

Budget Speech by the Financial Secretary (11)

Reinforcing Fiscal Consolidation Programme

229. To uphold the principles of fiscal prudence, I recommend reinforcing the fiscal consolidation programme as put forward in last year's Budget. The key is managing expenditure growth, making good use of the Government's fiscal resources, and identifying new revenue resources. Our principles are:

(a) to focus on strictly controlling government expenditure, supplemented by increasing revenue. Regardless of increasing revenue or cutting expenditure, the impact to the general public should be minimised. In particular, the Government will lead by example to demonstrate our commitment in cutting expenditure, whilst ensuring the delivery of high-standard public services. The Government will also continue to press ahead with infrastructure works projects in the NM and those related to the economy and people's livelihood;

(b) to maintain the competitiveness of Hong Kong's simple and low tax regime, and to avoid considerable increase in tax rates or introducing new taxes; and

(c) to uphold the "user pays" and the "affordable users pay" principles as far as practicable whilst increasing revenue.

Strictly Containing the Growth of Government Expenditure

Operating Expenditure

230. We will step up efforts to contain government operating expenditure. I have instructed all bureaux and departments to further review their resource allocation and work priorities, and provide public services in a more cost effective manner through consolidating internal resources, streamlining procedures and leveraging technology.

231. On the premise of maintaining efficient public services, we will implement the following measures:

(a) stepping up the Productivity Enhancement Programme. On the premise that CSSA, Social Security Allowance and statutory expenditure will not be affected, the rate of reduction of recurrent government expenditure will be increased from the original one per cent to two per cent in 2025-26. This arrangement will be extended for two more years to 2027-28. Taking into account the one per cent cut in 2024-25, the cumulative rate of reduction will be seven per cent in total. Using 2023-24 recurrent expenditure as the basis, it will deliver a saving in recurrent government expenditure of around \$3.9 billion, \$11.7 billion, \$19.5 billion and \$27.3 billion in the respective financial years;

(b) in view of the reduction in expenditure and enhancement in manpower utilisation, the civil service establishment will be reduced by two per cent

each in 2026-27 and 2027-28. By 1 April 2027, about 10 000 posts are expected to be deleted within this term of Government; and

(c) the Government will provide funding of \$68.1 billion to the University Grants Committee (UGC)-funded universities in the coming three years. This funding has reflected a two per cent reduction target each year, which is in line with the magnitude of government's recurrent expenditure cut. I must stress that this funding level is still higher than the \$63.2 billion in the last triennium.

232. In last year's Budget, I have requested the relevant bureaux to review the operation of two transport subsidy schemes that incur relatively high expenditure with a rapid growth rate, namely the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (i.e. the \$2 Scheme) and the Public Transport Fare Subsidy Scheme (PTFSS). In order to enable the continued operation of the schemes in a financially sustainable manner, we propose the following adjustments after review:

(a) the \$2 Scheme: On the basis that the targeted beneficiaries remain unchanged, the Government will change the concessionary fare to "\$2 flat rate cum 80 per cent discount", which means that beneficiaries will continue to pay \$2 for trips with fare below or equal to \$10. For trips with fare above \$10, the beneficiaries will have to pay the amount of full fare after 80 per cent discount. Furthermore, the number of concessionary trips will also be limited to 240 per month. This fine-tuned proposal preserves our policy intent while striking a balance between enhancing the sustainability of the scheme and minimising the impacts to the beneficiaries; and

(b) PTFSS: From June 2025 onwards, the threshold of monthly public transport expenses incurred for receiving the subsidy under the Scheme will be raised from \$400 to \$500. The Government will continue to provide a subsidy amounting to one-third of the expenses in excess of \$500, and the prevailing subsidy cap at \$400 per month will remain unchanged.

233. The relevant policy bureaux will announce the details later. Upon implementation of the refined arrangements, the Government is expected to save \$6.2 billion in the coming five years.

234. To assist bureaux and departments in reducing expenditure and ensure the proper use of public money, I have requested:

(a) the Audit Commission to organise workshops for the senior management of Government departments and public bodies. Through sharing experience and case studies on its value for money audits, the Commission seeks to foster the management's understanding and adoption of principles and best practices in fiscal prudence and optimal use of public money;

(b) the Financial Services and the Treasury Bureau to review and enhance the Government's procurement regime. We expect that the new arrangements will be introduced in mid-2025, so as to facilitate departments to procure quality goods and services at a reasonable price through an open and fair framework; and

(c) the relevant bureaux to review the expenditures on social welfare, healthcare and education. The recurrent expenditure on each of these three areas amounts to more than \$100 billion in this financial year. The Government should, having regard to demographic changes in Hong Kong, optimise resources and review the sustainability of the use of resources.

235. In addition, the Government puts forward that for 2025-26, the executive authorities, the legislature, the judiciary and members of the District Councils take a pay freeze. This includes the Chief Executive and politically appointed officials; the Non-official Members of the Executive Council; members of the civil service; the President, all Members and Secretariat of the LegCo; Chief Justice of the Court of Final Appeal, judges of the courts at all levels and other members of the Judiciary; and members of the District Councils.

Capital Works Expenditure

236. Overall construction costs have risen in recent years. The Government will strive to enhance control on cost effectiveness when pressing ahead with infrastructure works projects. I have requested the Project Strategy and Governance Office (PSGO) under Development Bureau (DEVB) to support various departments in enhancing governance of public works projects on all fronts. PSGO scrutinises project cost estimates upon inception of a project, and optimises project design in accordance with the principle of "fitness-for-purpose and no frills". PSGO also formulates cost-effective proposals in co-ordination with the relevant policy bureaux and works departments in order to reduce construction costs. Since its establishment, PSGO has reviewed over 540 public works projects, achieving savings in construction costs by over 15 per cent.

237. Meanwhile, PSGO is co-ordinating the relevant work on reducing construction costs. This includes formulating policies for the procurement of construction materials and products, such as MiC modules and steel reinforcement, through direct procurement by relevant works departments and centralised procurement by a single department. PSGO will also study the use of new materials and innovative construction technologies by drawing reference from the Mainland and overseas practices and experience. All these efforts aim to help departments reduce project costs, enhance cost-effectiveness and ensure timely completion of public works projects.

238. Furthermore, the Government is reviewing the scale and mode of delivery of district cooling systems in new development areas, such as Hung Shui Kiu/Ha Tsuen and San Tin Technopole, to tie in with the development of the area with greater cost-effectiveness. The preliminary estimate of savings in terms of works expenditure is at least \$40 billion. The Environment and Ecology Bureau will report the review results in the second quarter this year.

Consolidating and Optimising the Use of Government Financial Resources

239. Bureaux and departments set up funds outside the Government's accounts for specific purposes from time to time in the light of their policy needs.

Currently, there are a total of 42 such funds with an aggregate balance of nearly \$180 billion. Some of these funds only use investment returns to meet their expenditure (i.e. seed capital funds). With different monitoring frameworks and investment strategies, these seed capital funds lock up an enormous amount of public financial resources.

240. To enable the Government to make more flexible and effective use of these resources, we have reviewed the financial arrangements of these seed capital funds. We propose bringing back first six funds with relatively large unspent balance, totalling about \$62 billion, to the Government's accounts in 2025-26, after setting aside resources to meet the necessary expenditure of these funds for the next five years so that it will not affect their sustainable operation. This will provide a more comprehensive picture of the Government's fiscal position and enable better use of its financial resources. We will also require the relevant bureaux to examine the financial arrangements of other seed capital funds.

241. We have reviewed the utilisation of the Anti-epidemic Fund. Taking into account the expenditure requirements, the Fund has a remaining balance of about \$15 billion, which will be brought back to the Government's accounts next month. This sum has been reflected in the revised estimate for 2024-25.

Enhancing Public Service Efficiency

242. The Government has all along endeavoured to deliver more efficient public services to citizens through leveraging technology, streamlining processes and driving the digital transformation of public services.

243. We are striving to realise "single portal for online government services", with a view to providing a one-stop shop for citizens to obtain information, apply for services and settle bills. Since the launch of the "iAM Smart" mobile application, the number of registered users has exceeded 3.2 million. "iAM Smart" connects about 500 services of the Government as well as public and private organisations and provides nearly 600 electronic government forms.

244. The DPO is planning to progressively implement a "Digital Corporate Identity" Platform before the end of next year. This will enable Hong Kong enterprises to undergo corporate identity authentication and digital signature process in a secure and convenient manner when using electronic government services or conducting online business transactions. This measure will facilitate digital transformation of enterprises, and help enhance government departments' efficiency in processing online applications.

245. The Transport Department will roll out a number of electronic licensing services, including electronic driving licences, progressively from the middle of this year to early next year. The Department will continue to launch various electronic permits and integrated, user-friendly online services. It also plans to introduce a bill into LegCo on electronic driving licence in the first half of this year to provide the option of displaying driving licences through dedicated applications on smartphones.

246. The Housing Bureau has selected 10 public rental housing estates as the pilot sites for smart estate management to adopt more technologies, such as Internet of Things sensors, robots, etc, in daily estate management. It will also launch a centralised estate management platform this year to enhance management efficiency and service quality.

247. DEVB is driving digitalisation of public works in full swing, and applying AI technology for big data analysis to reduce the risk of project delay and cost overrun. DEVB is also driving the wider application of highly-effective construction robots in projects with functions including automated processes, remote control, AI, etc, to support construction personnel in various fields to enhance work efficiency, cost-effectiveness, site safety and works quality.

248. The Civil Service College will enhance the content on technology application in civil service leadership training, equipping departmental leaders to optimise their information technology systems, better utilise big data and AI, and arrange appropriate training for their staff.

Increasing Revenue

249. For some time in the past, some government fees and charges have not been adjusted in accordance with the established mechanisms. As a result, these fees and charges are not pegged to their costs and fail to reflect the "user pays" principle. I am going to introduce the following measures:

(a) the rate of air passenger departure tax will be increased from \$120 to \$200 per passenger starting from the third quarter of 2025-26. It is anticipated that government revenue will increase by about \$1.6 billion per year. The impact on air passengers is expected to be minimal;

(b) an application fee of \$600 will be charged under various talent and capital investor admission schemes with immediate effect. The visa fees, to be charged based on the duration of limit of stay, will be raised to \$600 or \$1,300. It is estimated that government revenue will increase by about \$620 million per annum;

(c) the Government has cancelled the tolls of some major tunnels and strategic routes three years ago and the tolls of some Government tunnels have not been adjusted for over 30 years. Considering the fact that the Government has invested heavily in building these infrastructure, the Transport and Logistics Bureau will review the tolls of relevant government tunnels and trunk roads to embody the "user pays" principle. The Government will also review the annual licence fee for electric private cars, parking meter charges, as well as the fixed penalties for traffic offences for better traffic management. Based on preliminary estimation, the relevant adjustments could generate about \$2 billion additional revenue per annum;

(d) we will explore introducing a boundary facilities fee on private cars departing via land boundary control points. Coaches, goods vehicles, etc, will not be affected. Taking a fee of \$200 per private car as an example, the measure will bring in revenue of about \$1 billion per annum; and

(e) in January 2025, we submitted a bill to LegCo on the implementation of the global minimum tax proposal drawn up by the Organisation for Economic Co-operation and Development to address base erosion and profit shifting. We aim to apply the global minimum tax rate of 15 per cent on large multinational enterprise groups with an annual consolidated group revenue of at least EUR750 million and impose the Hong Kong minimum top up tax. Subject to the passage of the bill, the proposal will bring in tax revenue of about \$15 billion for the Government annually starting from 2027-28.

LCQ1: Promoting development of aviation industry

Following is a question by the Hon Holden Chow and a written reply by the Secretary for Transport and Logistics, Ms Mable Chan, in the Legislative Council today (February 26):

Question:

It has been reported that Hong Kong's aviation industry has started to recover in terms of, among others, passenger volume and cargo handling capacity, after being hard hit by the epidemic, and Hong Kong-based airlines have been actively expanding their aviation business. There are views that with the recovery of the tourism industry and the commissioning of the Three-Runway System at Hong Kong International Airport (Airport), the passenger and cargo throughput of the Airport will increase substantially. Regarding the promotion of the development of the aviation industry, will the Government inform this Council:

(1) whether it has compiled statistics on the number of direct flights between Hong Kong and overseas places in each of the past two years, with a tabulated breakdown by companies operating such flights;

(2) whether it knows if there is a situation in which air routes between Hong Kong and the rest of the world (excluding the Mainland) have been granted air traffic rights but not yet commenced service; if there is, of the number of destinations for which local airlines (i) have been granted air traffic rights and their flight quotas and, among them, the number of those for which (ii) air traffic rights and flight quotas have not yet been utilised, with a tabulated breakdown by airlines;

(3) of the measures the authorities have put in place to encourage the local airlines mentioned in (2) to fully utilise their air traffic rights or flight quotas, so as to operate more flights between Hong Kong and overseas places;

(4) of the authorities' specific expectations and requirements regarding the social responsibilities to be shouldered by Hong Kong-based aviation

enterprises; the measures the authorities have adopted or will adopt to effectively enable such enterprises to better fulfil their social responsibilities and play the role of helping Hong Kong consolidate its status as an international aviation hub; and

(5) whether the authorities have examined if there is a situation in which the supply of flight quotas for air routes between Hong Kong and overseas places which have been granted air traffic rights falls short of demand and hence a quota increase is required; if there is, of the relevant measures the authorities will adopt to solve the relevant problem?

Reply:

President,

Hong Kong International Airport (HKIA) continued to demonstrate strong recovery momentum in 2024, with significant growth recorded in air traffic data. In the recent month of January 2025, HKIA reached another post-pandemic high in both flight movements and passenger throughput, representing a full recovery of passenger traffic peak to the pre-pandemic level. Compared to the same month last year, all passenger segments, including Hong Kong residents, visitors and transfer/transit passengers, experienced double-digit increase. Traffic to and from Southeast Asia, Mainland China and Japan recorded the most significant increase during the month. Meanwhile, cargo throughput continued to gain momentum, with positive growth recorded across all cargo sectors. Cargo traffic to and from the Middle East, Europe and Australasia grew the most among key trading regions during the month. In consultation with the Civil Aviation Department, the reply to the question raised by the Hon Chow is as follows:

(1) In 2024, the number of direct scheduled flights (including both passenger and cargo flights) between HKIA and overseas destinations (excluding Mainland and Taiwan) increased significantly by approximately 30 per cent compared to 2023. Additionally, the number of airlines operating these flights in 2024 also recorded a notable increase, rising by approximately 20 per cent compared to 2023. Details are provided in the Annex.

(2) and (5) With a view to further expanding the passenger and cargo air transport capacity and connectivity of HKIA so to meet the market demand for air services, the Government has been making good use of Hong Kong's unique civil aviation status under "one country, two systems" to conduct air services negotiations with our aviation partners under the authorisation of the Central People's Government. As of the end of January 2025, we have signed 80 bilateral air services documents. Over the past two years, Hong Kong has expanded bilateral air services arrangements with multiple aviation partners, increasing the capacity limits for relevant passenger and cargo services by at least 60 per cent. This allows airlines to readily increase passenger and cargo services in response to market demand.

The overriding principle for traffic rights allocation is that public resources can be fully utilised to consolidate or enhance the competitiveness of Hong Kong's aviation industry and meet future needs. The Transport and

Logistics Bureau (TLB) will take into account a range of factors, including encouraging healthy competition, maintaining Hong Kong's status as an international aviation hub, and promoting the overall development of Hong Kong's aviation industry, in considering the allocation of traffic rights to local airlines, with a view to promoting the overall interests of Hong Kong.

As for the specific details of traffic rights allocation, since the traffic rights negotiated between the Government and other countries or regions are recorded in the form of bilateral Confidential Memoranda of Understanding, which contain sensitive information such as details of bilateral negotiations, we are not in a position to disclose more of the relevant information to third parties. The TLB will continue to closely monitor the utilisation of traffic rights by local airlines to ensure that these precious traffic rights are put to good use, and will adopt a more forward-looking perspective in expanding traffic rights with our aviation partners.

(3) When launching new routes or increasing flight frequencies, airlines will consider factors such as market demand and the allocation of company resources. In addition, the Government has all along encouraged local airlines to launch and increase flights to support Hong Kong's overall development. Local airlines have responded positively. Following the launch of direct passenger services to Vientiane (Laos), Riyadh (Saudi Arabia), Sendai and Yonago (Japan), as well as Cairns and Gold Coast (Australia) last year and earlier this year, they will gradually commence direct flights to Dallas (the United States of America), Hyderabad (India), Munich (Germany), Brussels (Belgium), and Rome (Italy) later this year. They will also increase the frequency of flights between Hong Kong and North America.

At the same time, the Airport Authority Hong Kong has implemented several related measures, such as the Airport Network Development Programme launched in June 2024, which provides financial incentives to encourage airlines to open new routes and increase flight frequencies on existing routes. To date, the Programme has attracted 24 airlines, covering 53 destinations.

(4) The Government maintains a regular communication mechanism with local airlines to monitor their operations and ensure the healthy development of the aviation industry.

With the commissioning of the Three-Runway System, the passenger and cargo handling capacity of HKIA will increase significantly. The Government will continue to maintain close communication with local airlines to ensure that they enhance their service quality continuously, providing stable and reliable services that deliver an excellent experience to passengers. At the same time, the Government has requested that local airlines' network planning should support the Government's strategy to enhance Hong Kong's position as an international aviation hub and to meet Hong Kong's strategic development needs.

Budget Speech by the Financial Secretary (10)

Public Finance

210. The Government has been adhering to the principle of keeping the expenditure within the limits of revenues as enshrined under Article 107 of the Basic Law and strives to achieve fiscal balance over a period of time to ensure the resilience and sustainability of our public finances.

211. Let me elaborate on the Government's current fiscal position.

212. Government revenue and expenditure are broadly presented in two major accounts, namely the Operating Account and the Capital Account. The revenue of the Operating Account mainly comes from various types of tax revenue, investment income, government fees and charges, and so on, while its expenditure is largely attributed to the Government's daily expenses. As for the Capital Account, its revenue is mainly land-related, while its expenditure largely involves infrastructure works projects and land acquisition.

213. In view of the different composition and nature of the Operating Account and the Capital Account, we have to manage them separately with different fiscal targets and methods. The Operating Account should be managed on the basis of keeping expenditure within the limits of revenues with the target of achieving a surplus.

214. As for the Capital Account, expenditure on infrastructure works is our investment for the future. For instance, the NM development, which will bring economic and social benefits upon completion, has to be taken forward to meet the needs for social and economic development. However, as revenue is susceptible to economic cycles, there may be a shortfall between revenue and expenditure. Under such circumstances, we can utilise the surplus in the Operating Account or our fiscal reserves as support, or make flexible use of market resources, including various forms of public private partnership and bond issuance.

215. We forecast that the Operating Account will largely achieve balance in 2025-26 and return to a surplus starting from 2026-27. The Capital Account is estimated to record a deficit in the Medium Range Forecast (MRF) period due to the accelerated development of the NM and other public works projects relating to the economy and people's livelihood. Nevertheless, the level of deficit will decline year on year from 2026-27 onwards.

Revised Estimates for 2024-25

216. The 2024-25 revised estimate on total government revenue is \$559.6

billion, lower than the original estimate by 11.6 per cent.

217. Among them, revenues from profits tax and salaries tax remain stable at \$177.7 billion and \$88 billion respectively, comparable to the original estimates, demonstrating the strong resilience of Hong Kong economy.

218. However, as asset market is under pressure, government revenues from land premium and stamp duties have declined. Revenue from land premium is \$13.5 billion, substantially lower than the original estimate by \$19.5 billion. Revenue from stamp duties of \$58 billion is lower than the original estimate by \$13 billion.

219. Government expenditure for 2024-25 is comparable to the original estimate. The revised estimate of total government expenditure for 2024-25 is \$754.8 billion, lower than the original estimate by \$22.1 billion. Of this, the recurrent expenditure is \$562.5 billion, lower than the original estimate by \$17.7 billion.

220. Taking into account the issuance of government bonds of \$130 billion and repayments of \$22.1 billion, it is expected that there will be a consolidated deficit of \$87.2 billion for 2024-25. Fiscal reserves are expected to be \$647.3 billion by March 31, 2025.

Estimates for 2025-26

221. Looking ahead to 2025-26, the Government will continue to provide resources for consolidating momentum on economic growth, promoting the accelerated development of I&T industries, and enhancing public services. We will also increase capital works expenditure to cater for the NM and other public works projects relating to the economy and people's livelihood, so as to support the sustained economic development of Hong Kong.

222. The major policy initiatives announced in the 2024 Policy Address involve operating expenditure of \$8.1 billion and capital expenditure of \$14.1 billion. The financial implications of such initiatives have been reflected in the estimates for 2025-26.

223. Total government expenditure for 2025-26 will increase by 8.9 per cent to \$822.3 billion, with its ratio to nominal GDP projected to be 24.4 per cent.

224. Recurrent expenditure for 2025-26 will increase by 4.5 per cent to \$588.1 billion. Of this, substantial resources will still be allocated to livelihood related policy areas including healthcare, social welfare and education, involving a total of \$348.6 billion, representing about 60 per cent of recurrent expenditure. Non recurrent expenditure will decrease by 3.4 per cent to \$36.1 billion.

225. Total government revenue for 2025-26 is estimated to be \$659.4 billion, while earnings and profits tax are estimated to be \$301.2 billion, increasing by 8.4 per cent over the revised estimate for 2024-25. On the basis of the Land Sale Programme and the land supply target of 2025-26, revenue from land

premium is estimated to be \$21 billion, increasing by 55.3 per cent over the revised estimate for 2024-25. Having regard to the recent trading conditions of the stock market, revenue from stamp duties is estimated to be \$67.6 billion, increasing by 16.5 per cent over the revised estimate for 2024-25. Besides, we will bring back about \$62 billion from six endowment funds established outside the government accounts.

226. Taking into account the bond issuance of about \$150 billion and repayments of about \$54.1 billion in 2025-26, a deficit of \$67 billion is expected for the year, and the fiscal reserve will decrease to \$580.3 billion.

Support Measures

227. Having regard to the pressure faced by some industries and the people, and the Government's fiscal situation, we will introduce the following measures:

(a) provide rates concession for domestic properties for the first quarter of 2025/26, subject to a ceiling of \$500 for each rateable property. This measure will involve 3.12 million domestic properties and reduce government revenue by \$1.5 billion;

(b) provide rates concession for non-domestic properties for the first quarter of 2025/26, subject to a ceiling of \$500 for each rateable property. This measure will involve 430 000 non-domestic properties and reduce government revenue by \$200 million.

(c) reduce salaries tax and tax under personal assessment for the year of assessment 2024/25 by 100 per cent, subject to a ceiling of \$1,500. The reduction will be reflected in the final tax payable for the year of assessment 2024/25. This measure will benefit 2.14 million taxpayers and reduce government revenue by \$2.9 billion;

(d) reduce profits tax for the year of assessment 2024/25 by 100 per cent, subject to a ceiling of \$1,500. The reduction will be reflected in the final tax payable for the year of assessment 2024/25. This measure will benefit 165 400 businesses and reduce government revenue by \$200 million; and

(e) provide an allowance to eligible social security recipients, equal to one half of a month of the standard rate Comprehensive Social Security Assistance (CSSA) payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance, while similar arrangements will also apply to recipients of the Working Family Allowance, altogether involving an additional expenditure of about \$3.1 billion.

228. To ease the burden on buyers of residential and non-residential properties at lower values, I announce that the maximum value of properties chargeable to a stamp duty of \$100 will be raised from \$3 million to \$4 million with immediate effect. This measure is expected to benefit about 15 per cent of property transactions and reduce government revenue by about \$400 million annually.

Budget Speech by the Financial Secretary (9)

Accelerating Green Development

Green Industries

171. Development of green industries is a major international trend and key to addressing global climate change. The combination of green finance and green technology will accelerate the build-up of multi-faceted industry clusters, thereby creating huge business opportunities and financing needs, and making contribution to green transformation and development.

Green Finance

172. We launched the Sustainable Finance Action Agenda last year, setting out goals for the banking industry to achieve net zero. We also launched the Roadmap on Sustainability Disclosure in Hong Kong. It provides a well defined pathway for large publicly accountable entities to adopt the International Financial Reporting Standards – Sustainability Disclosure Standards no later than 2028. This will make Hong Kong one of the first jurisdictions to align its local requirements with the Standards.

173. To continuously support local green-finance talent training, we will extend the Pilot Green and Sustainable Finance Capacity Building Support Scheme to 2028. Over 5 700 applications have been approved under the Scheme.

Green Technology

174. The HKSTPC will develop the InnoCentre in Kowloon Tong into a leading green technology hub – "GreenTech Hub", bringing together more than 200 green technology companies. The HKSTPC will invite financial and business institutions, universities, institutions supporting business, etc, to become partners of the admitted companies and provide support such as talent training, testing and application scenarios, and business matching.

Green Shipping

175. The Government will provide tax exemption for green methanol used for bunkering. Meanwhile, the Government will implement the Action Plan on Green Maritime Fuel Bunkering to develop Hong Kong into a green maritime fuel bunkering centre.

Green Aviation

176. To provide support for the decarbonisation of the international and local aviation industry, we are promoting the application of Sustainable Aviation Fuel (SAF) at the HKIA. The AA completed a relevant study last year.

We will announce an SAF consumption target this year.

Green City

Waste Reduction and Recycling

177. To enhance waste reduction at source, the Government will allocate an additional funding of \$180 million for increasing the number of residential food waste smart recycling bins and food waste collection facilities across the city, as well as expanding the recycling network and increasing waste recovery.

Waste to Energy

178. I·PARK1, Hong Kong's first waste-to-energy facility for treating municipal solid waste, is expected to commence operation this year. Moreover, we have invited the open tender for I·PARK2, the second large-scale facility with an expected treatment capacity of 6 000 tonnes per day. It is a major step towards "zero landfill".

Charging Network for Electric Vehicles

179. There are more than 100 000 electric vehicles in Hong Kong, about eight times of that five years ago. The Government will launch a \$300 million subsidy scheme in the middle of the year. It is expected that the scheme will provide impetus for the industry to install 3 000 fast chargers across Hong Kong by 2030 to be used by 160 000 additional electric vehicles.

Green Transformation of Public Buses and Taxis

180. The Government has announced the Green Transformation Roadmap of Public Buses and Taxis and earmarked \$470 million under the New Energy Transport Fund to subsidise franchised bus operators in purchasing about 600 electric buses. Also, \$135 million were earmarked to subsidise the taxi trade in purchasing 3 000 electric taxis. In addition, the Funding Scheme to Trial of Hydrogen Fuel Cell Heavy Vehicles is now open for application.

Smart and Green Mass Transit Systems

181. Last year, the Government invited expressions of interest for the smart and green mass transit system projects in Kai Tak, East Kowloon and Hung Shui Kiu/Ha Tsuen and Yuen Long South NDAs. The Government will continue to take forward the projects with an innovative mindset, and strive to invite tenders for the Kai Tak project this year and the East Kowloon and Hung Shui Kiu/Ha Tsuen and Yuen Long South NDAs projects next year respectively.

Sustainable Development of Agriculture and Fisheries Industries

182. We will continue to take forward the Blueprint for the Sustainable Development of Agriculture and Fisheries to assist the upgrading and transformation of the agriculture and fisheries industries. The Government has reserved a site in Sheung Shui for the agriculture sector to set up the first multi-storey, modernised and environment-friendly livestock farm. For

the fisheries sector, the first batch of marine fish-culture licences at Wong Chuk Kok Hoi and Mirs Bay will be issued in the middle of the year the earliest. We are also proactively working to establish a brand building and certification system for leisure fisheries and farming, as well as local agricultural and fisheries produce.

Land and Housing Supply

Land Supply

183. We need a sufficient supply of land to create the capacity for supporting the development of new industries, injecting new impetus into our economy, and providing a better living and leisure environment for our people.

184. The Government will closely monitor market situation and development, and roll out sites in a paced and orderly manner. Having learned from past experience that land shortage would constrain Hong Kong's development, we must persist with our work on planning and land creation. The pace of rolling out sites to the market can be adjusted in the light of actual circumstances.

185. The commercial property market has been facing considerable challenges in the past few years. In view of the high vacancy rates of offices in recent years and the relatively ample supply in the next few years, the Government will not roll out any commercial site for sale in the coming year to allow the market to absorb the existing supply. We will also consider rezoning some of the commercial sites into residential use and allowing greater flexibility of land use. To tie in with the relevant work, we will also extend the deadline for completing in-situ land exchange for commercial sites in the town centre of HSK/HT NDA.

186. The Land Sale List of the coming year comprises eight residential sites. There will also be railway property development projects, projects undertaken by the Urban Renewal Authority (URA) as well as private development and redevelopment projects. Taken together, the potential land supply for the whole year is expected to have a capacity for providing about 13 700 units, similar to the projected annual demand for private housing as announced in the Long Term Housing Strategy. The sale arrangements will be announced on a quarterly basis having regard to market situation and relevant circumstances.

187. We will prepare land for the production of about 80 000 private housing units in the coming five years. About 65 per cent of the land comes from the NM and the Tung Chung New Town Extension. The above projection has yet to take into account the supply from development projects undertaken by the URA and other private development projects.

Housing Supply

188. On public housing supply, the Government has identified sufficient land for meeting the supply target of 308 000 public housing units over the next 10 years. Coupled with Light Public Housing, the total public housing supply

in the coming five years will reach 190 000 units, which is about 80 per cent higher than that of the first five year period since the current term Government took office.

189. On private housing supply, it is estimated that the completion of private residential units will be on average over 17 000 units annually in the coming five years, representing a decrease of about eight per cent over the annual average of the past five years. The potential supply of first hand private residential units for the next three to four years will be around 107 000 units.

Infrastructure Development

Transport Infrastructure

190. The Government will strive to commence the detailed planning and design of the South Island Line (West) project this year. The construction works of the remaining sections of Route 6, namely the Central Kowloon Route and Trunk Road T2 and Cha Kwo Ling Tunnel, are entering the final stage. The Central Kowloon Route project is expected to be completed by the end of this year while Route 6 will be fully commissioned next year.

Professional Development of Construction Industry

191. I have set aside \$15 million for the work of the Centre of Excellence for Major Project Leaders over the next two years to enhance the professionalism, innovation capabilities and cost-effectiveness management of the construction industry. The Centre will organise summits and various events to promote exchanges and co-operation transcending geographical and sectoral boundaries.

192. To attract more young people to join the construction industry, we and the Construction Industry Council (CIC) will jointly allocate funding totalling about \$95 million to continue the provision of on-the-job training subsidies to trainees enrolling in part-time construction-related degree programmes over the next two academic years. It is anticipated to benefit about 1 000 trainees.

193. The CIC will allocate around \$150 million to subsidise the construction industry to provide on the job training for about 2 500 graduates of degree programmes in engineering, architecture, surveying, planning and landscape architecture. This will assist more young people in obtaining professional qualifications.

A Caring and Inclusive Community

Support for Youth

194. The Government has just raised the upper age limit for participants of the Youth Employment and Training Programme to 29 and introduced workplace attachment opportunities in the GBA to help young people enhance their employability. The estimated expenditure for the Programme next year is

around \$100 million.

195. In the coming year, we plan to offer around 4 000 short term internship placements in bureaux and departments and public organisations for tertiary students. Students who aspire to pursue a career in public service may take the opportunity to broaden their horizons and better plan for their future career development.

196. The Hong Kong Housing Authority has launched the "Well Being â™ Start Up" Programme on a pilot basis, offering rent-free shop premises in its shopping centres for young people to trial their business plans. The Programme has received ardent support from different sectors of the community. The Authority will expand the programme and appeal to private landlords for support.

Caring for the Elderly

197. The Government will, in the next financial year, increase the number of vouchers under the Residential Care Service Voucher Scheme for the Elderly by 1 000 to 6 000 in total and increase the number of vouchers under the Community Care Service Voucher Scheme for the Elderly by 1 000 to 12 000 in total, involving an annual expenditure of about \$1,710 million and \$900 million respectively.

198. The Working Group on Promoting Silver Economy will implement measures in five areas, namely boosting "silver consumption", developing "silver industry", promoting "quality assurance of silver products", enhancing "silver financial and security arrangements", and unleashing "silver productivity". Relevant policy bureaux are taking forward their work.

199. The HKMA will collaborate with the Hong Kong Association of Banks to formulate industry guidelines this year, with a view to encouraging banks to offer elderly-friendly electronic banking services.

Support for Working Families

200. As at the end of last year, about 50 000 households were receiving allowance under the Working Family Allowance Scheme, involving around 170 000 persons, inclusive of some 70 000 children. In 2025-26, the estimated expenditure for the Scheme is about \$2.1 billion. The Government has increased the rates of the household and child allowances under the Scheme by 15 per cent across the board with effect from April last year.

Child Protection

201. The Mandatory Reporting of Child Abuse Ordinance will come into effect next January, creating a wider protection web for children. The Government will provide an additional annual provision of \$186 million to increase emergency places for residential child care and strengthen professional support for child abuse victims and their families.

Support for Persons with Disabilities

202. The Government will set up 14 Integrated Community Rehabilitation Centres across the territory in phases to provide persons with disabilities who require medium to high level care with flexible and integrated community support services through a case management approach. Besides, 1 280 additional day community rehabilitation and home care service places will be provided for persons with disabilities, involving about \$160 million additional annual expenditure.

203. Starting from the third quarter of this year, the Government will regularise the Pilot Project on Enhancing Vocational Rehabilitation Services to provide training to persons with disabilities according to their personal interest and abilities to enhance their employment opportunities. The annual expenditure involved is about \$100 million and it is expected to benefit about 10 000 people.

Women's Development

204. The Government is committed to women's development and launched the Women Empowerment Fund in June 2023 with an annual funding of \$20 million. To date, the Fund has provided funding support to women's groups and non governmental organisations for launching over 240 projects, empowering women to excel. This year, a two year pilot mentorship programme will be launched, pairing female university students with women leader mentors to promote women's workplace development.

District Services and Community Care Teams

205. Last year, the Chief Executive announced that the Government would regularise the establishment of District Services and Community Care Teams and increase their funding by 50 per cent in the next term of service. Since the launch of the Community Care Teams, they have paid visits to about 390 000 households and provided around 43 000 times of support services. The Government will further enhance the provision of caring services.

Enhancement of Public Healthcare System

206. To develop primary healthcare, the Government will upgrade the District Health Centre Expresses in Central and Western District, Eastern District and Yau Tsim Mong District into District Health Centres this year, with a view to strengthening the community healthcare system.

207. The Government is progressively implementing and completing the 16 works projects, which entail a total of about \$190 billion, under the First Hospital Development Plan. Taking into account the latest demographic structure, planning and development situation in Hong Kong, we will review the distribution, scale and priority of projects under the Second Hospital Development Plan, and will make the announcement in due course.

208. Furthermore, the Government and the HA are reviewing the structure and levels of subsidisation for public healthcare, with a view to strengthening the financial sustainability of public healthcare services and providing better support for patients with serious or critical conditions as well as

those with financial difficulties. The outcome of the review will be announced this year.

Combatting Illegal Betting

209. In recent years, quite some members of the public have expressed concerns about the problem of illegal basketball betting in Hong Kong. According to the latest assessment of the Hong Kong Jockey Club (HKJC), the turnover of illegal basketball betting reached \$70 billion to \$90 billion last year. To combat illegal betting activities in an effective manner, the Government will explore regulating basketball betting activities and invite HKJC to submit a proposal.

[Budget Speech by the Financial Secretary \(8\)](#)

Talent Hub

All-out Efforts to Trawl for Talents

Attracting Quality Talents and Professionals

151. The Government makes every effort to trawl for talents, and will shortly invite top and leading talents to come to Hong Kong for development under the Quality Migrant Admission Scheme. We will also enhance the Admission Scheme for Mainland Talents and Professionals and the General Employment Policy by allowing young non-degree talents with professional and technical qualifications and experience to come to Hong Kong to join skilled trades facing manpower shortage.

"Global Talent Summit" Hong Kong

152. The Hong Kong Talent Engage (HKTE) provides comprehensive one stop support to incoming talents, promotes globally Hong Kong's advantages and attracts talents. The HKTE plans to organise the second "Global Talent Summit" Hong Kong" early next year to reinforce Hong Kong's status as an international hub for high-calibre talent.

Belt and Road Scholarship

153. The Government will continue to attract more students, especially those from ASEAN and other B&R countries, to study in Hong Kong through various measures, including the B&R Scholarship.

New Capital Investment Entrant Scheme

154. Under the New Capital Investment Entrant Scheme, more than 880

applications have been received cumulatively, with an expected investment of over \$26 billion. We will launch a series of enhancement measures shortly to provide greater flexibility under the Scheme.

All-out Efforts to Nurture Talents

155. To stimulate primary and secondary school students' interest in I&T, I have invited the HKIC, the HKSTPC and Cyberport to co-ordinate the efforts of more than 100 technology enterprises under their purview to engage in interactions and exchanges with students to share frontier exploration and start-up experience in technology through organising product display in schools, site visits, etc, in the coming year. These technology enterprises cover various domains such as AI, robotics, and green technology.

156. We are also encouraging technology enterprises in Hong Kong to provide resources, technical guidance and practice scenarios for technology education such as coding and AI learning in schools, with a view to further enhancing young people's interest and capability in I&T application through integrating theoretical learning and practical application.

Enhancing Collaboration with Cities in the Greater Bay Area

Medical Co-operation

157. The joint establishment of the GBA Clinical Trial Collaboration Platform by Hong Kong and Shenzhen is one of the benchmark collaboration projects in the GBA. We are seeking to establish the Real-World Study and Application Centre by the end of this year. With the data from the "special measure of using Hong Kong registered drugs and medical devices used in Hong Kong public hospitals in GBA", we aim to accelerate approval for registration of new drugs in Hong Kong, the Mainland and overseas, fostering R&D, clinical trials and application of advanced biomedical technology in Hong Kong.

158. The Hospital Authority (HA), through various talent exchange programmes, invites healthcare professionals, including those from the Mainland especially the GBA, for professional and clinical exchange with local healthcare personnel to foster mutual professional enhancement and, in the long run, establish a regional healthcare talent pool.

Data Flow and Exchange

159. The facilitation measure on the "Standard Contract for the Cross-boundary Flow of Personal Information Within the Guangdong-Hong Kong-Macao Greater Bay Area (Mainland, Hong Kong)" helps promote the safe and orderly cross-boundary flow of authorised personal information, and has been well-received by the telecommunications sector since its launch. The measure has already been opened up for participation by other sectors.

Financial Co-operation

160. The HKMA and the PBoC signed the Memorandum of Understanding on Cross-Boundary Credit Referencing Pilots last year on a pilot basis between Shenzhen and Hong Kong. The initiative has received positive feedback from

the industry. We will progressively expand the pilot coverage to further facilitate cross-boundary financing for enterprises.

Youth Exchange

161. The Labour Department has since this year relaxed the requirements of joining the GBA Youth Employment Scheme to young people aged 29 or below with sub-degree or higher qualifications, and increased the limit of allowance for enterprises to \$12,000 per month per person for up to 18 months.

Co-operation in Transport and Logistics

162. At the end of last year, the AA and the Zhuhai Transportation Holdings Group signed the Agreement of Shares Acquisition concerning the equity acquisition of Zhuhai Airport, which provides a reinforced foundation for passenger and cargo connectivity between the airports. Separately, 21 airlines and 125 logistics companies have participated in the sea air intermodal cargo transshipment mode under the co-operation of Hong Kong and Dongguan. It is expected that the first phase construction of the permanent facility for the Phase 1 development of the logistics park in Dongguan will be completed this year and the preliminary study of the Phase 2 development will commence shortly.

Co-operation Relating to Construction Industry

163. The Building Technology Research Institute established last year is comparing and complementing the testing and certification requirements between standards in different regions with a view to promoting local application of high-quality and cost-effective construction materials. Moreover, the Institute will closely liaise with the counterparts concerned in Guangdong Province for commencing a strategic study on standards in the GBA soon.

164. We are actively collaborating with the Guangdong Province to leverage complementary advantages of Modular Integrated Construction (MiC) methods and develop MiC as an industry in the GBA. Efforts will be dedicated to R&D, quality accreditation and international marketing of MiC.

165. We have, in collaboration with Guangdong Province, successfully established the "Professional Title" evaluation mechanism for the first batch of Hong Kong engineering professionals. The mechanism will be gradually extended to other construction-related professions with the right conditions. We will also collaborate with Guangdong Province and Macao SAR to formulate GBA standards on the skill levels for skilled workers and technicians of the construction sector, and take forward the "One Examination, Multiple Certification" arrangement. We will announce the GBA standards for the first pilot trade in due course.

Legal Co-operation

166. The Department of Justice (DoJ) is actively taking forward its work in setting up a dedicated platform for GBA lawyers to provide better support to the business development and brand building of lawyers. The DoJ will also

actively promote the establishment of a GBA legal information platform to enhance legal information exchange.

Development of Qianhai

167. The Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone is one of the major co-operation platforms in the GBA. Since the promulgation of the "Overall Development Plan for the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone", Hong Kong-Shenzhen cooperation has achieved substantive progress in various policy areas. For example, the turnover of Qianhai Mercantile Exchange, a subsidiary of HKEX, exceeded RMB100 billion over the year. It operates our country's only offshore spot trading platform for soybeans.

168. On the basis of the successful implementation of the measure of "allowing Hong Kong-invested enterprises to adopt Hong Kong law" in Qianhai, the DoJ collaborated with the relevant Mainland authorities and achieved the extension of the above measure and the measure of "allowing Hong Kong invested enterprises to choose Hong Kong as the arbitration place" to other pilot cities in the GBA, providing Hong Kong investors with a more facilitative business environment.

169. Cyberport has been actively collaborating with the Qianhai Management Authority to facilitate the landing of start-up enterprises at respective parks. So far, some 10 Cyberport enterprises are exploring setting up their operations in Qianhai, whilst two enterprises on AI and digital entertainment from Qianhai have established businesses at Cyberport.

170. Hong Kong will continue to support Qianhai in trying out new policies on a pilot basis and pursuing more policy innovation and breakthroughs, with a view to promoting the successful policies to the rest of the GBA and even the entire country.