

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 midâ€‘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.)

Kwong Wah Hospital redevelopment project resumes excavation works

The following is issued on behalf of the Hospital Authority:

The spokesperson for the Hospital Authority (HA) announced the following update today (February 27) regarding the redevelopment project of Kwong Wah Hospital (KWH):

All excavation works of the first stage of the KWH redevelopment project were suspended from the end of last year due to abnormal readings in groundwater levels and settlement around the construction site. During the suspension period, the contractor has implemented improvement measures to ensure site safety. An application for resumption of excavation works was made to the government departments concerned and consent was granted by the Buildings Department yesterday (February 26). Excavation works at the site will resume in due course.

At the end of last November, the contractor discovered that there was ponding water in the lift pit excavation area of the site. Monitoring data around the Tung Wah Museum, a declared monument, also indicated abnormal readings in groundwater levels and settlement. All excavation works were suspended immediately and urgent remedial measures were implemented, including installing additional recharge wells, regrouting the grout curtain around the Museum and backfilling the lift pit area. Subsequently, the settlement has been under control without further deterioration and the groundwater levels have risen again and were back to normal by mid-December

last year. The contractor appointed an independent geotechnical expert to assess the geological conditions of the site. A monument preservation expert was also appointed to inspect the condition of the Museum to confirm the structural safety of the building.

Further improvement works were implemented including installation of a grout curtain 10 metres deep into the rock to prevent water leakage through any undetected rock joints. A pumping test was carried out and it was concluded that the improvement works were effective in preventing water seepage into the construction site during further excavation works.

The HA has requested the contractor to enhance the daily monitoring of the groundwater levels and settlement readings including on Sundays and public holidays. The monitoring frequency of the groundwater level will be increased to 12 times per day. The contractor will also deploy an additional full-time engineer on-site to strengthen supervision.

The excavation works of the first stage of the KWH redevelopment project are expected to be completed by May this year. Superstructure work will commence immediately upon the completion of the excavation works.

Budget Speech by the Financial Secretary (8)

Expanding Market Coverage

89. Hong Kong is a fully open economy. Diversification is the key to sustain our economic vibrancy. We also need to expand our market coverage to create more room for development. We have before us a rare opportunity arising from the two development strategies that our country is pressing ahead with, namely the Greater Bay Area development and the Belt and Road Initiative. Both strategies are at the core of the national development agenda, offering opportunities for us to contribute to our country's development and give full play to our strengths.

Guangdong-Hong Kong-Macao Greater Bay Area

90. The Greater Bay Area development is an important part of the national strategy to promote co-ordinated regional development. This also creates golden opportunities for Hong Kong to explore new directions, open up new horizons, and add new impetus. With a population of 70 million and an aggregate GDP roughly the size of Korea, the Greater Bay Area presents us with enormous business opportunities in close proximity to us.

91. The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater

Bay Area (Development Plan), promulgated last week, is a milestone setting out the development directions for the Greater Bay Area up to 2035. The Development Plan identifies Hong Kong, Guangzhou, Shenzhen and Macao as the four core cities as well as core engines for regional development. Hong Kong, positioned as international financial, transportation and trade centres as well as an international aviation hub in the Greater Bay Area, will strengthen its roles as a global offshore Renminbi business hub and an international asset and risk management centre; and will devote great efforts to develop I&T industries as well as international legal and dispute resolution services. With all these advantages, we will seize the opportunity and make dedicated efforts to promote development in the Greater Bay Area to enhance its global competitiveness.

Belt and Road

92. The gradual development of the Belt and Road into an economic and trade co-operation corridor spanning Europe, Asia and Africa has resulted in strengthening ties between different regions along the route. This will create greater room for Hong Kong's economic and social development. We are seeing positive outcomes in areas such as supporting industries in exploring markets, establishing business matching platforms for enterprises and encouraging our professional services sector to participate in Belt and Road projects.

93. Hong Kong has been serving as the premier platform for helping Mainland enterprises go global and bringing in foreign investment. Our well-developed fund-raising and insurance markets will enable us to serve as a financing and risk management centre for Belt and Road infrastructure projects. The Infrastructure Financing Facilitation Office under the HKMA is committed to promoting infrastructure finance and information exchange. The SFC has also set out the factors to be considered when reviewing listing applications of infrastructure companies, providing a clear guideline for them to seek listing in Hong Kong. Hong Kong is an international financial, trade, maritime and professional services centre. The Government will continue to encourage the Mainland and other Belt and Road economies to leverage on our strengths, including our professional services and talent.

94. The Policy Address indicated support for the development of a dispute resolution online platform by non-governmental organisations (NGOs) to enhance the development of LawTech in Hong Kong and consolidate Hong Kong's position as an international dispute resolution services centre. The NGO concerned is preparing for the development of a cross-boundary, efficient, secure and cost-effective platform for the provision of online arbitration and mediation, as well as smart contract and related services. I will provide \$150 million to support the development and initial operation of the platform. The platform will benefit local micro-enterprises and SMEs, as well as those in the Belt and Road economies, members of the ASEAN and beyond, and facilitate deal making as well as dispute avoidance and resolution.

The Government's Role

95. The Government strives to expand our market coverage to create business opportunities for enterprises. In the past year, we continued to expand our Free Trade Agreement (FTA) and Investment Promotion and Protection Agreement networks to provide protection for Hong Kong businesses to explore markets and invest in outside markets, and for foreign businesses to do the same in Hong Kong. Hong Kong has signed three FTAs with 12 economies since this term of Government took office. Our FTA negotiations with Australia and the Maldives were concluded last year. Our discussions with the UK on the proposals for closer economic ties are underway. We are exploring an FTA with the four members of the Pacific Alliance (namely Chile, Colombia, Mexico and Peru). We also plan to seek accession to the Regional Comprehensive Economic Partnership after completion of negotiations between ASEAN and relevant economies.

96. We have also been actively expanding our network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs) to enhance our business environment and draw in investment. Taking into account the CDTAs concluded with India and Finland last year, we have already signed CDTAs with 40 tax jurisdictions, of which 13 are among Hong Kong's major trading partners and are accounting for 73 per cent of our total value of trade in 2017. Our target is to bring the total number of our CDTAs to 50 in the next few years.

97. The Government is also committed to expanding its Economic and Trade Office (ETO) network to strengthen external promotion, thereby exploring new business opportunities for Hong Kong enterprises. At present, the Government has two ETOs in ASEAN, one in Jakarta and the other in Singapore. With the establishment of the Bangkok ETO, we will forge stronger economic and trade ties with ASEAN. We are making good progress in our negotiations with the United Arab Emirates government to set up the Dubai ETO. We will also continue our discussion with the governments of India, Korea and Russia on the detailed arrangements for setting up ETOs in their territories.

Building Capacity

98. Looking ahead, we should be more proactive in diversifying the economy and extending market coverage so as to offer more opportunities for our young people. I believe capacity constraints are the obstacles hindering the development of emerging industries and a diversified economy in Hong Kong. A large pool of talent with innovative capabilities will be required to develop such talent-intensive industries as I&T. Also, land will be required to support emerging economic activities. We will continue to introduce measures to overcome these obstacles and build capacity for the sustainable economic development of Hong Kong. I will elaborate on the Government's measures to develop other industries, produce land and build capacity later in my speech.

(To be continued.)

Budget Speech by the Financial Secretary (7)

Pooling Innovation and Technology Talent

76. In the face of keen global competition for technology talent, we introduced the Technology Talent Admission Scheme in June last year to expedite the admission of such talent to undertake R&D activities in Hong Kong. Participating enterprises are required to employ local employees and interns concurrently. So far, over 200 places have been approved under the scheme. We will review the implementation details of the scheme in the first half of this year.

77. The Researcher Programme has so far sponsored over 3 700 local graduates to join the I&T industry. The Postdoctoral Hub Programme launched last year has also sponsored over 350 postdoctoral talents to pursue a career in R&D. To attract more local graduates to the industry, we will increase, with immediate effect, the monthly allowance from \$16,000 to \$18,000 for researchers with a Bachelor's degree, and from \$19,000 to \$21,000 for researchers with a Master's degree. We will also extend the funding period of both the Researcher Programme and the Postdoctoral Hub Programme from two years to three years with immediate effect. This means R&D institutes or enterprises can hire relevant R&D talents for three years which give them ample time for demonstrating their professional strengths in R&D projects.

78. Accommodation is an issue pertaining to the recruitment of researchers. The HKSTPC is constructing an InnoCell, which will offer about 500 residential units with flexible design to tenants, incubatees or visiting researchers in the Science Park. This project is expected to be completed by 2021.

79. To pave the way for nurturing local technology talents, we will also encourage the promotion of popular science education in schools. I will deploy \$500 million to implement the IT Innovation Lab in Secondary Schools Programme in the coming three school years. Each secondary school benefiting will be granted \$1 million to procure the necessary information technology (IT) equipment and professional services, and organise more relevant extra-curricular activities to deepen students' knowledge of cutting-edge IT, such as artificial intelligence, blockchain, cloud computing and big data, with a view to helping young people build a good IT foundation early during their secondary school years. In addition to financial support, the Office of the Government Chief Information Officer (OGCIO) will set up a one-stop professional support centre to provide assistance.

Supporting Technology Enterprises

80. Technology enterprises and start-ups in particular, are an integral component of the I&T ecosystem, with an important role in facilitating

commercialisation and application of R&D results as well as developing innovative ideas. In 2014, we launched the Technology Start-up Support Scheme for Universities, which has so far supported 188 start-ups established by university teams to venture beyond their campus. Some of the funded start-ups have secured investment exceeding \$300 million. I will raise the maximum annual funding for each university from the existing \$4 million to \$8 million starting from 2019-20 to better nurture university start-ups.

81. Last year, I reserved \$7 billion for the HKSTPC to enhance support for its tenants and incubatees, with part of the funding dedicated to expand Incubation Programme. The programme has been well-received, with over 120 applications so far. Besides, the Corporate Venture Fund (CVF), launched by the HKSTPC in 2015, co-invests on a matching basis with angel investors or venture capital funds in tenants and incubatees of the Science Park. The CVF has already committed the entire fund of \$50 million to invest in nine projects and acted as a catalyst in attracting more than \$670 million from co-investors. Building on the success, the HKSTPC will expand the CVF to \$200 million to support the growth of its tenants and incubatees.

82. In last year's Budget, I injected \$200 million into Cyberport to enhance the support for its tenants and start-ups. In this connection, Cyberport has increased the financial subsidy under its incubation programme to \$500,000 and introduced the Overseas/Mainland Market Development Support Scheme to offer an additional subsidy of \$200,000. Moreover, Cyberport launched the Easy Landing Scheme to attract multinational corporations to set up offices and R&D units in Cyberport through rental concessions.

83. To encourage private investments in local I&T start-ups, the Government set up the \$2 billion Innovation and Technology Venture Fund to co-invest in local I&T start-ups together with venture capital funds. We selected a total of six Co-investment Partners in mid-2018, and have been receiving co-investment proposals.

Promoting Re-industrialisation

84. The Policy Address proposed allocating an additional \$2 billion for the HKSTPC to build dedicated facilities required by the advanced manufacturing sector in industrial estates to facilitate more manufacturers to set up operations in Hong Kong. We plan to inject \$2 billion into the ITF for launching a Re-industrialisation Funding Scheme to subsidise manufacturers on a matching basis to help them set up smart production lines in Hong Kong. These initiatives for developing real high-end production will help reduce our economy's over-reliance on service industries. The Innovation and Technology Bureau (ITB) will seek funding approval from the Legislative Council (LegCo) as soon as possible, with a view to implementing these initiatives in the second half of this year.

85. I visited five local R&D centres last year to see for myself their work on applied R&D. I am impressed with the immense potential Hong Kong has in pursuing the commercialisation of R&D results and technology transfer in areas such as advanced materials, nanotechnology, microelectronics, etc.

which can boost the development of industries and re-industrialisation. The Committee on Innovation, Technology and Re-industrialisation, which I chair, will explore appropriate measures for promoting the development in this regard.

Other Supporting Measures

86. The Government is striving to remove unnecessary constraints for I&T development and create more opportunities for the procurement of I&T products and services. We will introduce a pro-innovation government procurement policy this April so that innovative proposals stand a better chance of winning government contracts. The Policy Innovation and Co-ordination Office has started reviewing existing laws which are outdated and impede I&T development.

The Way Forward

87. We are now in an excellent position to promote I&T development, and are presented with unprecedented opportunities arising from the Greater Bay Area development. From the perspective of regional development, with our strong R&D capabilities, world-class universities, advantages as an international and market-oriented economy and robust intellectual property protection regime, Hong Kong serves as an I&T pioneer in the region. On the other hand, with a sizeable market, the Greater Bay Area offers more cooperation opportunities for local I&T enterprises as well as capabilities in commercialising R&D results and advanced manufacturing. We can promote technological collaboration, interaction among industries and productisation of scientific and technological achievements, thereby facilitating the development of the Greater Bay Area into an international I&T hub.

88. Financial services and I&T aside, the Government will also roll out measures in other economic sectors to promote the development of industries. I will talk about these measures later.

(To be continued.)