

Budget Speech by the Financial Secretary (12)

Smart City

154. The Government published the Hong Kong Smart City Blueprint in December 2017. A number of major initiatives were launched, including opening up government data, formulating a pro-innovation government procurement policy, as well as launching the FPS. We will set up a Smart Government Innovation Lab this April to engage the industry and solicit their assistance in using IT to improve public services, foster public-private partnership, and create business opportunities for start-ups and SMEs in Hong Kong. Furthermore, we are preparing for three smart city infrastructure projects, including providing an electronic identity for all Hong Kong residents, installing multi-functional smart lampposts, as well as enhancing the government cloud services and building a big data analytics platform. We have allocated over \$900 million to these projects, which will be completed progressively in the coming two years.

155. Through collecting, processing and analysing geographic information, the Government has acquired a large volume of relevant data. Accessibility of inter-connected geospatial data can facilitate policy planning and formulation by government departments. The DEVB is working with the ITB and major user departments to press ahead with the setting up of the Common Spatial Data Infrastructure (CSDI) for the consolidation, exchange and sharing of geospatial information to tie in with the development of various smart city applications by the community. I will earmark \$300 million to expedite the development of digital infrastructure, with a view to facilitating the dissemination, utilisation and innovative application of geospatial data. With the CSDI coming into full operation by the end of 2022 and the high-quality 3D digital maps of the whole territory being made available in phases, more spatial data which are easier to search and use will be provided for organisations in the public and private sectors.

156. Digital infrastructure is essential for a smart city to develop. All eyes are now on the development of the fifth generation mobile communications technology (5G). With its technical characteristics of high speed, high capacity, high reliability and low latency, 5G has immense potential for application in various business services and a smart city in the long run. The Government will assign and auction spectrums in different frequency bands in batches to prepare for the development of 5G networks and services.

Arts and Culture

157. Following the grand opening of the Xiqu Centre last month, other major facilities in the West Kowloon Cultural District will be coming on stream. The development plans for various cultural facilities put forward in my last year's Budget are also underway for the progressive commissioning of

facilities in the next few years.

158. To enrich the arts and cultural life of our city and consolidate Hong Kong's position as an international cultural metropolis, I will provide an additional funding of \$176 million in total to the LCSD for hosting large-scale world-class performing arts programmes and arranging telecasts of selected mega shows in different places across the territory in the coming five years. The LCSD will also collaborate with the District Councils to strengthen community arts activities in phases.

159. To further promote the development of arts in Hong Kong, I will increase again the subvention for arts groups in 2019-20, which will involve about \$54 million. The subvention, which will benefit arts groups of various sizes, the Hong Kong Arts Development Council and the Hong Kong Arts Festival Society, can be used for improving staff remuneration, encouraging artistic creation, and organising more cultural exchange activities outside Hong Kong.

160. The Hong Kong Film Archive under the LCSD is dedicated to preserving Hong Kong's film heritage, fostering research and bringing film art to the community. I will allocate \$20 million to employ additional technicians and acquire specialist equipment for digital conversion of sole copies of films and celluloid films in urgent need of archiving. This will enable our younger generations to learn about and appreciate the invaluable film heritage of Hong Kong.

Sports

161. Hong Kong athletes made remarkable performance, and achieved outstanding and encouraging results in major international sports events last year. In 2019, our teams also excelled in cycling, table tennis, fencing, football and other events. I strongly believe that Hong Kong athletes will continue to shine and thrive.

162. Athletes strive for excellence in the arena but most of them retire from sports before the age of 40. It is important to plan early for turning a new chapter in life. In recent years, the Government has been providing additional resources and working jointly with universities to support athletes in pursuing athletic training and academic studies at the same time. I will inject \$250 million into the Hong Kong Athletes Fund to increase scholarship awards in support of the dual-track development of athletes, and will provide more cash incentives for full-time athletes when they retire from sports.

163. The LCSD is conducting a comprehensive review of the Sports Subvention Scheme. Before the outcome is available, I will allocate an additional recurrent provision of \$25 million and an extra two-year subsidy of \$17 million per year to enhance the financial assistance for 60 national sports associations (NSAs). The funds can be used to support participation in overseas competitions, offering squad training programmes and supporting under-privileged athletes, as well as other operating costs. Moreover, I will provide a one-off grant of \$15 million for staff training, further

studies, procurement of equipment, improvement of office facilities, etc. In other words, the additional resources to be allocated to NSAs in the coming two years will amount to almost \$100 million. When concrete recommendations are available upon completion of the review, I will provide the required resources as necessary.

Environmental Protection

164. In my previous two Budgets, I set aside a total of \$1 billion for departments to install renewable energy facilities at government buildings and venues and community facilities. Responses have been positive. In support of the Policy Address, I will provide another \$1 billion for departments to install relevant facilities.

165. The Government announced last month the relaxation of eligibility criteria of the "One-for-One Replacement" Scheme for electric private cars, raising the number of eligible vehicles under the scheme substantially by 30 per cent to over 250 000. Moreover, providing corresponding charging facilities is essential to promoting wider use of electric vehicles (EVs) in Hong Kong. We will explore ways to encourage the installation of EV charging facilities at car parks in existing buildings. In parallel, I will allocate \$120 million to extend the public EV charging networks at government car parks. Over 1 000 additional public chargers are expected to be in place by 2022, bringing the total number of chargers to 1 700. We will also identify suitable on-street parking spaces to install EV chargers on a trial basis and explore suitable locations to set up pilot quick charging stations for EVs.

Building the City

Harbourfront Enhancement

166. Following the gradual completion of the planning for the harbourfront areas and the commissioning of the related major infrastructure projects on both sides of the Victoria Harbour, the Government will adopt a forward-looking approach in pursuing harbourfront enhancement and vigorously seek to open up continuous and accessible harbourfront promenades. We will embrace versatile designs, management models and uses to make our harbourfront more vibrant. Harbourfront enhancement projects funded by a \$500 million allocation in early 2017 have been rolling out one by one. I will earmark another \$6 billion for developing new harbourfront promenades and open space as well as improving harbourfront facilities. It is the Government's plan to extend the length of the harbourfront promenades from the current 20-odd kilometres to 34 kilometres in about 10 years, and provide 35 hectares of open space on both sides of the Victoria Harbour.

Urban Forestry Support Fund

167. To strengthen public education and promotion on proper tree care and uplift the professional standards of practitioners, I propose to set up a \$200 million Urban Forestry Support Fund for the implementation of various initiatives. These include encouraging students to pursue studies in

arboriculture, and rolling out arboriculture and horticulture trainee programmes, as well as providing more training and internship opportunities for new recruits to tie in with the Specification of Competency Standards for the arboriculture and horticulture industry to be published by the end of this year, as a prelude to the introduction of a future registration system for tree management personnel. Moreover, we will organise international urban forestry conferences to facilitate exchanges with neighbouring regions, in a bid to upgrade the expertise and practice standards of the local industry. We will also strengthen co-operation with community organisations to provide the public with more information on tree planting and caring.

Traffic Improvement

168. Apart from constructing trunk roads, the implementation of electronic road pricing is also an effective way to tackle traffic congestion. The TD is conducting a feasibility study on the Electronic Road Pricing Pilot Scheme in Central and its Adjacent Areas. It expects to consult stakeholders in the first half of this year. Electronic road pricing does not aim to increase government revenue. As such, the Government will consider providing additional recurrent resources broadly equivalent to the net revenue to be generated from the pilot scheme for implementing measures to improve public transport services and encourage wider usage.

Municipal Facilities Improvement

169. Further to earmarking resources for the Market Modernisation Programme in last year's Budget, I will allocate more resources to the Food and Environmental Hygiene Department for refurbishing its public toilets by phases, improving ventilation and other facilities, as well as enhancing their cleanliness and hygiene. It is estimated that a total expenditure of over \$600 million may be incurred, involving about 240 public toilets in the coming five years.

(To be continued.)

Budget Speech by the Financial Secretary (11)

A Liveable City

129. People work hard every day to enhance the quality of life. We will also strive for economic development to make Hong Kong a more ideal place for living. The Government will continue to make good use of our resources to achieve this goal and serve people's needs.

Land Resources

130. I will ensure that adequate resources are provided to support fully the short, medium and long-term measures to increase land and housing supply.

Land for Housing

131. Over the past two years, we increased short-term land supply through land sale, rezoning, railway property development and projects of the URA, etc. 78 sites were identified, capable of providing about 93 000 units.

132. The estimated public housing production for the next five years is about 100 400 units, including about 74 200 units for public rental housing and under the Green Form Subsidised Home Ownership Scheme, and about 26 300 other subsidised sale units.

133. Housing land supply increased steadily in the past few years. In 2018, 21 000 private residential units were completed, a record high in 14 years. The supply of first-hand private residential units is expected to remain at a relatively high level in the coming three to four years, including 9 000 unsold units in completed projects, 64 000 units under construction and not yet sold through pre-sale, and 20 000 units from disposed sites where construction may start anytime. Based on preliminary estimation, the private sector will, on average, complete about 18 800 residential units annually in the next five years (i.e. from 2019 to 2023), representing an increase of about 20 per cent over the annual average of the past five years.

134. The 2019-20 Land Sale Programme comprises a total of 15 residential sites, including seven new sites, capable of providing 8 800 plus residential units in total. Together with railway property development projects, the URA's projects and private development/redevelopment projects, the potential land supply for the whole year is expected to have a capacity to provide about 15 500 units. The Secretary for Development will announce the details of the Land Sale Programme for the next financial year tomorrow.

135. On the property market, residential property transactions and prices fell in the latter half of last year, but current flat prices are still out of line with people's affordability. The Government has no intention to withdraw any demand-side management measures at this stage. The global economic slowdown, coupled with political and economic uncertainties, may affect investment sentiment and intensify the volatility in the global financial markets. Members of the public must carefully assess the risks and their own financial position before making a home purchase decision.

136. Apart from continuing to rezone sites and increase development density, we will press ahead with a number of new development area projects this year. These include seeking funding approval respectively for the first batch of infrastructure works of Kwu Tung North/Fanling North and Hung Shui Kiu new development areas, and gradually commencing land resumption and clearance for the projects for commencing construction as soon as possible. In parallel, we will initiate the statutory planning procedures for the Yuen

Long South development this year. These three development projects, together with the Tung Chung New Town Extension project of which reclamation works are in progress, will provide about 210 000 residential units in phases from 2023.

Transitional Housing

137. Transitional housing serves to alleviate the housing problem of those living in inadequate accommodation. To facilitate community-initiated transitional housing projects, the Transport and Housing Bureau (THB) has set up a task force to co-ordinate and provide one-stop support. The task force will work with relevant bureaux and departments to render appropriate assistance. I will set aside \$2 billion to support NGOs in constructing transitional housing. The THB will map out the detailed arrangements and seek funding approval.

Industrial/Commercial Land

138. The Government has all along strived to increase the supply of commercial floor area to meet the needs of industrial and commercial development. The Government will include seven commercial sites in the 2019-20 Land Sale Programme, estimated to provide about 814 600 square metres of floor area, including the provision of a maximum of about 2 900 hotel rooms. Among the seven commercial sites, the one above the West Kowloon Station of the Guangzhou-Shenzhen-Hong Kong Express Rail Link is the largest one for sale by the Government in recent years, capable of providing a total floor area of about 294 000 square metres. A number of commercial sites will be put up for sale in the next few years, including those at the Kai Tak Development Area, the new Central Harbourfront, Caroline Hill Road and Queensway Plaza.

Optimising the Use of Government Land

139. In last year's Budget, I set aside \$1 billion to support NGOs in using vacant government sites and restoring school premises for various short-term uses that are beneficial to the community. The initiative has been well received by the community. I welcome the funding approval by LegCo earlier and the DEVB has started inviting funding applications.

140. We will expedite the implementation of the "single site, multiple use" model in multi-storey development on government land, so as to optimise the use of limited land resources to meet the community's demand for public services and provide more "Government, Institution or Community" (G/IC) facilities. The Government Property Agency will take forward multi-storey projects with cross-department facilities. Moreover, the Planning Department will tighten the reservation of a government site by any single department and recommend a higher development density as appropriate to optimise the development potential of government land. I have set aside about \$22 billion to take forward the first batch of projects under the "single site, multiple use" initiative, which will include redevelopment of Tuen Mun Clinic, development of a proposed ambulance depot near Sheung Wan Fire Station, and

consolidation of several government sites in Tsuen Wan town centre.

Long-term Land Development

141. Last week, the Government announced full acceptance of the recommendations tendered by the Task Force on Land Supply to take forward eight land supply options. I will ensure that adequate resources are provided for the purposes. The Steering Committee on Land Supply, which I chair, will be re-structured to strengthen the co-ordination of land supply. Priority will be accorded to a number of strategic issues. These include using a vision-driven and forward-looking approach in realising our vision, re-assessing our land demand and setting the target of land reserve, and adopting an infrastructure-led and capacity building mindset in planning strategic transport infrastructure. So long as we make concerted efforts and persevere in our endeavours, we can resolve the problem of undersupply and provide sufficient land for the long-term development of Hong Kong.

Lantau Tomorrow

142. Lantau Tomorrow is a grand vision. The Government will take forward the projects concerned in phases to open up more land for improving our living environment and quality as well as meeting the need for social development. Apart from providing an ample supply of land, Lantau Tomorrow entails the construction of strategic road and rail networks linking the coastal areas of Tuen Mun, North Lantau, artificial islands in the Central Waters and Hong Kong Island North. This will improve the efficiency of the traffic network in the North West New Territories and Hong Kong as a whole.

143. The Government is financially capable of realising the Lantau Tomorrow Vision. In formulating the implementation strategies, we will conduct a detailed financial analysis, taking into account factors like the Government's fiscal sustainability and affordability, and implement the projects in phases.

144. Regarding the construction of the 1 000-hectare artificial islands near Kau Yi Chau and the related major transport networks, the Government will kick off studies as soon as possible. As to the study on near-shore reclamations covering Lung Kwu Tan, Sunny Bay and Siu Ho Wan, the Government plans to apply for funding approval within this year. Separately, we will conduct a planning study on the coastal areas of Tuen Mun, taking into account land uses and ancillary transport infrastructure in Lung Kwu Tan and the River Trade Terminal.

Healthcare

145. Our healthcare and supporting teams in the public sector have been safeguarding the health of the community with professionalism and passion. Yet, surges in demand coupled with manpower and facility constraints have added to their workload. They are no doubt hard-pressed. In last year's Budget, I proposed the second 10-year hospital development plan and measures to strengthen healthcare manpower training, which aim to take forward long-

term planning to meet growing service demand. We have tentatively included 19 projects under the second 10-year hospital development plan, providing about 9 000 additional hospital beds. The nine projects under the first 10-year hospital development plan have already commenced and made good progress.

146. Meanwhile, the Government will provide sufficient resources to support the operation and development of the public healthcare system. The estimated recurrent government expenditure on public healthcare services will increase by 10.9 per cent to \$80.6 billion in 2019-20, accounting for 18.3 per cent of the total recurrent expenditure.

Hospital Authority

147. Our public healthcare system comes under even greater pressure in each outbreak of influenza. The long waiting time at the accident and emergency departments and the overloaded occupancy rates of wards have given rise to wide public concern. The Hospital Authority (HA), our frontline public healthcare provider, must properly plan and manage public hospital services and take timely and effective measures to cope with influenza surge and other possible public health challenges so as to live up to the expectations of the public. The Government will provide resources to fully support the work of the HA.

148. In view of the heavy workload of frontline healthcare workers, I have earlier asked the HA to propose ways to boost morale and retain talent. Having regard to the concrete recommendations from the HA, I will provide additional recurrent funding of over \$700 million for the HA to introduce the following measures:

- (a) increasing the rate of allowance for on-call medical officers, the rate of Special Honorarium Scheme allowance and the salary of ward supporting staff;
- (b) increasing the number of Advanced Practice Nurse posts to enhance evening ward services;
- (c) increasing the number of allied health professional posts to improve promotion prospects; and
- (d) allocating additional resources to continue implementing the Special Retired and Rehire Scheme.

The HA will strive for early implementation of the above measures in 2019-20 to benefit its frontline staff.

149. The HA spends on average about \$1 billion each year for upgrading and acquisition of medical equipment. I will earmark an additional \$5 billion for the HA to expedite the work in this area, so as to enhance the healthcare quality and efficiency. The additional resources will be used for general medical equipment, introducing advanced medical devices for treating cancer and other diseases requiring specialty services, as well as providing

relevant training.

150. To facilitate resource planning by the HA, the current-term Government has adopted a triennium funding arrangement to increase progressively the recurrent funding for the HA having regard to population growth and demographic changes. In view of the importance of public healthcare, I will earmark \$10 billion to set up a public healthcare stabilisation fund so as to prepare for any additional expenditure which may be incurred by the HA in case of unexpected circumstances.

Subsidising Drug Treatments

151. I will provide an additional recurrent subvention of \$400 million for the HA to expand the scope of the Drug Formulary, with a view to including more drugs for patients. The HA's total expenditure on drugs will increase to \$6 billion in 2019-20. Complemented by the new measures to relax the means test mechanism for the Samaritan Fund and the CCF, this would alleviate the financial burden of patients' families arising from drug expenses. In addition, the HA has increased the frequency of the exercise for including self-financed drugs in the safety net to twice a year, hence shortening the lead time for including suitable new drugs in the scope of subsidy. With these measures in place, the total subsidy under the Samaritan Fund and the CCF Medical Assistance Programmes will double to \$1.5 billion in 2019-20, benefiting more needy patients.

Primary Healthcare

152. The Government will allocate resources to push ahead with district-based primary healthcare services to enhance public awareness of disease prevention and their self-health management capability. Hong Kong's first district health centre (DHC), located in Kwai Tsing, is expected to commence operation from the third quarter of this year. I have earmarked over \$150 million to meet the operating expenditure and staff cost of the centre, and will continue to provide resources needed for the future expansion of the network of DHCs.

Hong Kong Genome Project

153. The Policy Address announced the launch of the Hong Kong Genome Project to promote the clinical application and innovative scientific research on genomic medicine. I will allocate about \$1.2 billion to establish the Hong Kong Genome Institute and take forward the project, under which 40 000 to 50 000 whole genome sequencing will be performed in the next six years.

(To be continued.)

LCQ8: Use of e-textbooks and e-learning resources in schools

Following is a question by the Hon Cheung Kwok-kwan and a written reply by the Secretary for Education, Mr Kevin Yeung, in the Legislative Council today (February 27):

Question:

It was pointed out in Report No. 71 of the Director of Audit published in October last year that in the 2016-2017 school year and on class-level basis, among the primary and secondary schools, only 24 per cent and 8 per cent respectively of them used e-textbooks, and 65 per cent and 66 per cent respectively of them used e-learning resources. In this connection, will the Government inform this Council:

(1) whether it has formulated specific strategies and long-term goals for promoting the wider use of e-textbooks and e-learning resources by schools; if so, of the details; if not, the reasons for that;

(2) given that as at April last year, the number of e-textbooks (49 sets) available on the recommended textbook lists of the Education Bureau (EDB) was far lower than that of printed textbooks (479 sets), whether the Government will consider launching a new round of the e-Textbook Market Development Scheme or taking other measures to promote the development and use of e-textbooks; if so, of the details; if not, the reasons for that;

(3) whether it has studied if the use of e-learning resources by students has resulted in any improvement in their academic achievements and in their interest and confidence in learning, as well as how this affects the students' health; if it has studied, of the outcome; if not, the reasons for that; and

(4) whether officials of the EDB conducted any overseas visit in the past five years to learn from the experience of other places in using information technology to enhance teaching and learning; if so, of the countries/regions visited and the experience gained; if not, the reasons for that?

Reply:

President,

The Education Bureau (EDB) launched the Fourth Strategy on Information Technology in Education (ITE4) in the 2015-16 school year to enhance the information technology (IT) environment such as hardware, resources and teacher training in schools. It enables schools to devise school-based plans for practising e-learning in consideration of their school contexts and development needs, so as to make good use of IT to enhance learning and teaching effectiveness. Schools are encouraged to promote e-learning by using

the right technology in teaching and learning at the right time when considering whole school planning and use of IT for teaching. The promotion of e-textbook development aims to provide schools with another option of quality learning and teaching resources in addition to printed textbooks. It should be stressed that as one of the many learning modes, e-learning, which is ever evolving and diversified, is open and flexible. There is no so-called best practice or standard which schools should follow.

The EDB values the views of the sector for improving the relevant work. The Steering Committee on Strategic Development of Information Technology in Education advises the EDB on the strategic direction, implementation and evaluation of integrating IT into education and the implementation of e-learning in schools, including the use of e-learning resources and e-textbooks. To improve the measures on supporting the needs of schools in the development of IT in education, the EDB continues to explore and enhance different strategies by maintaining close communication with the relevant stakeholders and making reference to the information gathered through different means such as school visits and questionnaire surveys. We will continue with the relevant work in order to understand the views of the stakeholders.

My reply to the question raised by the Hon Cheung Kwok-kwan is as follows:

(1) and (2) Teachers' professional capabilities of using e-learning resources to enhance learning effectiveness and the availability of quality e-learning resources already developed in the market are two crucial factors for promoting e-learning. On teachers' professional training, the EDB has been enhancing teachers' professional capabilities of using e-learning resources (including e-textbooks) in teaching various subjects through professional development programmes. In addition to continually strengthening relevant professional development programmes for teachers, the EDB will also form learning communities among schools for teachers to share their successful experiences and effective pedagogical practices in e-learning with each other, with a view to fostering a paradigm shift in the mode of teaching and enhancing the effectiveness of learning and teaching for the benefit of students.

The EDB launched the e-Textbook Market Development Scheme (EMADS) with the aim of facilitating and encouraging the participation of potential and aspiring e-textbook developers to develop e-textbooks for various subjects in line with the local curricula, and trying out a quality vetting and assurance mechanism for e-textbooks. At present, the submission of e-textbooks for review has become a regular arrangement which has been extended to all subjects. The publishers are in general familiar with the arrangement of the submission and publishing of e-textbooks, and have gained related experiences. The EDB continues to communicate with the publishing industry to improve the technical and functional design of e-textbooks so as to create favourable conditions for promoting the development and use of e-textbooks. Given that in principle the supply of e-textbooks is market driven, we have no plan to launch another round of the EMADS.

As stated above, e-learning is an open and flexible learning mode and there is no so-called best practice or standard which schools should follow. Moreover, e-learning measures are not necessarily more effective than conventional measures in every case. As such, schools are not compelled to follow any fixed standards or practices. In fact, schools should exercise their professional judgement in selecting and using suitable learning and teaching resources (including e-textbooks and other e-learning resources) that suit students' needs and school contexts so as to cater for learner diversity.

(3) The EDB launched the ITE4 so as to enhance interactive learning and teaching experience. To continuously enhance various support measures under the ITE4, we have been reviewing the progress and effectiveness of the relevant measures through different means such as school visits, questionnaire surveys and case studies. Schools hold a positive view towards e-learning and generally agree that it is conducive to strengthening the learning motivation and self-directed learning ability of students.

The EDB attaches great importance to students' health and has been promoting the information related to e-learning and health through joint efforts with various stakeholders. The framework on "Information Literacy for Hong Kong Students" was updated in 2016 to enable schools to incorporate information literacy into their curriculum so as to foster students' ability to use information with the correct attitudes, under which the issue on healthy use of the Internet is covered. Moreover, relevant professional development programmes and an information kit on e-learning are available for teachers. To assist schools in undertaking relevant parent education, we have produced video clips in collaboration with various government departments and non-governmental organisations. Through seminars, assistance has been given to parents on ways of helping their children develop good habits in using IT in their daily life and study, such as maintaining their own physical and mental health and not indulging in Internet surfing. Besides, a telephone hotline has been set up to provide individual support to parents, teachers and students in need. To further support teachers to develop students' proper attitude, we have produced the "Smart e-Master" Information Kit on e-Learning which contains information that promotes e-learning and health.

(4) Over the past five years, the EDB officials have visited places such as the Mainland, the United Kingdom, the United States, Canada, Singapore and Finland to better understand their latest development of IT in education. Through attending relevant international conventions and exhibitions and visiting various organisations and schools, we have learnt from their experiences of promoting e-learning, including relevant curriculum planning, development of learning and teaching resources for teachers' reference and encouraging teachers to use these resources in teaching, and understanding how schools in different places made good use of various e-resources, such as tablet computers to facilitate interactive learning. From our observation, teachers in Hong Kong, as teachers of other places will select e-learning resources from various sources to cater for the learning topics and their students' learning needs. Taking into account the development needs of our schools, we will learn from the successful experiences in different places,

such as innovative pedagogical practices in e-learning, e-learning resources and the latest IT teaching tools and devices and share them with the education sector.

Budget Speech by the Financial Secretary (10)

Budget Measures for 2019-20

Developing the Economy

111. In addition to financial services and I&T as mentioned earlier, the Government will strive to develop other economic sectors, with a view to assisting enterprises in exploring new business opportunities, driving sustainable economic development and providing broader pathways for our next generation to realise their potential.

International Transportation Centre

112. In my last Budget, I put forward several measures to develop our air cargo industry. I also indicated that the Government was mapping out strategies to facilitate the development of the maritime industry. We are making good progress in these areas.

113. Hong Kong enjoys the unique advantages of a strategic geographical location, world-class infrastructure, and various inter-modal transportation services. Moreover, the Development Plan has also affirmed the status of the Hong Kong International Airport (HKIA) as an international aviation hub among the airports in the Greater Bay Area. We will continue to promote the development of high value-added aviation business and enhance our competitiveness.

114. The HKIA is the world's busiest cargo airport and its passenger throughput is also among the highest in the world. The adjacent Lantau Island has become a "double gateway" connecting the world and Greater Bay Area cities upon the commissioning of the Hong Kong-Zhuhai-Macao Bridge (HZMB). The Government has invited the Airport Authority Hong Kong to submit a proposal for the topside development at the HZMB Hong Kong Boundary Crossing Facilities Island. It is hoped that the topside development, together with the three-runway system and other development projects and facilities at the Airport Island, will produce synergy and render Lantau an Aerotropolis connecting the Greater Bay Area and the world.

115. In addition, the Government has offered profits tax concessions to aircraft leasing and related businesses. The measure has been well received

by the market since its introduction. A number of large-scale aircraft leasing companies have negotiated or reached deals with airlines around the world through Hong Kong.

116. On maritime transport, despite declining container throughput in recent years, we still have considerable advantages in our maritime tradition, geographical location as well as shipping registration, financial and legal services. Hong Kong has a vibrant maritime services cluster, with over 800 maritime companies providing ship agency and management, ship brokering, marine insurance as well as maritime law and arbitration services. Hong Kong is also a ship finance centre in the region. Shipping loans and advances in Hong Kong have more than doubled in the past 10 years. In the face of keen competition, we must leverage our advantages to seize the business opportunities brought by the Greater Bay Area development and the Belt and Road Initiative for the continuous development of high value-added maritime services.

117. Ship leasing is an emerging business model of ship finance. The Government has commissioned the Hong Kong Maritime and Port Board to set up a dedicated task force to study tax and other measures, with a view to attracting ship finance companies to establish their presence in Hong Kong and developing Hong Kong as a ship leasing centre in the Asia-Pacific region. The study is expected to be completed in the second half of this year. Moreover, to promote the development of marine insurance so that shipowners and shipping companies can enjoy better support, the Government will offer a 50 per cent profits tax concession to eligible insurance businesses including the marine insurance industry.

Tourism

118. With the efforts of the Government, the Hong Kong Tourism Board (HKTB) and the travel trade, the tourism industry regained growth after several years of consolidation. Full-year overnight arrivals increased by nearly five per cent, and the number of visitors from long-haul markets with higher spending power also recorded a steady growth. We will strive to bring the edges of local tourism resources into full play and promote our diverse culture with Hong Kong characteristics, with a view to drawing more high-spending overnight visitors from different source markets, and promoting the healthy development of the tourism industry having regard to the receiving capacity of Hong Kong.

119. The Government will continue to join forces with the HKTB and the trade to implement the Development Blueprint for Hong Kong's Tourism Industry released in 2017. I will allocate an additional sum of around \$353 million to enable the HKTB to step up promotion of Hong Kong's image as a premier tourism destination, entice visitors to experience Hong Kong's local culture in different districts, and enhance publicity on Hong Kong's major festivals and events, etc. Various new initiatives will be rolled out, including:

(a) enhancing the capability of the Ngong Ping Nature Centre in providing hiking information for visitors, improving the facilities of country trails

in the vicinity, and commissioning a consultancy study for enhancing the facilities of the Hong Kong Wetland Park;

(b) allocating additional funding to the Travel Industry Council of Hong Kong to encourage the development of more thematic tourism products, organise business forums or business co-operation and exchange activities outside Hong Kong, and provide training subsidies for practitioners to enhance service quality of the trade; and

(c) commissioning a consultancy study on strategies and initiatives to promote smart tourism in Hong Kong and enhance visitors' travelling experience through the application of technology. We will extend the official landing page progressively to all boundary control points. The Tourism Commission will continue to work with the OGCI0 to provide free Wi-Fi service at tourist hotspots.

Creative Industries

120. Hong Kong's creative industries, blessed with a wealth of talent, are emerging industries worthy of vigorous development. Following the injection of \$1 billion into the CreateSmart Initiative, the Government will inject another \$1 billion into the Film Development Fund in 2019-20 to help the local film industry thrive further. This will bring the new resources we devoted to the creative industries to a total of \$2 billion within two years, a manifestation of the Government's determination to developing the creative industries in Hong Kong. We will make optimal use of the funding to enhance talent grooming and support for novices, promote start-ups, tap new markets for the industries, and build local branding for relevant sectors to facilitate long-term development of the film industry.

121. With the injection of new funds, we will upscale the sixth First Feature Film Initiative by doubling the number of winning teams to six and increasing funding by about 50 per cent, thereby giving new impetus to the Hong Kong film market. We will also raise the production budget limit of the Film Production Financing Scheme to \$60 million and the maximum subsidy for each film to \$9 million to support local mid-budget film productions.

122. We are now collaborating with the Urban Renewal Authority (URA) and the Hong Kong Design Centre to press ahead with the Sham Shui Po Design and Fashion Project. A five-storey commercial space within a redevelopment project in the district has been reserved for the construction of a landmark for nurturing young designers and supporting start-ups in fashion design. Construction works will commence this year for anticipated completion in 2023-24.

Construction Industry

123. In the next few years, the annual capital works expenditure is expected to rise to over \$100 billion, and the annual total construction output will increase to over \$300 billion, covering the construction of public and private housing, implementation of hospital development and redevelopment

projects, development and expansion of new towns and new development areas, as well as construction of a third runway for our airport.

124. Recently, some projects have aroused public concern about the quality of works and tarnished the reputation of the construction industry gained over the years. The industry must endeavour to enhance the public's confidence in them.

125. In order to enhance the standard and efficiency of works supervision, we will promote digitisation of the supervision system. Pilot projects will be launched to motivate site supervisors and contractors to use innovative technology to collect real-time data on site environment and works progress for record, monitoring and analysis purposes. The Development Bureau (DEVB) will set up a task force to plan and co-ordinate inter-departmental work in this regard.

126. We will also upgrade the Project Cost Management Office and rename it as the Project Strategy and Governance Office for implementing strategic initiatives and enhancing capabilities in cost surveillance and project governance. We will also adopt a holistic approach to strengthen cost management and uplift the performance of public works projects. Moreover, the DEVB is gearing up for the establishment of a Centre of Excellence for Major Project Leaders to equip public officers with more innovative minds and enhanced leadership skills for delivering public works projects. We have earmarked \$40 million for the first three years of operation of the centre, and plan to offer courses starting from mid-2019.

127. In view of the challenges of labour shortage and an ageing workforce in the construction industry, and the keen demand for skilled workers arising from infrastructure development projects in the short to medium term, I will allocate \$200 million to expand the apprenticeship scheme for the construction industry to cover more trades with manpower shortage, and increase the allowances for new trainees pursuing one-year full time programmes to encourage and attract in-service workers to pursue continuing education.

128. Besides, the Government will lead the construction industry to implement Construction 2.0 for improving productivity, quality, safety and environmental performance of the industry by advocating innovation, professionalisation and revitalisation.

(To be continued.)

[Budget Speech by the Financial](#)

Secretary (9)

Public Finances

99. During the Budget consultation, many people told me that they are concerned about whether the Government will tighten its spending or launch stimulus measures amid the economic slowdown and uncertain outlook. I believe the Government should continue to allocate resources to improve and enhance public services. Hence, in formulating this year's Budget, I have adhered to the new fiscal philosophy of the current-term Government of adopting forward-looking and strategic financial management principles to invest for Hong Kong and relieve people's burden on the premise of ensuring healthy public finances.

100. Since taking office, the current-term Government has launched a series of measures to improve people's livelihood. Operating expenditure for 2018-19 increased by 17.2 per cent, with an increase in total government expenditure by 14.2 per cent. The operating expenditure for the new financial year will further increase by 15.4 per cent, demonstrating the Government's determination to optimise the use of resources, develop our economy and improve people's livelihood. Public expenditure will account for about 22 per cent of our GDP during the five-year period up to 2023-24 in the Medium Range Forecast.

Optimal Use of Fiscal Reserves

101. As I mentioned just now, our fiscal reserves are expected to reach \$1,161.6 billion at the end of this financial year.

Housing Reserve

102. The Government established the Housing Reserve in 2014 with the investment income from the fiscal reserves to support the development of public housing and related infrastructure. The current accumulated balance of the Housing Reserve, which is kept separately from the fiscal reserves, is \$82.4 billion. On the other hand, the balance of the Hong Kong Housing Authority in the coming few years is expected to exceed \$40 billion. There will be no need to draw on the Housing Reserve in the foreseeable future. I also appreciate views in the community that keeping the Housing Reserve outside of the fiscal reserve may not fully reflect the Government's financial position. Hence, I will bring back the Housing Reserve to the fiscal reserves. At the same time, I will earmark the same amount in the fiscal reserves for public housing development to demonstrate the Government's firm commitment. To avoid distorting the Government's financial position in a particular year, the money to be brought back will be spread over the current term of Government until 2022-23, that is, over four financial years.

Future Fund

103. The Government set up the Future Fund in 2016. In its first two years of operation, the Fund achieved a composite rate of return of 4.5 per cent and 9.6 per cent respectively. To further optimise the use of the Fund, I will invite several experienced persons in the financial services sector to advise me on the Fund's investment strategies and portfolios to achieve more diversified investments. The objective is to enhance return, while also consolidating Hong Kong's status as a financial, commercial and innovation centre, and raising Hong Kong's productivity and competitiveness in the long run.

Tax Policy

104. In the light of Hong Kong's robust economic performance and healthy public finances over the past few years, we have the capacity to introduce various tax measures to enhance our competitiveness and ease the tax burden, in particular for small and medium enterprises (SMEs) and the middle class.

105. In the face of a diversifying economy, the Government will continue to introduce tax measures strategically to enhance our competitiveness and stabilise our revenue.

106. I will transfer the Tax Policy Unit, currently under the Financial Services and the Treasury Bureau, to come directly under the Financial Secretary's Office, and provide additional resources as and when necessary.

Relieving People's Burden

107. I am very concerned about the tax burden on salary earners. On salaries tax, apart from the one-off tax concessions proposed in my previous two Budgets, I have also raised various allowances and deduction ceilings, widened and increased the number of tax bands, and adjusted the marginal tax rates. These measures aim to relieve the long-term tax burden of citizens through a structural approach and increase taxpayers' disposable income, so that they can take better care of their personal as well as family needs. I have also proposed tax deductions for eligible voluntary health insurance products, deferred annuity premiums and Mandatory Provident Fund voluntary contributions as incentives for the public to get financially prepared for healthcare and retirement needs.

108. Having regard to the economic outlook in the coming year and the Government's fiscal position, I will introduce a series of relief measures, including:

(a) reducing salaries tax and tax under personal assessment for 2018-19 by 75 per cent, subject to a ceiling of \$20,000. The reduction will be reflected in the final tax payable for 2018-19. This will benefit 1.91 million taxpayers and reduce government revenue by \$17 billion;

(b) reducing profits tax for 2018-19 by 75 per cent, subject to a ceiling of \$20,000. The reduction will be reflected in the final tax payable for

2018-19. This will benefit 145 000 taxpayers and reduce government revenue by \$1.9 billion;

(c) waiving rates for four quarters of 2019-20, subject to a ceiling of \$1,500 per quarter for each rateable property. This proposal is estimated to benefit 3.29 million properties and reduce government revenue by \$15 billion;

(d) providing an extra allowance to social security recipients, equal to one month of the standard rate Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. This will involve an additional expenditure of about \$3.84 billion. Similar arrangements will apply to recipients of the Working Family Allowance and Work Incentive Transport Subsidy, involving an additional expenditure of about \$149 million;

(e) providing to each student in need a one-off grant of \$2,500 to support learning, involving an expenditure of about \$890 million;

(f) paying the examination fees for school candidates sitting for the 2020 Hong Kong Diploma of Secondary Education Examination, involving an expenditure of about \$160 million; and

(g) providing, on a one-off basis, an additional \$1,000 worth of vouchers to the elderly eligible for the Elderly Health Care Voucher Scheme, involving an expenditure of about \$1.02 billion. The accumulation limit of vouchers will also be raised from \$5,000 to \$8,000 to allow users greater flexibility. The Food and Health Bureau is reviewing the Scheme to ensure that it can better serve the needs of the elderly. The findings will be announced upon completion of the review.

Support for Enterprises

109. Recent changes in the global economic and trade environment have affected Hong Kong enterprises, especially those engaging in external trade and SMEs. I will introduce measures to support local enterprises in tiding over uncertainties in the present environment, with a view to achieving our goal of “supporting enterprises, safeguarding jobs and stabilising the economy”. They include:

(a) waiving the business registration fees for 2019-20, benefiting 1.4 million business operators. This will reduce government revenue by \$2.9 billion;

(b) regularising the Technology Voucher Programme and rolling out enhancement measures, including doubling the funding ceiling for each enterprise from \$200,000 to \$400,000 to encourage the wider adoption of technology by local enterprises to improve their efficiency and services;

(c) injecting another \$1 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) this year, following the injection of \$1.5 billion last year;

(d) following the extension of the geographical scope of the BUD Fund from the Mainland to ASEAN countries in August 2018, to further extend the scope to include all economies which have entered into an FTA with Hong Kong, thereby enabling enterprises to take advantage of the FTAs to explore new markets and new business opportunities;

(e) following an increase in the funding ceiling per enterprise under the BUD Fund from \$0.5 million to \$2 million last year, to further increase the ceiling to \$3 million this year, including \$1 million for the Mainland market and \$2 million for other FTA markets; and

(f) to help SMEs facing liquidity problems, we implemented enhancements to the special concessionary measures under the SME Financing Guarantee Scheme operated by the HKMC Insurance Limited last November, including reducing the guarantee fee rates by 50 per cent, increasing the maximum loan amount to \$15 million, and lengthening the maximum loan guarantee period to seven years. We also extended the application period of the special concessionary measures. I have decided to further extend the application period of the special concessionary measures under the scheme and the three enhancement measures mentioned above to 30 June 2020.

110. With uncertainties prevailing in the global political and economic scenes, we need to get well prepared at all times. I will keep a close watch on the external and local economic situation and introduce appropriate measures when necessary to support enterprises and stabilise the economy.

(To be continued.)