regard to the overall recommendations of the consultant. The blueprint is expected to be announced later in 2014.
- Continued to co-ordinate various public transport services to tie in with the completion of five railway lines in the coming six years, with a view to fully leveraging the environmental advantages of railways and further enhance the transport network efficiency.
- Completed the bus route rationalisation exercise in the North District and Tuen Mun in the first quarter of 2014 under an Area Approach. This exercise, together with the regular annual rationalisation of franchised bus routes, helps improve the efficiency of the bus network, reduce roadside air pollution, and alleviate traffic congestion and pressure to increase fare.
- In March 2014, the Transport Advisory Committee was invited to conduct a study on containing road traffic congestion in Hong Kong, with a view to proposing to the Government short- and medium-term improvement measures at a territorial level by end-2014.
- Continued to closely supervise the Airport Authority Hong Kong in taking forward the planning work for the Three-Runway System project. With the completion of the Environmental Impact Assessment for the project, the relevant planning work is expected to be completed within 2014.
- Urged the MTR Corporation Limited (MTRCL) to conduct a thorough investigation into serious service disruption incidents and to take proper follow-up actions to maintain the safety and reliability of the railway service. The MTRCL was also invited to enhance train frequency, purchase new trains, upgrade its signalling system and launch the "Early Bird Discount Promotion" Trial Programme to relieve crowding in train compartments during peak hours.

- Announced in May 2014 the establishment of an Independent Expert Panel to conduct a thorough examination of the project management and cost control mechanism and practices of the MTRCL regarding the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, as well as the existing project supervision mechanism adopted by the Government. The objective is to identify problems and the reasons behind them, as well as to make recommendations on improvement. The review is expected to be completed by end-November 2014.
- Commenced the construction of the connecting road of the Liantang/Heung Yuen Wai Boundary Control Point in phases starting from July 2013 to tie in with the commissioning of the Boundary Control Point in 2018.
- Completed the two-stage public consultation on the provision of an elevated rail-based environmentally friendly linkage system supporting the development of the core business district in Kowloon East in February 2014. Preparatory work is being carried out for the detailed feasibility study.



# Environmental Protection and Conservation





- Continued to progressively implement the Clean Air Plan to improve air quality, including:
  - Launching the Air Quality Health Index on 30 December 2013, and implementing the new Air Quality Objectives on 1 January 2014.
  - Launching a regulatory-cum-incentive scheme in March 2014 to progressively retire some 82 000 pre-Euro IV diesel commercial vehicles. The subsidy amounts to \$11.4 billion.
  - Introducing a new regulation in April 2014 to reduce the sulphur content of marine light diesel supplied to local vessels by 90%.
- Continued to progressively implement measures set out in the Hong Kong Blueprint for Sustainable Use of Resources, including:
  - Completing the public engagement exercise on the Municipal Solid Waste charging scheme in January 2014. In April 2014, the Government announced the launch of a six-month pilot scheme to help solicit experience and feedback towards the scheme. The Environmental Levy Scheme on Plastics Shopping Bag would also be extended to the entire retail sector starting from April 2015.
  - Announcing in January 2014 that \$1 billion would be earmarked to set up a Recycling Fund to promote the sustainable development of the recycling industry.
- Promulgating “A Food Waste & Yard Waste Plan for Hong Kong 2014 - 2022” in February 2014. For the first time, the Government has analysed comprehensively the current situation of food waste and yard waste in Hong Kong, and proposes reduction at source, reuse and donation, recyclable collection, and turning food waste into energy as the four main directions to tackle the food waste challenge.
- Commissioning the Sludge Treatment Facility which is expected to come into operation by end-2014. The Facility will progressively replace the current disposal of sludge by landfilling and generate energy from waste.
- Announcing in January 2014 the establishment of a Restored Landfill Revitalisation Funding Scheme with earmarked funding of \$1 billion. The Scheme aims to subsidise the development of recreational facilities or other innovative uses at restored landfills. The Subsidy Scheme for Retrofitting Refuse Collection Vehicles (RCVs) has also been introduced and the retrofitting of all private RCVs with a fully enclosed design is aimed to be completed within 2014-15, so as to address the odour problem of RCVs effectively.

- The Antiquities Advisory Board (AAB) launched a two-month public consultation in June 2014 to assist the Government to review the policy on conservation of privately-owned historic buildings.
- Launched Batch IV of the Revitalising Historic Buildings Through Partnership Scheme (Revitalisation Scheme) in December 2013 to invite proposals from non-profit-making organisations for the adaptive re-use of No.12 School Street, the Old Dairy Farm

Senior Staff Quarters, Lady Ho Tung Welfare Centre and King Yin Lei. The Mei Ho House Youth Hostel under Batch I of the Revitalisation Scheme commenced operation since October 2013, while the Jao Tsung-I Academy and the PMQ were opened in June 2014.

- Declared the Béthanie in Pok Fu Lam, Cenotaph in Central, Tat Tak Communal Hall in Ping Shan and Fat Tat Tong in Ha Wo Hang as monuments in November and December 2013.



# Healthcare



- Set up a Review Steering Committee in August 2013 to conduct an overall review of the operation of the HA, with a view to ensuring that the HA would remain capable of responding to challenges arising from changes in society and an ageing population. The target is to complete the review in early 2015.
- Accepted the recommendation of the Chinese Medicine Development Committee in January 2014 to reserve a site in Tseung Kwan O, which was originally earmarked for private hospital development, for the development of a Chinese medicine hospital. Besides, to help gather experience in the operation and regulation of the integrated Chinese-Western medicine (ICWM) and Chinese medicine in-patient service, the HA planned to implement in the third quarter of 2014 a two-year ICWM pilot project to provide HA patients of selected disease areas with ICWM in-patient treatment and follow-up Chinese medicine out-patient service.
- Introduced the Electronic Health Record Sharing System Bill in April 2014 to establish a legal framework that would enable public and private healthcare providers to share patients' medical records with patients' consent. The new system would enhance public-private partnership in the healthcare sector.
- Regularised the Elderly Health Care Voucher Scheme from January 2014, and increased the annual voucher value for each eligible elder from \$1000 to \$2000 starting from June 2014.
- Launched a four-year Pilot Project on Dental Service for Patients with Intellectual Disability in August 2013 in collaboration with the Hong Kong Dental Association, the Hong Kong Special Care Dentistry Association and the Evangel Hospital, whereby subsidised dental service supplemented with special support measures would be provided to eligible persons with moderate intellectual disability. The Government has set aside \$20 million for the Pilot Project, and expects that some 1 600 persons would benefit.
- Allocated about \$420 million in the five-year period from 2014-15 to the Department of Health to develop and implement, in collaboration with the HA, a pilot programme to subsidise persons in specific age groups to receive colorectal cancer screening.



# Culture, Leisure and Municipal Services



- The PMQ, the revitalised Former Police Married Quarters on Hollywood Road, opened in June 2014. It provides studios for over 100 creative establishments as well as activity venues for creative industries.
- Various new sports venues came into operation in the past year, including the new Victoria Park Swimming Pool Complex in September 2013; the Hong Kong Velodrome (our first cycling track built to international standards), and other sports facilities there, opened in phases from January 2014; and part of the Kai Tak Runway Park Phase 1 in April 2014.
- Completed the consultancy on the financing and procurement options for the Multi-Purpose Sports Complex at Kai Tak at end-2013, and decided that the Complex should be funded under the Public Works Project model.
- Aligned the fees and charges for most public sports and leisure facilities, as well as recreational and sports programmes provided by the Leisure and Cultural Services Department (LCSD), by adopting the lower of the prevailing current levels, with effect from August and October 2013.
- Hong Kong athletes took part in a number of major events in 2013, including the Asian Youth Games in

Nanjing, the National Games in Shenyang and the East Asian Games in Tianjin. They achieved outstanding results, winning a total of 83 medals: 13 gold, 24 silver and 46 bronze medals for these three events alone.

- Increased financial support for First Division district football teams from \$0.55 million to \$1 million per season in 2013. Three district football teams are now qualified and interested in participating in the Hong Kong Premier League, which would begin in the 2014-15 season.
- Launched the Pilot Scheme for Student Athlete Support in the 2013-14 school year to provide support for students from low-income families to realise their sporting potential, in collaboration with the Hong Kong School Sports Federation. A total of 363 schools participated in the Scheme in its first year.
- The Hong Kong Sports Institute completed a consultancy study on direct financial support for elite athletes. The Institute is also working with a number of schools to provide a more conducive environment for young athletes to balance their education needs and training.

- Increased recurrent funding for the Hong Kong Arts Development Council by about \$30 million to \$120 million from 2014-15 onwards to strengthen support for small and medium size art groups and artists. The recurrent subvention for the nine major performing arts groups was also increased by about \$30 million to \$334.6 million, to enhance support for the groups' work in promoting the development of performing arts in Hong Kong.
- The West Kowloon Cultural District Authority commenced construction works for the Xiqu Centre in September 2013. The Authority has also commenced design work for the M+ Museum, the Arts Pavilion, the Park and Lyric Theatre. The Government is actively supporting the work of the Authority to facilitate the early implementation of various facilities in the District.
- Announced in January 2014 the Hong Kong Museum of Art expansion and renovation project. It is expected that gallery space would increase by more than 40%.
- Held a number of major exhibitions in 2013, including the "Splendours of Royal Costume: Qing Court Attire" which was jointly organised with the Palace Museum and the "Legends of the Giant Dinosaurs". LCSD museums

saw a record number of 6.13 million visitors in 2013, an increase of about 6% over 2012 and a growth of 36% since 2010. The "Legends of the Giant Dinosaurs" exhibition attracted more than 770 000 visitors, breaking all attendance records for exhibitions held at public museums. These exhibitions have successfully built up a wider audience base and helped raise public interest in arts, history and science.

- Completed the first territory-wide survey of intangible cultural heritage (ICH) in Hong Kong and promulgated the first ICH inventory of Hong Kong in June 2014.
- Commenced operation of the new Multimedia Information System for public libraries in August 2013 to provide readers with a more convenient and efficient way to search and use library digital collections and multimedia information. In early 2014, the System was extended to cover over 1 200 workstations at 67 libraries and became accessible to the public via the internet or mobile devices anytime and anywhere. In March 2014, the revamped library portal was launched to further facilitate use by the public.

- Launched a \$230 million five-year assistance scheme in June 2013 to help 4 300 hawkers enhance the fire safety standards and design of their hawker stalls. As of June 2014, enhancement measures have been agreed with the relevant stakeholders in relation to about 60% of about 500 cases identified as carrying higher fire risks. Reconstruction of the stalls in various hawker areas (such as Li Yuen Street East and Li Yuen Street West in Central) is being completed progressively, in accordance with the new fire safety requirements.

- Commissioned a consultant in December 2013 to develop proposals to improve the operating environment of public markets, so that the markets could fulfil their functions in a manner consistent with their positioning to serve the public. The consultant would put up preliminary proposals in the third quarter of 2014.





# Administration and Constitution



- Established the Task Force on Constitutional Development in October 2013, and launched in December 2013 a five-month public consultation on the methods for selecting the Chief Executive in 2017 and for forming the Legislative Council in 2016 to prepare for the “Five-step Process” of constitutional development.
- Launched a four-month consultation on proposals to extend the service of civil servants in April 2014, with a view to drawing up suitable measures to enable the Government to better respond to the challenges arising from an ageing population and to provide departments with flexible human resource tools to address operational and succession needs at different times.
- Completed the legislative process to increase the number of DC elected seats by 19 to 431, starting from the fifth-term DCs commencing 2016.
- The Rural Representative Election Amendment Ordinance was passed in March 2014, a step forward in implementing the improvement measures arising from the review on rural elections.
- Introduced a pilot scheme in Sham Shui Po and Yuen Long in April 2014, which provided the District Management Committees chaired by District Officers with the decision-making power to tackle the management and environmental hygiene problems of some public areas, and with advice from DCs on the work priorities. The pilot scheme aims to take forward the concept of “addressing district issues at the local level and capitalising on local opportunities”. The Government provided each district with a one-off provision of \$5 million and additional manpower to implement the pilot scheme.
- Increased the expense reimbursements for DC members with effect from January 2014, including an increase of 34% in real terms in the Operating Expenses Reimbursement.
- Organised the Summit on District Administration in October and November 2013 for the Government, DCs and district personalities to exchange views and discuss issues of district concern. The Summit report is due to be published at end-June 2014.

