

# THE 2025-26 BUDGET

*Speech by the Financial Secretary, the Hon Paul MP Chan  
moving the Second Reading of the Appropriation Bill 2025  
Wednesday, 26 February 2025*

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## **Mr President, Honourable Members and fellow citizens,**

I move that the Appropriation Bill 2025 be read a second time.

### **Introduction**

2. The Budget is presented at the halfway stage of the current-term Government.

3. Over the past year, we have seen a number of positive developments in Hong Kong. Our economy has grown for two consecutive years. The employment market has been stable, while inflation remains moderate. Our efforts to attract talent and enterprises have been remarkably successful. The successive staging of large scale international mega events has been coupled with a notable increase in visitor arrivals. And sentiment in the stock market continues to improve alongside a generally buoyant atmosphere across the city.

4. Nevertheless, Hong Kong has also experienced a lot of challenges. The international geopolitical landscape has caused disruptions to trade, supply chain, cash flow and sentiment in the investment market. Local asset prices are contained under a relatively high interest rate environment, whereas the retail and catering markets are still troubled by changes in the consumption pattern of visitors and our residents.

5. While putting Hong Kong's economic resilience to the test, these challenges signify to us the necessity to reform, innovate and relentlessly improve in the process of economic development. Although the large-scale, counter-cyclical measures launched over the last few years in response to the pandemic have helped us achieve our goal of "supporting enterprises, safeguarding jobs, stabilising the economy and easing the burden on people", we have experienced fiscal deficits these few years as a result. Last year, revenue related to the asset market was far lower than expected due to a host of internal and external factors, and we continue to record a higher deficit this year.

6. In this Budget, I propose a "reinforced version" of the fiscal consolidation programme, including a cumulative reduction of government recurrent expenditure by seven per cent from now through 2027-28. Strictly containing public expenditure is a must, but we should proceed in a steady and prudent manner and be careful to find a balance among the various impacts that may arise in the process. While laying a sustainable fiscal foundation for future development, this approach represents our all-out effort to minimise the impact on public services and people's livelihood. It gives us a clear pathway towards the goal of restoring fiscal balance in the Operating Account, in a planned and progressive manner, within the current term of the Government.

7. To seize the opportunities brought about by the rapid advancement of innovation and technology, we must accelerate the development of the Northern Metropolis (NM). It is an investment in our future. Given our prerequisites and capabilities, we can suitably expand the size of bond issuance on the premise of maintaining healthy public finances and use the funds raised in a proper and flexible manner to invest in Hong Kong's future and create value for our society.



8. In the midst of global changes, technological innovation is our core engine. We must expedite our economic development, in particular boosting new economic driving forces while enhancing the competitive edge of traditional industries at an accelerated pace. Technology reform and artificial intelligence (AI) development are remolding the global landscape, leading to the emergence of new industries, new forms of business, new products and new services. We have to seize the opportunity to make the most out of this critical window to speed up our development, establishing the new before abolishing the old. Transformation and innovation will lead our way into the future, and we are poised to fast-track the high quality development of Hong Kong's economy. I will elaborate on this a little later.

## **Economic Situation in 2024**

9. Last year, Hong Kong's economy progressed steadily amid a complicated and changing environment. The unstable international geopolitical situation, escalated trade conflicts and elevated global interest rates exerted adverse impact on local economic activities and confidence. Nevertheless, our country's economy is making steady progress and has rolled out measures benefitting Hong Kong one by one. Together with the Government's initiatives to boost the economy and interest rate cuts by the US since mid-September, they all provided support to different economic segments in Hong Kong. Hong Kong's economy recorded moderate growth of 2.5 per cent last year.

10. The International Monetary Fund (IMF) estimated that the global economy grew by 3.2 per cent last year. Supported by the continuing expansion of external demand, Hong Kong's total exports of goods grew by 4.7 per cent in real terms.

11. As a result of our country's various measures benefitting Hong Kong, together with a large number of mega events organised throughout the year and the recovery of our air traffic capacity, the number of visitors increased by about 30 per cent to approximately 45 million last year, boosting the travel and transport services. Other cross-boundary economic activities also improved. Total exports of services grew by 4.8 per cent for the year.

12. As the economy grew and the Government took forward infrastructure projects, overall investment expenditure rose by 2.4 per cent. Private consumption expenditure, however, slightly declined by 0.6 per cent for the year, as a result of changes in the consumption pattern of local residents.

13. The labour market remained tight. The latest unemployment rate stayed low at 3.1 per cent. The median monthly employment earnings of full-time employees grew by a solid 4.8 per cent, year-on-year, in the fourth quarter of last year.

14. Inflation was mild in overall terms. Netting out the effects of the Government's one-off measures, the underlying consumer price inflation rate was 1.1 per cent last year.

15. Sentiment in the asset markets improved during the year, benefitting from a series of measures of the Central Government to support Hong Kong's capital market, as well as the rate-cut cycle of the US. The stock market saw increases in both prices and turnover volume. The Hang Seng Index rose by 18 per cent for the year, and the average daily turnover increased by 26 per cent. Funds raised by new listings increased to \$88 billion.

16. The residential property market continued to adjust in the first three quarters of last year. But it stabilised after the interest rate cuts. For the year, the number of transactions increased by 23 per cent to about 53 000, while property prices fell by seven per cent. The non-residential property market remained stagnant.

## **Economic Outlook for 2025 and the Medium Term**

17. The Hong Kong economy still faces a very challenging external environment, but there are quite a few positive factors at the same time.

18. Trade protectionism affects global trade and capital flows, dampens investment and consumer confidence, and weighs on global economic growth. It is encouraging that the Mainland economy continues to grow steadily. Our country's domestic and international circulation, expansion of high-standard opening-up, global setup of industry chains and supply chains by Mainland enterprises, etc. benefit the steady development of external trade. In addition, the Mainland economy is resilient and has a solid foundation. The Central Government's implementation of a more proactive fiscal policy and a moderately accommodative monetary policy, along with its efforts to expand domestic demand, add momentum to economic growth.

19. The gradual easing of monetary policies by major central banks should support their economic growth. However, the economic and trade policies of the US have brought uncertainties to the pace of rate cuts this year. The European Central Bank also indicated that it would lower interest rates further if inflation broadly trends towards its target level. According to the IMF's latest projections, the global economy will grow by 3.3 per cent this year, slightly higher than last year.

20. Against the above backdrop, Hong Kong's exports are expected to see steady performance this year. Moreover, riding on various policies and good momentum of last year, visitor arrivals should continue to increase. Together with the recovery of other cross-boundary economic activities, these should drive continuing growth in services exports.

21. On domestic demand, investors may be more cautious due to uncertainties in the external environment. However, the expected relaxing of the global financial conditions will bode well for fixed asset investment. After last year's adjustment, private consumption showed stabilising signs towards the end of the year. A sustained increase in residents' income and steady development of the asset markets would boost consumption further.

22. Based on the above considerations, we forecast that Hong Kong's economy will continue to grow moderately this year, rising by two to three per cent in real terms for the year.

23. As for prices, it is expected that domestic cost pressures might increase as the economy continues to grow. External price pressures should remain broadly in check, though geopolitical situation might bring risks. We forecast the underlying inflation rate and headline inflation rate this year to be 1.5 per cent and 1.8 per cent respectively.

24. In the medium term, monetary policy normalisation will help sustain solid growth in the global economy. The "Global South", in particular the Mainland, will continue to be an important driver of global economic growth.

25. Geopolitics will still bring challenges to Hong Kong's economy. However, the Mainland is promoting high-quality development through scientific and technological innovation, comprehensively deepening reform, and expanding high-standard opening-up. Hong Kong is also making every effort to promote market diversification and open up new growth areas, and the economy is expected to grow steadily.

26. Under “One Country, Two Systems”, Hong Kong is the only place in the world that combines the global advantage and the China advantage. The current-term Government has been vigorously expanding economic capacity and enhancing competitiveness, and achieved considerable results. As long as we actively integrate into our country’s development and proactively align with national development strategies, we will definitely continue to seize new opportunities arising from the economic development of our country and the world, creating a bright future.

27. We forecast that Hong Kong’s economy will grow, on average, by 2.9 per cent a year in real terms from 2026 to 2029. The underlying inflation rate is forecast to be on average 2.5 per cent a year.

## **Strengthening Foundation to Accelerate Development**

28. Hong Kong's economy has recorded moderate growth for two consecutive years. The Government has been active in promoting innovation and technology (I&T) development, while striving to attract more enterprises, capital and investment institutions through diversified business promotion activities. Recently, Hong Kong has made continuous improvement in a number of economic segments. The Government's efforts to build a vibrant economy and compete for enterprises and talents have yielded considerable results:

- (a) **Buoyant Stock Market:** The sentiment and trading performance of the local stock market improved last year. Since the beginning of this year, trading has been even more active, with average daily turnover exceeding \$200 billion recently, up by more than 50 per cent over last year's average. Total market capitalisation reached \$40 trillion;
  
- (b) **Vibrant Initial Public Offering (IPO) Activities:** Enterprises are increasingly confident about Hong Kong's financing prospects. Funds raised from new listings in Hong Kong amounted to \$88 billion last year, a year-on-year increase of nearly 90 per cent and ranking fourth globally. Over 100 new IPO applications are being processed by the Hong Kong Exchanges and Clearing Limited (HKEX);

- (c) **Excellence in Wealth Management:** Hong Kong is Asia's largest hedge-fund centre and the second-largest centre for private equity management after the Mainland. There are more than 470 open-ended fund companies in Hong Kong, double that of a year ago, and over 1 050 registered limited partnership funds, a year-on-year increase of about 40 per cent. Hong Kong is expected to become the world's largest cross-boundary wealth management centre by 2028; and

- (d) **Attract Enterprises, Capital and Talents on All Fronts**

**Attract enterprises:** Since its establishment, the Office for Attracting Strategic Enterprises (OASES) has attracted 66 strategic enterprises, 80 per cent of which have established or planned to establish their global or regional headquarters in Hong Kong. Many are I&T enterprises with a market valuation of over \$10 billion and engaging in cutting-edge technologies. In addition, Invest Hong Kong (InvestHK) successfully attracted over 500 Mainland and overseas enterprises to set up or expand their businesses in Hong Kong last year, representing an increase of over 40 per cent. These enterprises are expected to bring in direct investment of over \$67.7 billion.

**Attract capital:** As at the end of last year, total deposits in Hong Kong amounted to more than \$17 trillion, a year-on-year increase of seven per cent. On attracting capital from emerging markets, two exchange-traded funds tracking Hong Kong stocks were listed on the Saudi Exchange last year, with asset size exceeding \$13 billion.

**Trawl for talents:** As at the end of last year, various talent admission schemes have received a total of over 430 000 applications and approved more than 270 000, bringing some 180 000 talents to Hong Kong.



29. We are proactively introducing additional measures to attract more enterprises or organisations to establish their presence in Hong Kong, bringing more mega-events and visitors to the city:

- (a) OASES will announce a new batch of more than ten strategic enterprises next month. Together with those previously announced, they will invest a total of about \$50 billion in Hong Kong and create more than 20 000 jobs over the next few years;
- (b) we strive to attract enterprises from the Mainland and around the world to set up headquarters or corporate divisions in Hong Kong. We have submitted a bill to the Legislative Council (LegCo) for the introduction of a company re-domiciliation mechanism to provide facilitation for companies domiciled overseas to re-domicile in Hong Kong;
- (c) the headquarters of the International Organization for Mediation (IOMed) will open by the end of this year at the earliest. As the first international inter-governmental organisation to set up its headquarters in Hong Kong, IOMed is also the first of its kind in the world that specialises in resolving international disputes by means of mediation. It is conducive to affirming the positioning of Hong Kong as the capital for international mediation;
- (d) Kai Tak Sports Park, set to open officially in three days, provides a world-class venue for hosting international mega events, taking forward the development of culture, sports and tourism as an industry in Hong Kong. It is also one of the event venues of the National Games; and

- (e) the World Tourism Cities Federation (WTCF)'s 2025 WTCF Fragrant Hills Tourism Summit will be held in Hong Kong for the first time in April. The Summit is expected to attract representatives from some 40 countries and regions.

30. A full range of mega events that will boost economic growth and attract more visitors to Hong Kong will be held this year. I will elaborate on the details in the relevant sections.

## **Upholding Principles and Innovation, and Cultivating New Quality Productive Forces**

31. Hong Kong is facing a rather complicated international environment amid changes unseen in a century around the world. The rise of protectionism and unilateralism has resulted in a fragmented global political and economic landscape. The future is trending towards co-operation among economies sharing mutual interests and formation of different regional segments.

32. The vigorous development of AI is reshaping the medium- to long- term global economic landscape. In particular, its development is no longer confined to a single technology domain, but penetrating into each and every industry in the form of AI+. As the global value chain undergoes profound restructuring, product design and manufacturing are moving towards further intelligentisation and digitalisation. This wave of technological reform not only revolutionises traditional production, business and consumption models, but also redefines the core competitiveness of various economies, industries and enterprises.

33. Hong Kong finds itself at a critical juncture of its development in the face of the changing global landscape and technological transformation. The Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC Central Committee) has affirmed the positioning of scientific and technological innovation as a core area of development and stressed the importance of accelerating the realisation of self-reliance on high-standard technology. This points out a clear direction for Hong Kong to leverage its strength as an international platform for stepping up the development of the AI industry.

34. The Third Plenary Session of the 20th CPC Central Committee has stated that the country has to deepen reform comprehensively, advance high-standard opening-up and speed up the formation of a new development landscape. We must also cultivate new quality productive forces tailored to local circumstances and promote high-quality development. To achieve this, we have to stay bold in reform, dare to break new ground and innovate continuously, and unleash the innovative and economic potential through institutional reform. Through technological innovation, we can catalyse new modes and new impetus to accelerate the nurturing of new industries and to transform and upgrade traditional industries. At the same time, we must nurture and attract talent by better means to promote the integrated development of education, technology and talent, which in turn provides staunch support for reform and innovation.

35. We have to leverage the advantages under “One Country, Two Systems” to better integrate into the national development and participate in the joint development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) in a proactive manner. We have to reinforce our connectivity with both the Mainland and the world, while leveraging synergies with overseas markets, especially those emerging in the Global South. It is by doing so that we fulfil our roles as “super connector” and “super value adder”.

## **Innovation and Technology**

### **Artificial Intelligence**

36. AI is at the core of developing new quality productive forces. We will leverage the edge of “One Country, Two Systems” and our internationalised characteristic to develop Hong Kong into an international exchange and co-operation hub for the AI industry. Through frontier research and real-world application, we will endeavour to develop AI as a core industry and empower traditional industries in their upgrading and transformation.

### **AI as a Core Industry**

#### *AI Supercomputing Centre*

37. We have been proactively enhancing the strategy and planning on AI development. The first-phase facility of Cyberport’s AI Supercomputing Centre has just commenced operation, and the computing power will be ramped up gradually to 3 000 petaFLOPS this year. This is equivalent to the processing capacity of nearly 10 billion images in an hour.

#### *Hong Kong Microelectronics Research and Development Institute*

38. Hong Kong Microelectronics Research and Development Institute, established last September, spearheads collaboration among universities, research and development (R&D) centres and the industry on the R&D of third-generation semiconductor core technology. The Institute leverages the GBA’s well-developed manufacturing industry chain and enormous market, and promotes the “1 to N” transformation of R&D outcomes and industry development. Two pilot lines will be set up at the Microelectronics Centre in Yuen Long this year and start operating next year.

*Hong Kong AI Research and Development Institute*

39. To spearhead and support Hong Kong's innovative R&D as well as industrial application of AI, I have set aside \$1 billion for the establishment of the Hong Kong AI Research and Development Institute. The Digital Policy Office (DPO) will formulate the establishment arrangements of the institute and its specific goals, focusing on facilitating upstream R&D, midstream and downstream transformation of R&D outcomes and expanding application scenarios.

*AI Subsidy Scheme*

40. Since its launch in October last year, the AI Subsidy Scheme has approved five projects led by local universities, research institutions, etc., to accelerate local R&D work relating to big language models, new materials, large synthetic biology models, etc.

*Fostering International Exchanges and Collaboration*

41. To bring together top talents in the industry to study the development and application of AI, the Hong Kong Investment Corporation Limited (HKIC) will be hosting the first International Young Scientist Forum on Artificial Intelligence to promote research of AI technology and its development as an industry, including Open Source technology, in particular the design and application of the open-source chip architecture RISC-V.

### *Financial and Tax Support*

42. To further assist specialist technology and biotechnology companies, especially those listed in the Mainland, in raising funds and expanding business, the HKEX is actively taking forward the establishment of a dedicated “technology enterprises channel” (TECH) to facilitate the relevant companies in preparing for listing applications. The Securities and Futures Commission (SFC) will also support to enable a smoother application process.

43. Intellectual property (IP) is an important foundation for the development of emerging industries. In addition to obtaining IP rights through local research and development, enterprises will also purchase related rights to use IP. In this connection, we will review the relevant tax deduction arrangements for various expenditures, including the lump sum licensing fees for acquiring the rights to use IP, and related expenses incurred on purchase of IP or the rights to use IP from associates, so as to accelerate the development of IP-intensive industries and promote the development of IP trading in Hong Kong.

### **Artificial Intelligence Application**

#### *International Conference on Embodied AI Robot*

44. The HKIC will host the first International Conference on Embodied AI Robot to pool together top-notch technology enterprises, academic institutions and investors to showcase the latest R&D outcomes and application scenarios, thereby boosting Hong Kong’s global influence on technology areas.

### *Smart Manufacturing*

45. We enhanced the New Industrialisation Funding Scheme last year to strengthen support for local manufacturing enterprises to shift to smart manufacturing. The number of new smart production lines supported by the Scheme has exceeded 100, involving industries such as biotechnology, nanofibre materials, new energy, etc. The total investment cost is around \$1.3 billion, of which \$930 million came from private investment.

46. We also launched the New Industrialisation Acceleration Scheme in September last year to provide matching subsidies to enterprises to build smart production facilities in Hong Kong. The first application for the project has been approved, with a total investment of about \$600 million, of which government funding amounts to about \$200 million. The project will build smart production facilities in the field of life and health technology.

47. We plan to launch the two-year Pilot Manufacturing and Production Line Upgrade Support Scheme (Manufacturing+) this year. The Government will provide funding of up to \$250,000 each on a one-to-two matching basis to enterprises operating production lines in Hong Kong to support their formulation of smart production strategies and introduction of advanced technologies into existing production lines. I have earmarked \$100 million for the Scheme, benefitting some 400 enterprises.

### *Licensing Regime of Low Earth Orbit Satellites*

48. Low Earth Orbit satellites are the new trend in global satellite development. The relevant technologies can be widely applicable in various domains such as transport and logistics, smart city, etc. The Commerce and Economic Development Bureau (CEDB) and the Office of the Communications Authority are exploring a set of streamlined procedures for vetting licence applications for operating Low Earth Orbit satellites. Our target is to complete the relevant work this year.



*Generative Artificial Intelligence Sandbox*

49. The Hong Kong Monetary Authority (HKMA) and Cyberport collaborated last year to launch a new Generative Artificial Intelligence Sandbox to foster innovation in the banking industry and unleash the potential of AI. The HKMA will publish a practice guide by making reference to global development trend and experience in the Sandbox.

*Application of an Industry-oriented Approach*

50. The Government will draw up a medium- to long-term development plan for new industrialisation in Hong Kong. Also, we will set up a \$10 billion Innovation and Technology Industry-Oriented Fund to channel more market capital to invest in emerging and future industries of strategic importance. The Government is inviting relevant organisations to submit expressions of interest and is planning to seek funding approval from LegCo in the middle of this year.

51. We are preparing to launch the \$180 million I&T Accelerator Pilot Scheme. The Government will provide up to \$30 million in funding, on a one-to-two matching basis, to each professional start-up service agency, with a view to enriching Hong Kong's start-ups ecosystem through their business network and experience.

52. The Government has established the Hong Kong Space Robotics and Energy Centre under the InnoHK Research Clusters, with the aim of developing a multi-functional lunar surface operation robot, which will contribute to the Chang'E-8 mission. Meanwhile, the Government has started preparatory work for the establishment of the third InnoHK research cluster, which will focus on advanced manufacturing, materials, energy and sustainable development. Proposals from institutions will soon be invited.

## **Technology Empowering Industry Development**

53. The GBA plays an important strategic role in the national scientific and technological innovation system. Among the top 100 science and technology (S&T) clusters in the Global Innovation Index 2024 published by the World Intellectual Property Organization (WIPO), the Shenzhen-Hong Kong-Guangzhou cluster ranked second globally for the fifth consecutive year. With our country's staunch support, the publication event for the top 100 S&T clusters in the WIPO Global Innovation Index 2025 will be held in Hong Kong later this year, giving full recognition to the global importance of Hong Kong as a GBA's core city in the field of I&T.

## **Life and Health Technology**

54. The Government will support local universities to set up life and health technology research institutes through the Subsidy Programme for the Setup of Life and Health Technology Research Institute(s), with a view to fostering cross-university/institutional and multi-disciplinary collaboration. The Innovation and Technology Commission is inviting institutions to submit proposals.

55. The Hong Kong Science and Technology Parks Corporation (HKSTPC) is looking into the life and health technology industry's demand for manufacturing facilities that comply with the Good Manufacturing Practices, as well as feasible mode of development and operation, so as to support the industry in conducting clinical trials of new drugs or healthcare innovations in Hong Kong.

## **Low-altitude Economy**

56. The interdepartmental Working Group on Developing Low-altitude Economy, established at the end of last year, is examining the applications for the first batch of Regulatory Sandbox pilot projects and will announce the results soon. Through the pilot projects, we hope to expand and enrich the scope of low-altitude flying activities, bringing new areas of growth for Hong Kong's economy.

57. The Government is reviewing civil aviation legislation to enhance the regulatory regime in support of long-term development of the low-altitude economy. We plan to introduce proposed amendments to the Small Unmanned Aircraft Order into LegCo in the second quarter of this year. We will also consider enacting dedicated legislation for various types of Advanced Air Mobility, and proactively strengthen our interface with Mainland authorities on issues relating to the low-altitude economy.

## **Technology Products**

58. We will provide local technology companies with more physical displays and sales environment for their products. The Hong Kong Trade and Development Council (HKTDC) will add a thematic pop-up display area at the flagship retail platform Hong Kong Design Gallery and exhibition venues during major exhibitions to showcase high-quality innovative technology products to both local and overseas buyers or consumers.

## **Patient Capital**

### **Hong Kong Investment Corporation Limited**

59. The HKIC, as patient capital, while seeking investment return in the medium and long terms, strives to bring in more frontier technology enterprises and patient capital to Hong Kong, so as to accelerate the establishment of Hong Kong's I&T ecosystem and development of upstream, midstream and downstream sectors of the industry chains.

60. The HKIC has so far invested in over 90 technology enterprises engaging mainly in hard and core technology, life technology, new energy, green technology, etc. Among these investment projects, every \$1 invested by the HKIC attracts \$4 of long-term co-investment. The HKIC will drive these technology enterprises and investment partners to leverage Hong Kong as a platform for business expansion, and encourage them to establish venture business departments in Hong Kong. This is to attract more start-up investment and facilitate relevant mergers and acquisitions.

## Northern Metropolis

### Industries and Spatial Distribution

61. The NM is crucial to the social and economic development of Hong Kong, providing impetus for the development of the I&T industry, enabling more in-depth participation in the development of the GBA, while creating quality career development opportunities and living environment for our people. The Government will continue to accord priority in providing resources to this initiative. Major industries include:

- (a) **I&T:** The Hong Kong Park of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone (Hetao Co-operation Zone), together with San Tin Technopole, will provide large tracts of I&T land to leverage complementary advantages with the Shenzhen Park of the Hetao Co-operation Zone. We will also introduce new policies to facilitate cross-boundary flows of innovative elements;
  
- (b) **High-end Professional Services and Modern Logistics:** With the Shenzhen Bay Bridge and the Hong Kong-Shenzhen Western Rail Link connecting with Qianhai in Shenzhen under planning, Hung Shui Kiu / Ha Tsuen New Development Area (HSK/HT NDA) is positioned to become a high-end professional services hub for local, Mainland and overseas enterprises. Under the “East in East out, West in West out” strategy for cross-boundary goods movement between Hong Kong and Shenzhen, we will also plan logistics land strategically in the vicinity of boundary control points;

- (c) **Tertiary Education:** To complement the development of Hong Kong's I&T industry and to promote Hong Kong as an international hub for tertiary education, we have reserved about 90 hectares of land in the NM for developing the Northern Metropolis University Town, including the third medical school; and
- (d) **Culture, Sports and Tourism:** Apart from reserving land for cultural and sports facilities, the NM preserves traditional villages and historical and cultural resources. We will develop culture, sports and tourism industries, including promoting eco-tourism, in accordance with the unique characteristics of different localities.

### **Innovative and Diversified Land Development Approach**

62. To press ahead with the NM development and bring in industries, and to benefit the economy and people's livelihood sooner, the Government will adopt a more diversified development approach with an innovative mindset, including piloting "large-scale land disposal". We are inviting the market to submit expressions of interest for three pilot areas under "large-scale land disposal", with the target of commencing tendering progressively from the second half of this year. We will also continue to identify suitable sites for private landowners to apply for in-situ land exchange for residential and industry developments.

### **Land for Innovation and Technology Use**

#### *The Hetao Shenzhen Hong Kong Science and Technology Innovation Co-operation Zone*

63. The Hetao Co-operation Zone is a major co-operation platform for GBA development. It provides unique advantages in areas such as policy innovation, flow of innovation elements and application of R&D projects. We attach great importance to its development.

64. The Hong Kong Park will enter into operational phase this year. The first three buildings of Phase 1 are about to complete and the first batch of tenants from life and health technology, AI, data science and other pillar industries will begin to move in this year.

65. I have earmarked \$3.7 billion to expedite the provision of infrastructure and public facilities of Phase 1 development of the Hong Kong Park. Meanwhile, we will identify suitable land parcels for invitation of private development proposals this year with a view to expediting the development by leveraging market forces. Upon completion of the whole Hong Kong Park, its annual contribution to Hong Kong's economy is expected to reach \$52 billion, and about 52 000 job opportunities will be created.

#### *San Tin Technopole*

66. The San Tin Technopole is an important project for promoting I&T. Twenty hectares of land will be delivered in phases, starting from 2026-27, for development and operation by the HKSTPC. The HKSTPC is carrying out a master planning study, which is expected to be completed in the third quarter of this year.

#### *Data Facility Cluster at Sandy Ridge*

67. We commenced the procedures last year to re-zone a 10-hectare site at Sandy Ridge in the North District for use as data centres. The re-zoning procedures are expected to be completed in the middle of this year. We are actively making preparations for land disposal.

## **Pressing Ahead with Land Development**

68. Last year, we have commenced three major projects on second phase development for the Hung Shui Kiu/Ha Tsuen New Development Area (NDA), remaining phase development of Kwu Tung North/Fanling North NDA, and the site formation and engineering infrastructure works for the first batch of land in San Tin Technopole. This year, we will start the works of Yuen Long South NDA second phase development, complete the re-zoning procedures for a data park site in Sandy Ridge, and finalise land use proposals for Ngau Tam Mei as well as New Territories North New Town and Ma Tso Lung this year for commencing the environmental impact assessments and other statutory procedures. Over the next few years, there will be considerable output in residential units and industrial land in the NM.

69. In order to support commercial and innovative development in the NM, we will also identify suitable sites there for constructing facilities to meet various conference and exhibition needs.

## **Railway Development**

70. The construction works of Phase 1 of the Northern Link (NOL), i.e. Kwu Tung Station, have commenced for target completion in 2027. Advance works for Phase 2 have also commenced to tie in with the target completion of NOL Main Line in 2034.

71. In addition, we are working with the Shenzhen authorities to jointly take forward two cross-boundary railway projects. The investigation and design study of the Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu – Qianhai) project and the detailed planning and design of the Northern Link Spur Line are expected to commence this year.



## **Strengthening Industries with Competitive Edge**

72. It is imperative for Hong Kong to leverage on its strategic positioning as the “three centres and a hub” and make good use of the advantages of “One Country, Two Systems”. With the resolute support of our country, we must consolidate and strengthen industries with clear advantages whilst actively nurturing and developing new industries, injecting new impetus to Hong Kong’s economy such that Hong Kong could contribute to the Chinese path to modernisation while realising faster and better development.

### **International Financial Centre**

73. Last year, Hong Kong ranked among the top three international financial centres (IFC) and the top four initial public offering markets in the world. The Hong Kong stock market has been buoyant since the beginning of this year. Total assets under management amounted to over \$31 trillion, with over half of the funding sourced from investors outside. The offshore Renminbi (RMB) liquidity pool has expanded to approximately RMB1.1 trillion.

74. The key to consolidating and enhancing the strengths of Hong Kong as an IFC lies in institutional innovation, product innovation, a critical mass of enterprises and financial connectivity. Over the past few years, institutional reforms to the capital market, including establishing listing avenues for new economy and technology enterprises with weighted voting rights structures, facilitating fundraising by overseas issuers, etc., coupled with the Government’s active efforts in attracting new capital overseas and expanding new markets, have injected impetus to the Hong Kong market and improved its liquidity. We are pressing ahead with high-quality development of Hong Kong’s international financial market to create more new growth areas.

## **Securities and derivatives market**

### *Facilitating financing of overseas enterprises and specific products*

75. The Association of Southeast Asian Nations (ASEAN) is an important economic region that continues to grow. A number of enterprises from ASEAN are seeking to apply for listing in Hong Kong, covering businesses in areas such as biotechnology, integrated logistics, mining, etc.

76. HKEX will step up its promotion in ASEAN and the Middle East, and actively explore areas of co-operation with countries in the region, including the listing of exchange-traded funds, to enrich the investment product choices in mutual markets and promote two-way capital flows. HKEX will also strive to increase the number of overseas recognised exchanges to facilitate more overseas companies' secondary listing in Hong Kong.

77. In order to facilitate more private equity funds to list in Hong Kong, SFC has clarified the relevant regulatory requirements to encourage sizeable alternative asset funds with regular income streams to raise funds. In addition, HKEX will put forward recommendations to enhance the issuance mechanism of structured products with a view to providing greater flexibility for product listing and trading.

### *Improving trading and risk management efficiency*

78. We will continue to advance reforms to the trading mechanism. HKEX will gradually introduce new functions to its post-trade system from the middle of this year and conduct system upgrades to ensure technical compatibility with the T+1 settlement cycle by the end of this year, and complete advance preparations for shortening the settlement cycle.

79. Riding on the reduction in minimum price spreads to be implemented in the middle of this year, HKEX is reviewing with the SFC the trading unit system, or the so-called “board lot” system, and will put forward proposed enhancements this year, so that trading arrangements can better meet liquidity characteristics of shares of different sizes and investment needs, as well as facilitate trading and improve efficiency.

80. We have submitted the subsidiary legislation with regard to the implementation of the uncertificated securities market regime to LegCo. The SFC and HKEX are working closely with the industry to carry out system upgrades and technical preparations, with a view to implementing the regime early next year.

81. To meet the risk management needs of investors, the SFC will consult the market on the proposal to increase the position limits for key index derivatives, so as to enhance flexibility for investors to use the relevant derivatives while safeguarding financial safety.

#### *Taking forward reforms to the listing regime*

82. To dovetail with the latest economic trends and corporate needs, we will review listing requirements and post-listing ongoing obligations, evaluate listing-related regulations and arrangements to improve the vetting process, optimise the thresholds for dual primary listing and secondary listing, and review the market structure, including exploring the establishment of a post-delisting over-the-counter trading mechanism.

#### **Fixed Income and Currency Hub**

83. The SFC and the HKMA have set up a task force to formulate a roadmap, covering the development of primary and secondary bond markets and foreign exchange markets, as well as infrastructural enhancement. We will also organise a flagship forum in the second half of this year to promote Hong Kong’s strengths in this regard.

84. The Government will conduct research into the current legal and regulatory regime related to the issuance and transactions of digital bonds and explore enhancement measures to promote the wider adoption of tokenisation in Hong Kong's bond market.

85. The Government will regularise the issuance of tokenised bonds. The HKMA is preparing for issuing the third tranche of tokenised bonds, and will continue to encourage digital bonds issuances through the Digital Bond Grant Scheme, while actively exploring tokenising traditional bonds issued.

### **Asset and Wealth Management Centre**

86. We have been striving to foster the development of the asset and wealth management industries. Measures implemented include enhancements to the Cross-boundary Wealth Management Connect in the GBA, Exchange-traded Fund (ETF) Connect, and the Mainland-Hong Kong Mutual Recognition of Funds arrangement.

87. We will formulate proposals on the preferential tax regimes for funds, single family offices and carried interest this year, including expanding the scope of "fund" under the tax exemption regime, increasing the types of qualifying transactions eligible for tax concessions for funds and single family offices, enhancing the tax concession arrangement on the distribution of carried interest by private equity funds, etc.

88. We will continue to attract global capital to Hong Kong and develop a vibrant ecosystem for family offices. InvestHK has assisted over 160 family offices in setting up operations or expanding their businesses in Hong Kong. We will be hosting the third edition of the Wealth for Good in Hong Kong Summit shortly under the theme "Hong Kong of the world, for the world", showcasing Hong Kong's strengths as a global hub for family offices.

## **Offshore RMB Business Centre**

89. With the prudent and steady progress of RMB internationalisation, Hong Kong, as an offshore RMB business hub, will continue to enhance offshore RMB liquidity, improve the relevant infrastructure, and provide more investment products and risk-management tools.

90. The Government promotes the formation of the offshore RMB yield curve by regularly issuing RMB bonds of different tenors. The Hong Kong RMB Clearing Bank has been offering 24-hour cross-border clearing service since last year, bringing convenience to banks and customers in different time zones.

91. The current size of the Currency Swap Agreement between the HKMA and the People's Bank of China (PBoC) is RMB800 billion. The HKMA will launch an RMB Trade Financing Liquidity Facility for banks as a stable source of relatively lower-cost funds, so as to support banks in providing RMB trade finance services to their corporate customers. The new facility has a total size of RMB100 billion.

92. To promote trading of more stocks in RMB and improve market liquidity, both places are conducting technical preparations at full speed to implement the inclusion of RMB trading counter under Southbound trading of Stock Connect. In addition, HKEX is taking forward the single tranche multiple counter arrangement, including adopting the same International Securities Identification Number for dual-counter stocks, so as to enhance settlement efficiency. The Government has also been conducting preparatory work to allow the stamp duty payable on the transfer of stocks at RMB counters to be paid in RMB, with a view to putting forward a legislative proposal next year.

## **Mutual market access and co-development with the Mainland**

93. We will enhance the mutual market access mechanism with the Mainland, including the issuance of offshore Mainland government bond futures in Hong Kong, and implementing block trading of stocks and inclusion of real estate investment trusts under the mutual access as soon as possible. We will also actively explore opportunities to introduce further expansion initiatives, extend the Cross-boundary Wealth Management Connect Scheme in the GBA, improve market liquidity, and enrich the risk management toolbox.

94. The Financial Services and the Treasury Bureau, together with OASES and the HKTDC, will host the inaugural Hong Kong Global Financial and Industry Summit this year, which will pool together global enterprises, funds and technologies through financial empowerment, thereby elevating the level of international cooperation of industries. It will also attract more leading companies in advanced industries, domestic as well as overseas enterprises and investors to establish a foothold in Hong Kong.

95. To promote the connection of e-payment between the Mainland and Hong Kong, the PBoC and the HKMA are working closely to implement the linkage of faster payment systems of both places, with a view to providing round-the-clock real-time, small-value cross-boundary remittance service for residents in both places. The service is expected to be launched in the middle of this year at the soonest.

96. According to the “Second Agreement Concerning Amendment to the Mainland and Hong Kong Closer Economic Partnership Arrangement Agreement on Trade in Services”, the restriction for the Mainland branches of Hong Kong banks to conduct bank card business will be lifted starting from next month. This will facilitate them in expanding their businesses in the Mainland.

## **Fintech and Financial Innovation**

### *Virtual Asset Development*

97. We have been actively developing the virtual asset ecosystem in Hong Kong in recent years, and have been at the forefront by establishing a framework that balances regulation and market development.

98. “Consensus”, an annual flagship event of the sector, was successfully held in Hong Kong recently, bringing together a few thousands of industry elites and companies from across the world in virtual assets, blockchain, Web3 and fintech, etc. This is a manifestation of global confidence in Hong Kong’s vibrant development in this area. During the event, the SFC also announced a roadmap on the virtual asset market.

99. We will soon promulgate a second policy statement on the development of virtual assets to explore how to leverage the advantages of traditional financial services and innovative technologies in the area of virtual assets, enhance security and flexibility of real economy activities, and encourage local and international companies to explore the innovation and application of virtual asset technologies. The Government will conduct consultation on the licensing regimes of virtual asset over-the-counter trading services and custodian services this year.

100. We have introduced into LegCo a bill to put in place a regulatory regime for issuers of fiat-referenced stablecoins. Upon the passage of the Bill, the HKMA will expedite the vetting of licence applications.

## **Gold and Commodities**

101. The Working Group on Promoting Gold Market Development will formulate a plan this year, covering measures to enhance storage facilities, optimise trading and regulatory mechanisms, expand exchange products, and conduct market promotion. The measures will be implemented gradually.

102. London Metal Exchange, a subsidiary of HKEX, has included Hong Kong as its approved delivery point in January this year. Local warehouse operators have expressed interest in becoming its accredited warehouses. Relevant discussion is actively underway.

## **Non-traditional risk transfer**

103. As an international risk management centre, Hong Kong has been providing diversified risk management tools. We are proactively promoting the development of insurance-linked securities by establishing a dedicated regulatory regime and launching a pilot grant scheme. To date, we have facilitated the issuance of six catastrophe bonds in Hong Kong, with issuance amount totalling over \$5.8 billion. The industry responded favourably to the pilot scheme, and we will extend it for three years.

## **MPF “Full Portability”**

104. The Mandatory Provident Fund Schemes Authority will consult the public on specific proposals of MPF “Full Portability” this year and submit recommendations to the Government thereafter, such that MPF “Full Portability” can be launched soon after full implementation of the eMPF Platform.



## **International Trade Centre**

105. As an international trade centre, Hong Kong capitalises on unique advantages and reinforces connectivity, and serves as a bridge linking the Mainland and global markets. It provides high-standard professional services for international trade, helping our country promote the new development pattern of “dual circulation”.

## **Multinational Supply Chain Management Centre**

106. HKTDC and InvestHK jointly encourage Mainland enterprises to establish a foothold in Hong Kong and set up international or regional headquarters for managing offshore trading and supply chain, thereby assisting these enterprises in going global and planning supply chains and industry chains. HKTDC will provide them with one-stop professional consulting services to help them establish market connections and understand laws and regulations in overseas markets.

107. Hong Kong serves as an important regional trade financing centre. The outstanding trade finance by banks has reached \$380 billion, about 40 per cent of which provide financing for merchandise trade outside Hong Kong. The Trade Financing Liquidity Facility recently introduced by HKMA and PBoC also provides greater flexibility for RMB trade financing. In addition, the Hong Kong Export Credit Insurance Corporation will provide credit insurance for export services relating to multinational supply chain to render more comprehensive support to enterprises seeking to go global.

108. The Government will make reference to the Model Law on Electronic Transferable Records advocated by the United Nations Commission on International Trade Law and consider legislative amendments to facilitate digitalisation of trade documents. We will submit the relevant legislative proposal to LegCo next year.

## **Network Expansion**

109. To expand our trade network and attract more inward investment and enterprises from the Global South markets to Hong Kong, the Government is following up actively with the governments of Malaysia and Saudi Arabia on the establishment of Economic and Trade Offices in these two countries. In addition, InvestHK has established consultant offices in Cairo, Egypt and Izmir, Türkiye. HKTDC has also set up a consultant office in Cambodia.

110. We are exploring the signing of investment agreements with Saudi Arabia, Bangladesh, Egypt and Peru, and conducting negotiations with 17 countries on Comprehensive Avoidance of Double Taxation Agreements.

## **Strengthen Co-operation with Belt and Road Countries**

111. Hong Kong will continue to utilise our role as a functional platform for the Belt and Road (B&R) Initiative. We, together with business and professional services sectors, will continue to further cultivate the ASEAN and Middle East markets, and explore opportunities in Central Asia, South Asia and North Africa. HKTDC will strengthen B&R project matching, particularly on green development and I&T.

112. The B&R Summit is a flagship platform for Hong Kong to participate in and contribute to the B&R Initiative. The 10th Summit will be organised in September and we will encourage different sectors to hold events around the Summit period for enhancing synergies.

## **Supporting Local Enterprises**

113. To support the development of local enterprises and help them go global, we will inject \$1.5 billion in total into the Dedicated Fund on Branding, Upgrading and Domestic Sales and the Export Marketing and Trade and Industrial Organisation Support Fund, and streamline application arrangements. CEDB will announce details later.

114. The Government has been providing loan guarantees to businesses through the SME Financing Guarantee Scheme. As at the end of last year, a total of over \$288 billion of loans has been approved under the Scheme, benefitting nearly 65 000 small and medium enterprises (SMEs). To meet the financing needs of SMEs during transformation, we relaunched the principal moratorium arrangement in November last year for one year, allowing enterprises to apply for principal moratorium for up to 12 months.

115. In addition, many banks have joined the Taskforce on SME Lending jointly established by HKMA and the Hong Kong Association of Banks, committing to making flexible arrangements as far as practicable to ease the cash flow burden on SMEs. The funds dedicated for SME financing in the participating banks' loan portfolios have recently been increased to over \$390 billion.

116. To further assist local SMEs in tapping into the Mainland market and increasing sales from electronic commerce (e-commerce) markets, HKTDC will launch the "E-Commerce Express" in collaboration with large-scale e-commerce platforms to provide Hong Kong enterprises with one-to-one consultation services and thematic seminars. HKTDC will also enhance its mentorship scheme together with the Trade and Industry Department. By doing so, local enterprises will better leverage e-commerce and online shopping platforms in the Mainland to boost sales. In addition, HKTDC will organise the second edition of the Hong Kong Shopping Festival.

## **International Maritime Centre**

117. Hong Kong is a leading international maritime centre. The Government will continue to embrace changes and adopt an innovative spirit to create a stronger impetus for the development of the industry.

## **Establish Hong Kong Maritime and Port Development Board**

118. The Government will establish the Hong Kong Maritime and Port Development Board this year to strengthen relevant research, promotion and manpower training to facilitate the sustainable development of the international maritime centre.

## **High Value Added Maritime Services**

119. In the past few years, the Government has introduced a series of tax measures conducive to the development of the maritime industry. In light of changes of international tax rules, we are enhancing these measures, including introduction of tax deduction on ship acquisition cost for ship lessors under an operating lease. To drive the development of maritime services, we also propose to provide half-rate tax concession to eligible commodity traders. We will introduce a bill into LegCo in the first half of next year.

## **Modern Logistics Development**

120. The Government endeavours to identify and release suitable logistics sites. The first of such logistics sites in the vicinity of the Kwai Tsing Container Terminals has just been disposed of by public tender. Meanwhile, the Government initiated a study on the development model for logistics sites in the NM in order to develop modern logistics clusters. Findings of the study are expected to be announced this year.

### **Smart Port**

121. To develop smart port, the Government has set aside \$215 million to install the port community system, with a view to enhancing the flow of data among stakeholders in the maritime, port and logistics industries. We will seek funding approval from LegCo this year.

### **International Aviation Hub**

122. The Hong Kong International Airport (HKIA) connects to nearly 200 global destinations. Daily passenger throughput and number of aircraft movements have largely returned to pre-pandemic level. Air cargo throughput has topped the global ranking for multiple years. The HKIA Three-Runway System was commissioned at the end of last year, while the related passenger facilities will commence operation by phases from the end of this year.

### **Airport City**

123. The Airport Authority Hong Kong (AA) has just promulgated a development plan for expanding the Airport City. With the aviation industry as its focal point, the Airport Island as well as the land and waters in its vicinity will be utilised for the development of a new highlight project encompassing high-end commercial, art, tourism and leisure activities.

### **Facilitate C919's Entry to International Aviation Market**

124. In January this year, our country's home-developed aircraft C919 was officially deployed for scheduled flights between Hong Kong and Shanghai. The inaugural flight outside of the Mainland signified a major breakthrough for home-developed aircrafts to go global. Hong Kong will help C919 enter the global market. The Hong Kong International Aviation Academy will expand its training programmes to cover C919 aircraft-related aspects.

### **Aircraft Parts Processing and Trading Centre**

125. Under the co-ordination of InvestHK, the AA has signed a Memorandum of Understanding with a leading overseas professional aeronautic services company to explore the possibility of providing professional services such as aircraft dismantling, parts recycling and related training in Hong Kong, thereby developing Hong Kong into the first aircraft parts processing and trading centre in Asia.

## **Healthcare Industry**

### **Train and Pool Healthcare Professionals**

126. In recent years, the Government has increased the number of medical training places on several occasions. The number of places will increase to 650 in the 2025/26 academic year. The public healthcare sector will leverage the revised legislative framework to admit non-locally trained healthcare professionals.

### **Enhance Regulation for Drugs and Medical Devices**

127. The Government will, in the first half of this year, put forward the timetable for establishing the Hong Kong Centre for Medical Products Regulation and the roadmap towards adoption of “primary evaluation”. We will also formulate strategies and measures to facilitate R&D of drugs and medical devices.

### **Third Medical School**

128. The Task Group on New Medical School has invited local universities interested in setting up the third medical school to submit proposals. It expects to complete assessment and formulate recommendations to the Government this year. We will set aside resources to support universities in the development of the new medical school on a matching basis.

### **Cultural and Creative Industries**

129. The Government is committed to promoting the development of cultural and creative sectors as industries. A cumulative total of over 780 projects, some of which with potential for industrialisation, have been approved under the CreateSmart Initiative, involving a total funding of about \$3.4 billion and benefiting more than 30 000 SMEs. To foster the vibrant development of the local creative industry chain, OASES will strategically attract to Hong Kong more cultural and creative enterprises that integrate I&T into their work.

### **Large-scale Art Events**

130. The inaugural Hong Kong Performing Arts Expo concluded in October last year, featuring over 1 600 arts leaders and practitioners from more than 60 countries and regions. We will organise the second edition of the Expo next year, transforming the event into a flagship of our arts and cultural industries.

131. The Government will continue to attract and support the staging of international or large-scale arts and cultural events in Hong Kong through the Mega Arts and Cultural Events Fund, with a view to promoting the development of Hong Kong as an East-meets-West centre for international cultural exchange. We have updated the assessment criteria to require funded events to help promote tourism and bring economic benefits.

### **Development of Film Industry**

132. The Government has always been a staunch supporter to the development of the film industry. A cumulative total of over \$1.3 billion has been approved by the Film Development Fund to support more than 120 film projects. These projects involved more than 110 new directors and producers, and the relevant films have won more than 180 awards. The Fund has also launched the Film Financing Scheme for Mainland Market to encourage Hong Kong film companies and Mainland cultural enterprises to invest in and promote productions by Hong Kong directors.

### **Cultural Intellectual Property**

133. The Government will support cultural IP creators and producers to propel more than 30 cultural IP projects cumulatively in the coming five years. We are fostering more cross-sectoral collaboration within the cultural and creative sectors so as to enhance the communication power and sales value of cultural IP products.

### **Tourism Industry**

134. Tourism boosts local economic development and creates employment opportunities. To pursue the concept of “tourism is everywhere” and implement the Development Blueprint for Hong Kong’s Tourism Industry 2.0, I will allocate \$1,235 million to the Hong Kong Tourism Board (HKTB) in the coming year.



135. The HKTB will collaborate with more international brands to tell the good stories of Hong Kong's tourism. For example, the HKTB signed a three-year global strategic partnership agreement with Art Basel to establish immersive experience zones of Hong Kong culture in all four annual Art Basel shows around the world, strengthening Hong Kong's connection with the global art scene.

136. We will step up efforts to promote a series of distinctive tourism products such as eco-tourism, panda tourism, horse-racing tourism, etc., to enrich travel experiences in Hong Kong.

137. The HKTB will continue to support the staging of more meetings, incentive travels, conventions and exhibitions in Hong Kong, which are expected to bring about 183 000 additional visitor arrivals and spending of about \$1.4 billion.

138. I have earmarked resources to strengthen support to the cruise industry, encouraging cruise lines to increase their number of ship calls to Hong Kong, make overnight calls and use Hong Kong as the homeport. We will provide cruise lines with more concessions to attract cruise ships to berth at the Kai Tak Cruise Terminal during the low season.

### **Mega Event Economy**

139. We will continue to promote and publicise Hong Kong as a mega events capital globally, attract more tourists to Hong Kong and enhance their tourism experience during their stay.

140. Kai Tak Sports Park is the largest-ever sports infrastructure in Hong Kong with the 50 000-seat Stadium. Large scale sports and entertainment events will be held in the Park, thereby driving visitation and spending.

141. The Government has been supporting the staging of major international sports events in Hong Kong through “M” Mark System. We will adopt a more strategic approach in continuously attracting sports events which can bring significant economic benefits to Hong Kong, and are in discussion with LIV Golf which has been held in Hong Kong for two consecutive years to explore long-term partnership. Announcement will be made shortly.

### **Seize Opportunities Arising from Resumption of Multiple-entry Individual Visit Scheme**

142. The Government of the HKSAR expresses great gratitude to the Central Government for resuming at the end of last year the multiple-entry Individual Visit Endorsements for Shenzhen permanent residents and expanding the arrangement to Shenzhen residence permit holders. Since the implementation of the new measure, more than 700 000 visitors have travelled to Hong Kong on multiple-entry Individual Visit Endorsements.

143. Thanks to the new measure and with an increase in the number of overseas travellers, the city bustles with activities. Retail, catering and other sectors all reported growth in business volume during the recent Christmas and New Year holidays. The Government will make good use of the various measures that benefit Hong Kong to proactively promote the development of Hong Kong’s tourism industry.

### **Develop Visitor Sources from the Middle East and ASEAN**

144. In collaboration with the HKTB, the Government will make extra efforts to develop markets in the Middle East and ASEAN to attract more high-end visitors. The Government is encouraging various sectors of the community to enhance tourism-support facilities, such as providing worship facilities in hotels and stepping up staff training to strengthen the industry’s understanding of the visitors’ different cultural backgrounds.

## **Smart Tourism**

145. The HKTB will enhance the one-stop travel information platform, Discover Hong Kong to provide a “Live Travel Map” and a “Smart Itinerary Planner” so as to provide visitors with more comprehensive and personalised itinerary suggestions, travel information and offers.

## **Leverage Harbourfront Resources**

146. We are making every effort to enhance the harbourfront on both sides of the Victoria Harbour. The recently opened western section of the East Coast Boardwalk in North Point has been popular among the public. The eastern section of the Boardwalk, the Hung Hom Urban Park (Phase 2) and the open space at Eastern Street North in Sai Ying Pun will also be completed this year. We will set up refreshment stalls at harbourfront locations in Central, Wan Chai, North Point and Tsim Sha Tsui this year to enrich visitor experience.

147. The Government has invited the Mass Transit Railway Corporation Limited to conduct a study to develop the waterfront and former pier sites to the south of Hung Hom Station into a new harbourfront landmark. It will include iconic commercial and residential developments, retail, dining and entertainment facilities, as well as yacht club for promoting yacht tourism. We will put forward land use proposals in the middle of this year.

## **Education Industry**

148. Hong Kong’s post-secondary education sector is highly international and diversified. We boast five of the world’s top 100 universities and a pool of first-rate R&D talent. We will launch a new round of Research Matching Grant Scheme totalling \$1.5 billion to attract more organisations to support research endeavours of institutions.

149. The Government will host more international education conferences and exhibitions to highlight Hong Kong's position as an international post-secondary education hub. We will step up promotion of the "Study in Hong Kong" brand to attract more outstanding non-local students. The quota of the Hong Kong PhD Fellowship Scheme will be increased to 400 places per year.

150. Self-financing post-secondary institutions complement publicly-funded institutions in providing diversified articulation pathways for young people. The Government has launched a new round of the Land Grant Scheme and the Start-up Loan Scheme, under which land sites are granted at nominal premium with interest-free loans, so as to support capacity expansion and quality enhancement of self-financing institutions.

## **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 cooperation 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.

## **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 · 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.

## 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 31 March 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.

## **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 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 EUR 750 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.

## **Bond Issuance**

250. In the coming years, projects related to the NM will be rolled out progressively. Together with other important infrastructure works projects aimed at improving people's livelihood, the capital works expenditure of the Government will start reaching its peak. In the MRF, capital works expenditure is expected to increase from the previously estimated \$90 billion per annum on average to about \$120 billion per annum on average in future.

251. To ensure that these strategic infrastructure works projects can proceed on schedule and deliver early benefits to the economy and the public, we will leverage market resources more flexibly, including adopting more diverse development models to take forward the relevant projects, such as more public-private partnerships, in-situ land exchanges, pilot areas for large-scale land disposal, etc. We will also raise capital by issuing government bonds, with a view to ensuring that the progress of projects crucial to the future development of Hong Kong will not be impeded by the fiscal position.

252. Issuing government bonds is one of the public financial management tools. Issuing bonds to support infrastructure development is a common practice worldwide. As long as the amount of bonds issuance is contained at a level that ensures fiscal prudence, capital can be utilised flexibly and for investing in future economic development, bringing greater returns and benefits to the society.

253. Hong Kong has the prerequisite and capability to suitably increase bond issuance, thereby effectively utilising market resources. With the increase in capital works expenditure, I will expand the scale of bond issuance accordingly. It is expected that during the five-year period from 2025-26 to 2029-30, a total of about \$150 billion to \$195 billion worth of bonds will be issued under the Government Sustainable Bond Programme and the Infrastructure Bond Programme every year. About 56 per cent of the bonds issued will be used for re-financing short-term debts.

254. We expect the borrowing ceiling of the above two bond programmes to increase from the existing level of \$500 billion to \$700 billion in the MRF period. The ratio of government debt to GDP will stay at 12 to 16.5 per cent, which is a prudent and manageable level, and is much lower than most of the advanced economies.

255. I emphasise that proceeds from bond issuance will be used to invest in infrastructure, but not to fund government recurrent expenditure, which is the fiscal discipline that we have been strictly adhering to. Apart from leveraging market capital to support infrastructure works projects, the Government issues bonds with the aim of fostering the development of the bond market. On the other hand, economic activities and development of industries driven by infrastructure investments will generate new development opportunities and revenues to Hong Kong. Issuing longer-term bonds to support longer-term projects could also align cash flow with project requirements.



## **Medium Range Forecast**

256. The MRF projects, mainly from a macro perspective, the revenue and expenditure as well as financial position of the Government. It has fully reflected the impact of the measures under the reinforced fiscal consolidation programme. For 2025-26, a real economic growth rate of two to three per cent is adopted, and that for 2026-27 to 2029-30 is about 2.9 per cent per annum.

257. During the above period, the average annual capital works expenditure will be about \$120 billion, while recurrent government expenditure will grow at a rate of 3.5 per cent per annum. The ratio of total government expenditure to GDP will gradually fall from about 24.4 per cent for 2025-26 to about 20.9 per cent for 2029-30.

258. Regarding revenue from land premium, the forecast is made at a conservative level. For 2026-27 and onwards, it is assumed to be progressively rising to two per cent of GDP, which is lower than the 20-year average ratio of 3.3 per cent. I also assume that the growth rate of revenue from profits tax and other taxes will correspond to the economic growth rate in the next few years. Overall, the ratio of government revenue to GDP will maintain at about 20 per cent starting from 2025-26.

259. In addition, the MRF reflects the proceeds from the annual issuance of government sustainable bonds and infrastructure bonds worth about \$150 billion to \$195 billion in total.

260. Based on the above assumptions and arrangements, the deficits in the Operating Account and Capital Account in the next five years will gradually reduce every year. The Operating Account is estimated to return to a surplus from 2026-27 onwards, while the deficit in the Capital Account will fall progressively from \$159.8 billion in 2025-26 to \$87.6 billion in 2029-30. After taking account of net proceeds from the issuance of bonds, the Consolidated Account will return to a surplus starting from 2028-29. The above forecast has not taken into account any tax concessions or relief measures that the Government may implement after 2025-26.

261. Fiscal reserves are estimated at \$579.1 billion by the end of March 2030, representing 13.9 per cent of GDP, or equivalent to about eight months of government expenditure.

## **Concluding Remarks**

262. Mr President, over the past year, the steady progress of our economy, along with a sustained growth momentum, has created favourable conditions for our future development.

263. In the face of pressure on public finances, we have proactively taken a package of measures to strengthen fiscal management. We have every confidence and determination to overcome the challenges.

264. Riding on the wave of technology transformation, we stay bold in taking forward reform and ready to embrace innovation. This will enable us to make the most of the breakthroughs brought about by technology innovation to accelerate the high quality development of Hong Kong and contribute to our country.

265. We have to start with the system, removing the constraints and bottlenecks in the course of our development, while overcoming the challenges arising from imbalanced development and uneven share of the fruits of advancement. This reinforces our belief that we must respond to challenges with transformation, drive development with innovation, and lead the future with technology.

266. I have full confidence in and high expectation for the future of Hong Kong. I am confident because Hong Kong people are intelligent, creative and tireless in contributing to our economic development. More importantly, it is due to the staunch and unwavering support we receive from our country. I also owe my confidence to Hong Kong people's profound insight into the major development trend of the future, as well as the city's enviable and advantageous position.

267. The colour of the cover of this year's Budget is lake blue, which symbolises a blue ocean of limitless potential for future development. It also represents the deep reserves of strength and promising prospects of high-quality economic development, which resemble the deep waters that contain enormous vitality and infinite possibilities.

268. Together, we can shape our future with actions, break boundaries with innovation, and pitch in to create a more prosperous, caring, diverse and international Hong Kong, unravelling a new chapter exclusively for this city and contributing to the building of China into a great country through Chinese modernisation!

# THE 2025-26 BUDGET

Speech by the Financial Secretary, the Hon Paul MP Chan  
moving the Second Reading of the Appropriation Bill 2025

## Supplement and Appendices

Wednesday, 26 February 2025

# SUPPLEMENT

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Please visit our website at <http://www.budget.gov.hk/2025/eng/speech.html> for all documents, appendices and statistics relating to the 2025-26 Budget. The Chinese version can be found at <http://www.budget.gov.hk/2025/chi/speech.html>.

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## EFFECT OF THE PROPOSED RATES CONCESSION<sup>(1)</sup> ON MAIN PROPERTY CLASSES

2025-26 <sup>(2)</sup>

<i>Property Type</i>	<i>No Concession</i>		<i>With Rates Concession</i>	
	<i>Average Rates Payable (\$ for the year)</i>	<i>Average Rates Payable (\$ per month)</i>	<i>Average Rates Payable (\$ for the year)</i>	<i>Average Rates Payable (\$ per month)</i>
Private Domestic Premises <sup>(3)</sup>				
Small	7,080	590	6,588	549
Medium	14,124	1,177	13,620	1,135
Large	36,156	3,013	35,652	2,971
Public Domestic Premises <sup>(4)</sup>	3,348	279	2,868	239
<b>All Domestic Premises<sup>(5)</sup></b>	<b>7,080</b>	<b>590</b>	<b>6,600</b>	<b>550</b>
Shops and Commercial Premises	38,016	3,168	37,536	3,128
Offices	45,324	3,777	44,832	3,736
Industrial Premises <sup>(6)</sup>	19,404	1,617	18,912	1,576
<b>All Non-domestic Premises<sup>(7)</sup></b>	<b>36,312</b>	<b>3,026</b>	<b>35,844</b>	<b>2,987</b>
<b>All Properties</b>	<b>10,644</b>	<b>887</b>	<b>10,164</b>	<b>847</b>

- (1) The proposed rates concession measure is capped at \$500 per tenement for the first quarter of 2025-26. No rates will be charged on 12% of domestic ratepayers, and 16% of non-domestic ratepayers for the first quarter of 2025-26. Overall speaking, about 13% of ratepayers will not need to pay any rates for the first quarter of 2025-26.
- (2) The rates payable have reflected the changes in rateable values for 2025-26 after the General Revaluation.
- (3) Domestic units are classified by saleable areas, as follows –
- |        |  |   |
|--------|--|---|
| Small  | up to 69.9m <sup>2</sup>               | (up to 752 ft <sup>2</sup> )                    |
| Medium | 70m <sup>2</sup> to 99.9m <sup>2</sup> | (753 ft <sup>2</sup> to 1 075 ft <sup>2</sup> ) |
| Large  | 100m <sup>2</sup> and over             | (1 076 ft <sup>2</sup> and over)                |
- (4) Including Housing Authority and Housing Society rental units.
- (5) Including car parking spaces in domestic premises.
- (6) Including factories and storage premises.
- (7) Including miscellaneous premises such as hotels, cinemas, petrol filling stations, schools and car parking spaces in non-domestic premises.



## EFFECT OF THE PROPOSED ONE-OFF REDUCTION OF SALARIES TAX, TAX UNDER PERSONAL ASSESSMENT AND PROFITS TAX

### Year of Assessment 2024/25

Salaries tax and tax under personal assessment –  
100% tax reduction subject to a cap at \$1,500 per case

Assessable Income	No. of taxpayers	Average amount of tax reduction	Average % of tax reduced
\$200,000 and below	158 000	\$700	90%
\$200,001 to \$300,000	421 000	\$1,290	32%
\$300,001 to \$400,000	384 000	\$1,350	15%
\$400,001 to \$600,000	486 000	\$1,390	7%
\$600,001 to \$900,000	347 000	\$1,430	3%
Above \$900,000	344 000	\$1,460	1%
Total	2 140 000	—	—

*Note: In the fourth quarter of 2024, the number of employed persons in Hong Kong was 3.72 million.*

Profits tax –  
100% tax reduction subject to a cap at \$1,500 per case

Assessable Profits	No. of businesses#	Average amount of tax reduction	Average % of tax reduced
\$100,000 and below	54 900	\$1,160	28%
\$100,001 to \$200,000	20 000	\$1,500	9%
\$200,001 to \$300,000	11 800	\$1,500	6%
\$300,001 to \$400,000	8 200	\$1,500	4%
\$400,001 to \$600,000	11 600	\$1,500	3%
\$600,001 to \$900,000	11 000	\$1,500	2%
Above \$900,000	47 900	\$1,500	0.05%
Total	165 400	—	—

*Note: As at 31 December 2024, there were about 1.31 million corporations and 270 000 unincorporated businesses in Hong Kong.*

# *Including 125 800 corporations and 39 600 unincorporated businesses.*

**AD VALOREM STAMP DUTY –  
PART 1 OF SCALE 1 AND SCALE 2**

**Comparison of present and proposed ad valorem stamp duty (marginal relief not yet included)**

<b>Amount or value of consideration (whichever is the higher)</b>		<b>Rates</b>
<b>Present</b>	<b>Proposed</b>	
Up to \$3,000,000	Up to \$4,000,000	\$100
\$3,000,001 to \$4,500,000	\$4,000,001 to \$4,500,000	1.50%
\$4,500,001 to \$6,000,000	\$4,500,001 to \$6,000,000	2.25%
\$6,000,001 to \$9,000,000	\$6,000,001 to \$9,000,000	3.00%
\$9,000,001 to \$20,000,000	\$9,000,001 to \$20,000,000	3.75%
\$20,000,001 and above	\$20,000,001 and above	4.25%

## ECONOMIC PERFORMANCE IN 2024

1. Rates of change in the Gross Domestic Product and its expenditure components and in the main price indicators in 2024:

	(%)
(a) Growth rates in real terms of:	
Private consumption expenditure	-0.6
Government consumption expenditure	1.0
Gross domestic fixed capital formation	2.4
<i>of which :</i>	
Building and construction	3.1
Machinery, equipment and intellectual property products	-0.8
Total exports of goods	4.7
Imports of goods	2.4
Exports of services	4.8
Imports of services	11.5
<b>Gross Domestic Product (GDP)</b>	<b>2.5</b>
<i>Growth rate of per capita GDP in real terms</i>	2.7
<i>Per capita GDP at current market prices</i>	HK\$422,200 (US\$54,100)
(b) Rates of change in:	
<b>Underlying Composite Consumer Price Index</b>	<b>1.1</b>
<b>GDP Deflator</b>	<b>3.8</b>
<b>Government Consumption Expenditure Deflator</b>	<b>1.7</b>
(c) <b>Growth rate of nominal GDP</b>	<b>6.5</b>

2. Annual rates of change in total exports based on external merchandise trade index numbers:

	<i>Total exports</i>	
	<i>In value terms</i> (%)	<i>In real terms</i> (%)
2022	-9	-15
2023	-8	-12
2024	9	5

3. Annual rates of change in real terms of total exports by major market based on external merchandise trade quantum index numbers:

	<i>Total exports</i>					
	<i>Total</i> (%)	<i>The Mainland</i> (%)	<i>US</i> (%)	<i>EU</i> (%)	<i>Vietnam</i> (%)	<i>Taiwan</i> (%)
2022	-15	-21	-11	-11	4	0
2023	-12	-14	-10	-15	-5	-12
2024	5	10	3	-1	26	-3

4. Annual rates of change in real terms of imports and retained imports based on external merchandise trade quantum index numbers:

	<i>Imports</i> (%)	<i>Retained imports</i> (%)
2022	-14	-10
2023	-9	1
2024	3	-6

5. Annual rates of change in real terms of exports of services by type:

	<i>Exports of services</i>				
	<i>Total</i>	<i>Transport</i>	<i>Travel</i>	<i>Financial</i>	<i>Other</i>
	(%)	services	services	services	services
		(%)	(%)	(%)	(%)
2022	0	-3	62	-2	-1
2023	20	4	521	-6	0
2024	5	7	7	1	3

6. Hong Kong's goods and services trade balance in 2024 reckoned on GDP basis:

	(HK\$ billion)
Total exports of goods	4,924.8
Imports of goods	4,940.2
<b><i>Goods trade balance</i></b>	<b>-15.4</b>
Exports of services	848.7
Imports of services	704.4
<b><i>Services trade balance</i></b>	<b>144.2</b>
<b><i>Combined goods and services trade balance</i></b>	<b>128.9</b>

7. Annual averages of the unemployment and underemployment rates and growth in labour force and total employment:

	<i>Unemployment rate (%)</i>	<i>Underemployment rate (%)</i>	<i>Growth in labour force (%)</i>	<i>Growth in total employment (%)</i>
2022	4.3	2.3	-2.4	-1.6
2023	2.9	1.1	1.2	2.7
2024	3.0	1.1	-0.1	-0.1

8. Annual rates of change in the Consumer Price Indices:

	<i>Composite CPI</i>		<i>CPI(A)</i>	<i>CPI(B)</i>	<i>CPI(C)</i>
	<i>Underlying (%)</i>	<i>Headline (%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
2022	1.7	1.9	2.2	1.7	1.8
2023	1.7	2.1	2.3	2.0	2.0
2024	1.1	1.7	2.1	1.6	1.5

## ECONOMIC PROSPECTS FOR 2025

Forecast rates of change in the Gross Domestic Product and main price indicators in 2025:

	(%)
<b>Gross Domestic Product (GDP)</b>	
<i>Real GDP</i>	<b>2 to 3</b>
<i>Nominal GDP</i>	5.5 to 6.5
<i>Growth rate of per capita GDP in real terms</i>	1.6 to 2.6
<i>Per capita GDP at current market prices</i>	HK\$443,500-447,700 (US\$56,900-57,400)
<b>Composite Consumer Price Index</b>	
<i>Underlying Composite Consumer Price Index</i>	<b>1.5</b>
<i>Headline Composite Consumer Price Index</i>	<b>1.8</b>
<b>GDP Deflator</b>	<b>3.5</b>

# APPENDICES



# APPENDICES

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*Note:* Expenditure figures for 2024-25 and before have been adjusted to align with the definitions and policy area group classifications adopted in the 2025-26 estimate.



# **APPENDIX A**

## **MEDIUM RANGE FORECAST**



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## SECTION I FORECASTING ASSUMPTIONS AND BUDGETARY CRITERIA

1 The Medium Range Forecast (MRF) is a fiscal planning tool. It sets out the high-level forecast of government expenditure and revenue as well as the financial position covering the five-year period including the budget year, i.e. from 2025-26 to 2029-30.

2 A wide range of assumptions underlying the factors affecting Government’s revenue and expenditure are used to derive the MRF. Some assumptions are economic in nature (the general economic assumptions) while others deal with specific areas of Government’s activities (other assumptions).

### General Economic Assumptions

#### *Real Gross Domestic Product (real GDP)*

3 GDP growth is forecast to range from 2% to 3% in real terms in 2025. We have used the mid-point of this range forecast in deriving the MRF. For planning purposes, in the four-year period 2026 to 2029, the trend growth rate of the economy in real terms is assumed to be 2.9% per annum.

#### *Price change*

4 The GDP deflator, measuring overall price change in the economy, is forecast to increase by 3.5% in 2025. For the four-year period 2026 to 2029, the GDP deflator is assumed to increase at a trend rate of 2.6% per annum.

5 The Composite Consumer Price Index (CCPI), measuring inflation in the consumer domain, is forecast to increase by 1.8% in 2025. Netting out the effects of various one-off relief measures, the underlying CCPI is forecast to increase by 1.5% in 2025. For the ensuing period 2026 to 2029, the trend rate of increase for the underlying CCPI is assumed to be 2.5% per annum.

#### *Nominal Gross Domestic Product (nominal GDP)*

6 Given the assumptions on the rates of change in the real GDP and the GDP deflator, the GDP in nominal terms is forecast to increase by 5.5% to 6.5% in 2025, and the trend growth rate in nominal terms for the period 2026 to 2029 is assumed to be 5.5% per annum.

### Other Assumptions

7 Other assumptions on expenditure and revenue patterns over the forecast period are as follows –

- The operating expenditure for 2026-27 and beyond represents the forecast expenditure requirements for Government.
- The capital expenditure for 2025-26 and beyond reflects the estimated cash flow requirements for capital projects including approved capital works projects and those at an advanced stage of planning.
- The revenue projections for 2026-27 and beyond basically reflect the relevant trend yields.

### Budgetary Criteria

8 Article 107 of the Basic Law stipulates that “*The Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product.*”

9 Article 108 of the Basic Law stipulates that “*... The Hong Kong Special Administrative Region shall, taking the low tax policy previously pursued in Hong Kong as reference, enact laws on its own concerning types of taxes, tax rates, tax reductions, allowances and exemptions, and other matters of taxation.*”

10 For the purpose of preparing the MRF, the following criteria are also relevant –

#### *Budget surplus/deficit*

The Government aims to achieve, over time, a balance in the consolidated account.

#### *Expenditure policy*

The general principle is that, over time, the growth rate of expenditure should be commensurate with the growth rate of the economy.

#### *Revenue policy*

The Government aims to maintain, over time, the real yield from revenue.

#### *Fiscal reserves*

The Government aims to maintain adequate reserves in the long run.

## SECTION II MEDIUM RANGE FORECAST

11 The financial position of the Government for the current MRF period (*Note (a)*) is summarised below –

Table 1

(\$ million)	2024-25 Revised Estimate	2025-26 Estimate	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
<b>Operating Account</b>						
Operating revenue ( <i>Note (b)</i> )	526,833	621,158	663,196	681,594	699,586	738,171
Less: Operating expenditure ( <i>Note (c)</i> )	599,940	624,212	634,824	640,633	657,309	682,334
<b>Operating surplus / (deficit)</b>	<b>(73,107)</b>	<b>(3,054)</b>	<b>28,372</b>	<b>40,961</b>	<b>42,277</b>	<b>55,837</b>
<b>Capital Account</b>						
Capital revenue ( <i>Note (d)</i> )	32,745	38,255	51,683	76,890	82,107	99,935
Less: Capital expenditure ( <i>Note (e)</i> )	154,814	198,059	200,553	195,407	184,197	187,530
<b>Capital deficit</b>	<b>(122,069)</b>	<b>(159,804)</b>	<b>(148,870)</b>	<b>(118,517)</b>	<b>(102,090)</b>	<b>(87,595)</b>
<b>Consolidated Account</b>						
Government revenue	559,578	659,413	714,879	758,484	781,693	838,106
Less: Government expenditure	754,754	822,271	835,377	836,040	841,506	869,864
<b>Consolidated deficit before issuance and repayment of bonds</b>	<b>(195,176)</b>	<b>(162,858)</b>	<b>(120,498)</b>	<b>(77,556)</b>	<b>(59,813)</b>	<b>(31,758)</b>
Add: Proceeds from issuance of government bonds ( <i>Note (f)</i> )	130,000	150,000	160,000	195,000	190,000	190,000
Less: Repayment of government bonds ( <i>Note (f)</i> )	22,060	54,148	59,511	134,267	119,600	133,206
<b>Consolidated surplus / (deficit) after issuance and repayment of bonds</b>	<b>(87,236)</b>	<b>(67,006)</b>	<b>(20,009)</b>	<b>(16,823)</b>	<b>10,587</b>	<b>25,036</b>
<b>Fiscal reserves at 31 March</b>	<b>647,349</b>	<b>580,343</b>	<b>560,334</b>	<b>543,511</b>	<b>554,098</b>	<b>579,134</b>
In terms of number of months of government expenditure	10	8	8	8	8	8
In terms of percentage of GDP	20.4%	17.2%	15.8%	14.5%	14.0%	13.9%

**Fiscal Reserves**

**12** Part of the fiscal reserves has, since 1 January 2016, been held in a notional savings account called the Future Fund, which is placed with the Exchange Fund with a view to securing higher investment returns over a ten-year investment period. In October 2022, the investment arrangement was extended for a further five-year period up to 31 December 2030. The initial endowment of the Future Fund was \$219,730 million, being the balance of the Land Fund on 1 January 2016. \$4.8 billion of the consolidated surplus from the Operating and Capital Reserves was transferred to the Future Fund as top-up in 2016-17. The arrangement thereafter is subject to an annual review by the Financial Secretary.

Table 2

<b>Distribution of fiscal reserves at 31 March</b>					
	2024-25 Revised Estimate	2025-26 Estimate	Future Fund	Operating and Capital Reserves	Total
(\$ million)					
General Revenue Account	148,737	<b>167,445</b>	4,800*	162,645	167,445
Funds with designated use	214,844	<b>163,064</b>		163,064	163,064
Capital Works Reserve Fund	93,496	<b>49,615</b>		49,615	49,615
Capital Investment Fund	13,049	<b>8,952</b>		8,952	8,952
Civil Service Pension Reserve Fund	57,929	<b>60,478</b>		60,478	60,478
Disaster Relief Fund	121	<b>200</b>		200	200
Innovation and Technology Fund	21,862	<b>17,391</b>		17,391	17,391
Loan Fund	4,823	<b>5,024</b>		5,024	5,024
Lotteries Fund	23,564	<b>21,404</b>		21,404	21,404
Land Fund	283,768	<b>249,834</b>	249,834	-	249,834
	<u>647,349</u>	<u><b>580,343</b></u>	<u>254,634</u>	<u>325,709</u>	<u>580,343</u>
In terms of number of months of government expenditure	10	8	3	5	8

\* Being one-third of 2015-16 consolidated surplus.

**13** The fiscal reserves would be drawn on to fund contingent and other liabilities. As detailed in Section IV, these include about \$687 billion for capital works projects underway and about \$566 billion as statutory pension obligations in the coming ten years.



Notes –

(a) *Accounting policies*

- (i) The MRF is prepared on a cash basis and reflects forecast receipts and payments, whether they relate to operating or capital transactions.
- (ii) The MRF includes the General Revenue Account and eight Funds (Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund). It does not include the Bond Fund.
- (iii) The Bond Fund is set up for the development of bond market and its balance does not form part of the fiscal reserves. It is managed by the Hong Kong Monetary Authority for investment purposes and is separated from the Government's consolidated account.

(b) *Operating revenue*

- (i) The operating revenue takes into account the revenue measures proposed in the 2025-26 Budget, and is made up of –

(\$ million)	2024-25 Revised Estimate	2025-26 Estimate	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
Operating revenue before investment income	487,478	577,900	610,747	628,255	656,283	693,133
Investment income	39,355	43,258	52,449	53,339	43,303	45,038
Total	<u>526,833</u>	<u>621,158</u>	<u>663,196</u>	<u>681,594</u>	<u>699,586</u>	<u>738,171</u>

- (ii) Investment income under the Operating Account includes investment income of the General Revenue Account (which is credited to revenue head Properties and Investments) and investment income of the Land Fund. The rate of investment return is 4.4% for 2025 (vs 3.7% for 2024) and is assumed to be in the range of 2.7% to 4.7% a year for 2026 to 2029.
- (iii) Investment income of the Future Fund includes investment income of the relevant portion of the General Revenue Account and investment income of the Land Fund, compounded on an annual basis. As directed by the Financial Secretary, the investment income is reflected in the Government's accounts on a progressive basis starting from 2021-22.

(c) *Operating expenditure*

This represents expenditure charged to the Operating Account of the General Revenue Account and Land Fund. The figures for 2026-27 and beyond set out the forecast operating expenditure requirements for Government.

*(d) Capital revenue*

(i) The breakdown of capital revenue is –

(\$ million)	2024-25 Revised Estimate	2025-26 Estimate	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
General Revenue Account	6,977	3,330	4,101	5,615	1,853	1,853
Capital Investment Fund	1,432	1,142	929	961	954	955
Capital Works Reserve Fund	13,606	21,008	35,896	60,471	69,455	83,438
Disaster Relief Fund	6	-	-	-	-	-
Innovation and Technology Fund	65	-	-	-	-	-
Loan Fund	1,139	3,031	3,498	4,120	4,179	4,281
Lotteries Fund	1,192	1,161	1,157	1,145	1,135	1,125
Capital revenue before investment income	24,417	29,672	45,581	72,312	77,576	91,652
Investment income	8,328	8,583	6,102	4,578	4,531	8,283
Total	32,745	38,255	51,683	76,890	82,107	99,935

(ii) Revenue from land premium included under the Capital Works Reserve Fund for 2025-26 is estimated to be \$21 billion with reference to the land sale programme. From 2026-27 onwards, it is prudently assumed to be progressively rising to 2% of GDP, which is lower than the past five-year and 20-year historical average ratio of 2.4% and 3.3% respectively.

(iii) Investment income under the Capital Account includes investment income of the Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund. The rate of investment return is 4.4 % for 2025 (vs 3.7% for 2024) and is assumed to be in the range of 2.7% to 4.7% a year for 2026 to 2029.

*(e) Capital expenditure*

The breakdown of capital expenditure is –

(\$ million)	2024-25 Revised Estimate	2025-26 Estimate	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
General Revenue Account	8,081	8,431	7,185	7,341	7,394	6,869
Capital Investment Fund	5,367	5,749	7,052	5,949	4,574	2,713
Capital Works Reserve Fund	129,894	164,071	169,733	165,456	156,094	161,426
Disaster Relief Fund	89	-	-	-	-	-
Innovation and Technology Fund	7,079	12,449	7,900	8,400	8,300	8,600
Loan Fund	2,568	3,044	3,215	3,232	3,257	3,353
Lotteries Fund	1,736	4,315	5,468	5,029	4,578	4,569
Total	154,814	198,059	200,553	195,407	184,197	187,530

*(f) Government bonds*

The Government issued green bonds under the Government Green Bond Programme (GGBP) (renamed as the Government Sustainable Bond Programme (GSBP)) from 2019-20 to 2024-25, and plans to continue to issue relevant bonds from 2025-26 to 2029-30. In addition, the Government issued infrastructure bonds under the Infrastructure Bond Programme (IBP) in 2024-25, and plans to continue to issue relevant bonds from 2025-26 to 2029-30. The actual size and timing of issuance will be determined having regard to market conditions. The proceeds of the aforementioned Programmes are credited to the Capital Works Reserve Fund to finance eligible works projects and will not be used for government recurrent expenditure.

### SECTION III RELATIONSHIP BETWEEN GOVERNMENT EXPENDITURE/PUBLIC EXPENDITURE AND GDP IN THE MEDIUM RANGE FORECAST

**14** For monitoring purposes, expenditure of the Trading Funds and the Housing Authority (collectively referred to as “other public bodies” in this Appendix) is added to government expenditure in order to compare public expenditure with GDP.

#### Government Expenditure and Public Expenditure in the Context of the Economy

Table 3

(\$ million)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Revised Estimate	Estimate	Forecast	Forecast	Forecast	Forecast
Operating expenditure	599,940	624,212	634,824	640,633	657,309	682,334
Capital expenditure	154,814	198,059	200,553	195,407	184,197	187,530
<b>Government expenditure</b>	<b>754,754</b>	<b>822,271</b>	<b>835,377</b>	<b>836,040</b>	<b>841,506</b>	<b>869,864</b>
Expenditure by other public bodies	50,109	55,474	64,188	68,659	71,990	74,481
<b>Public expenditure (Note (a))</b>	<b>804,863</b>	<b>877,745</b>	<b>899,565</b>	<b>904,699</b>	<b>913,496</b>	<b>944,345</b>
<b>Gross Domestic Product (calendar year)</b>	<b>3,176,993</b>	<b>3,367,600</b>	<b>3,552,800</b>	<b>3,748,200</b>	<b>3,954,400</b>	<b>4,171,900</b>
Nominal growth in GDP (Note (b))	6.5%	6.0%	5.5%	5.5%	5.5%	5.5%
Growth in recurrent government expenditure (Note (c))	4.3%	4.5%	3.3%	2.7%	3.0%	4.0%
Growth in government expenditure (Note (c))	4.6%	8.9%	1.6%	0.1%	0.7%	3.4%
Growth in public expenditure (Note (c))	5.6%	9.1%	2.5%	0.6%	1.0%	3.4%
<b>Public expenditure in terms of percentage of GDP</b>	<b>25.3%</b>	<b>26.1%</b>	<b>25.3%</b>	<b>24.1%</b>	<b>23.1%</b>	<b>22.6%</b>

Notes –

- (a) Public expenditure comprises government expenditure and expenditure by other public bodies. It does not include expenditure by those organisations, including statutory organisations in which the Government has only an equity position, such as the Airport Authority and the MTR Corporation Limited.
- (b) For 2025-26, the nominal GDP growth of 6% represents the mid-point of the range forecast of 5.5% to 6.5% for the calendar year 2025.
- (c) The growth rates for 2024-25 to 2029-30 refer to year-on-year change. For example, the rates for 2024-25 refer to the change between the revised estimate for 2024-25 and the actual expenditure in 2023-24. The rates for 2025-26 refer to the change between the 2025-26 estimate and the 2024-25 revised estimate, and so forth.

15 Table 4 shows the relationship amongst the sum to be appropriated in the 2025-26 Budget, government expenditure and public expenditure.

**Relationship between Government Expenditure  
and Public Expenditure in 2025-26**

Table 4

(\$ million)	Appropriation	Government expenditure and revenue			Public expenditure
		Operating	Capital	Total	
<b>Expenditure</b>					
General Revenue Account					
Operating					
Recurrent	588,064	588,064	-	588,064	588,064
Non-recurrent	36,148	36,148	-	36,148	36,148
Capital					
Plant, equipment and works	5,583	-	5,583	5,583	5,583
Subventions	2,848	-	2,848	2,848	2,848
	632,643	624,212	8,431	632,643	632,643
Transfer to Funds	7,071	-	-	-	-
Capital Investment Fund	-	-	5,749	5,749	5,749
Capital Works Reserve Fund	-	-	164,071	164,071	164,071
Innovation and Technology Fund	-	-	12,449	12,449	12,449
Loan Fund	-	-	3,044	3,044	3,044
Lotteries Fund	-	-	4,315	4,315	4,315
Trading Funds	-	-	-	-	5,376
Housing Authority	-	-	-	-	50,098
	639,714	624,212	198,059	822,271	877,745
<b>Revenue</b>					
General Revenue Account					
Taxation		462,819	8	462,827	
Other revenue		121,273	3,322	124,595	
		584,092	3,330	587,422	
Capital Investment Fund		-	1,652	1,652	
Capital Works Reserve Fund		-	24,338	24,338	
Civil Service Pension Reserve Fund		-	2,549	2,549	
Disaster Relief Fund		-	8	8	
Innovation and Technology Fund		-	978	978	
Land Fund		37,066	-	37,066	
Loan Fund		-	3,245	3,245	
Lotteries Fund		-	2,155	2,155	
		621,158	38,255	659,413	
<b>Deficit</b>		(3,054)	(159,804)	(162,858)	

**SECTION IV CONTINGENT AND MAJOR UNFUNDED LIABILITIES**

**16** The Government's contingent liabilities as at 31 March 2024, 31 March 2025 and 31 March 2026, are provided below as supplementary information to the MRF –

(\$ million)	<i>Table 5</i>		
	2024	At 31 March 2025	2026
Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance	46,211	51,972	55,358
Guarantees provided under the SME Financing Guarantee Scheme	144,401	124,140	92,609
Legal claims, disputes and proceedings	13,356	6,879	4,006
Subscription to callable shares in the Asian Development Bank	5,689	5,615	5,615
Subscription to callable shares in the Asian Infrastructure Investment Bank	4,800	4,759	4,759
Guarantees provided under the SME Loan Guarantee Scheme	981	566	334
Guarantees provided under a commercial loan of the Hong Kong Science and Technology Parks Corporation	866	-	-
Guarantees provided under Dedicated 100% Loan Guarantee Scheme for Travel Sector	204	202	179
Guarantees provided under the Special Loan Guarantee Scheme	150	56	52
Guarantees provided under Dedicated 100% Loan Guarantee Scheme for Battery Electric Taxis	-	61	1,707
<b>Total</b>	<b>216,658</b>	<b>194,250</b>	<b>164,619</b>

**17** The Government's major unfunded liabilities as at 31 March 2024 were as follows –

(\$ million)	
Present value of statutory pension obligations ( <i>Note (a)</i> )	967,586
Untaken leave ( <i>Note (b)</i> )	26,989
Green bonds	192,529

*Notes –*

- (a) The statutory pension obligations for the coming ten years are estimated to be about \$566 billion in money of the day.
- (b) The estimate for “untaken leave” gives an indication of the overall value of leave earned but not yet taken by serving public officers.

**18** The estimated outstanding commitments of capital works projects as at 31 March 2024 and 31 March 2025 are \$632,368 million and \$686,928 million respectively. Some of these are contractual commitments.

# **APPENDIX B**

## **ANALYSIS OF EXPENDITURE AND REVENUE**



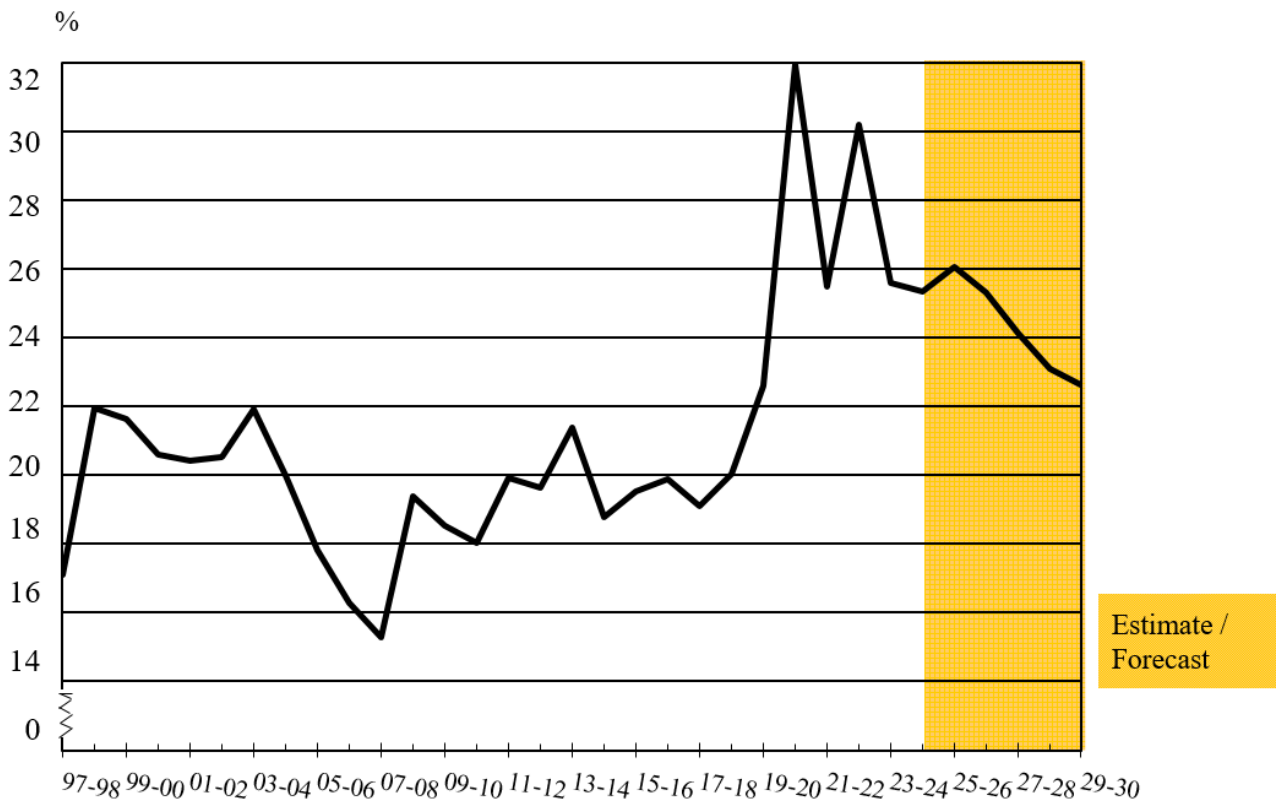


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**SECTION I THE ESTIMATES IN THE CONTEXT OF THE ECONOMY****Relationship between Government Expenditure, Public Expenditure and GDP**

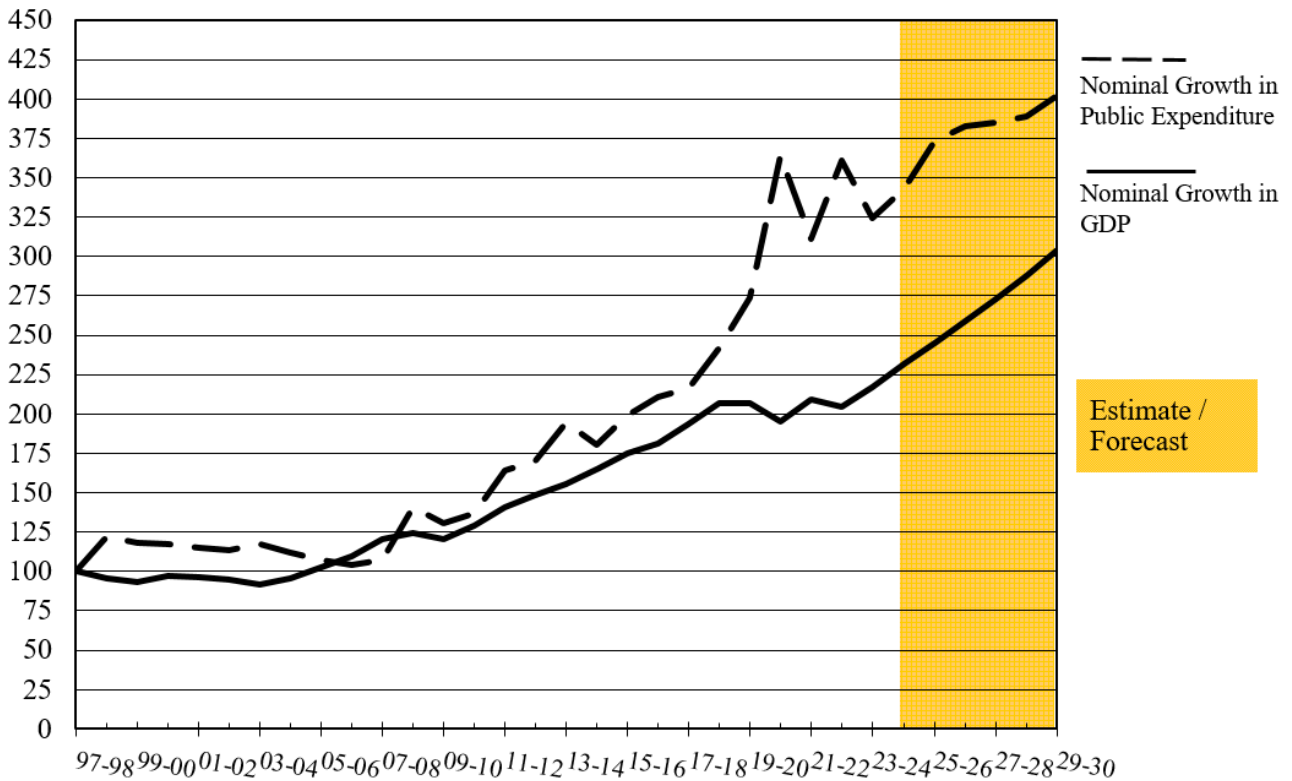
	<b>2025-26 Estimate \$m</b>
General Revenue Account	
Operating	624,212
Capital	8,431
	<hr/> 632,643
Capital Investment Fund	5,749
Capital Works Reserve Fund	164,071
Innovation and Technology Fund	12,449
Loan Fund	3,044
Lotteries Fund	4,315
	<hr/>
<b>Government Expenditure</b>	<b>822,271</b>
Trading Funds	5,376
Housing Authority	50,098
	<hr/>
<b>Public Expenditure</b>	<b>877,745</b>
	<hr/>
GDP	3,367,600
Public Expenditure in terms of percentage of GDP	26.1%

**Public Expenditure in terms of Percentage of GDP**



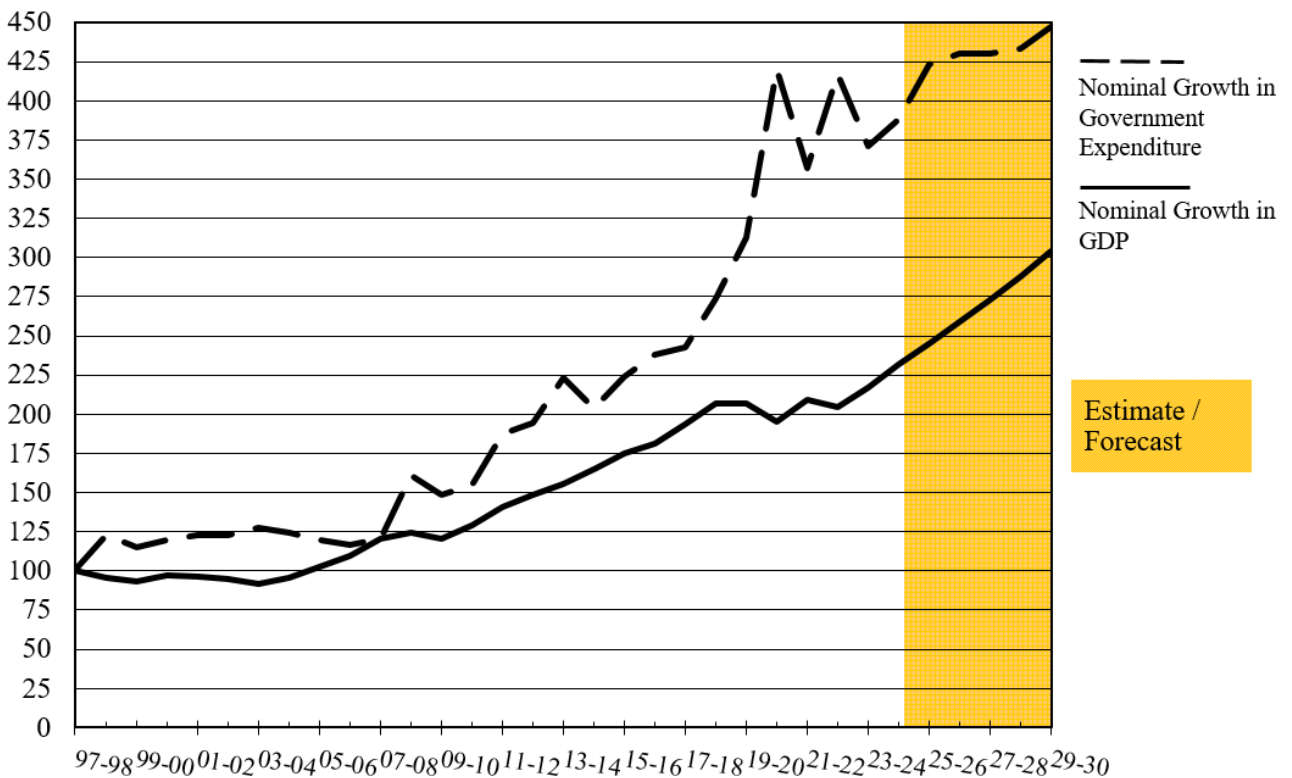
**Comparison of Cumulative Growth in Public Expenditure  
with Cumulative Growth in GDP  
since 1997-98**

Index  
(97-98 = 100)



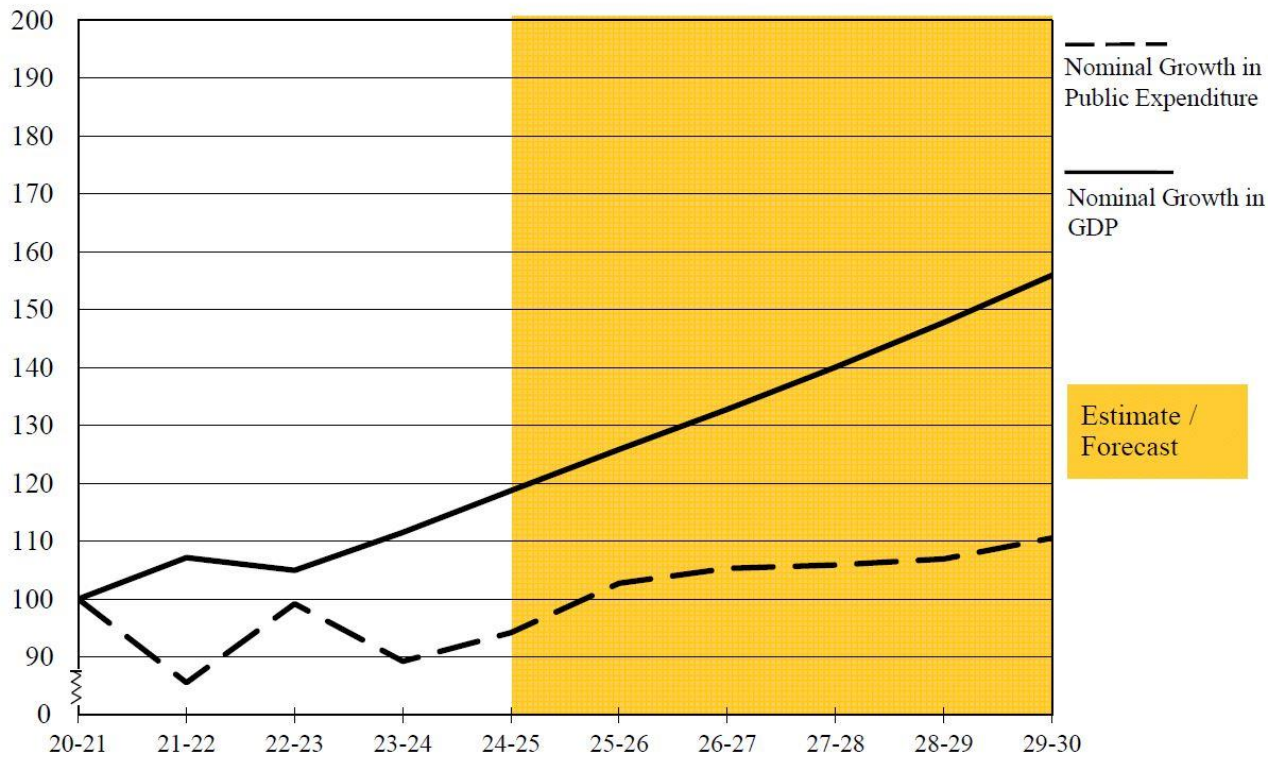
**Comparison of Cumulative Growth in Government Expenditure  
with Cumulative Growth in GDP  
since 1997-98**

Index  
(97-98 = 100)



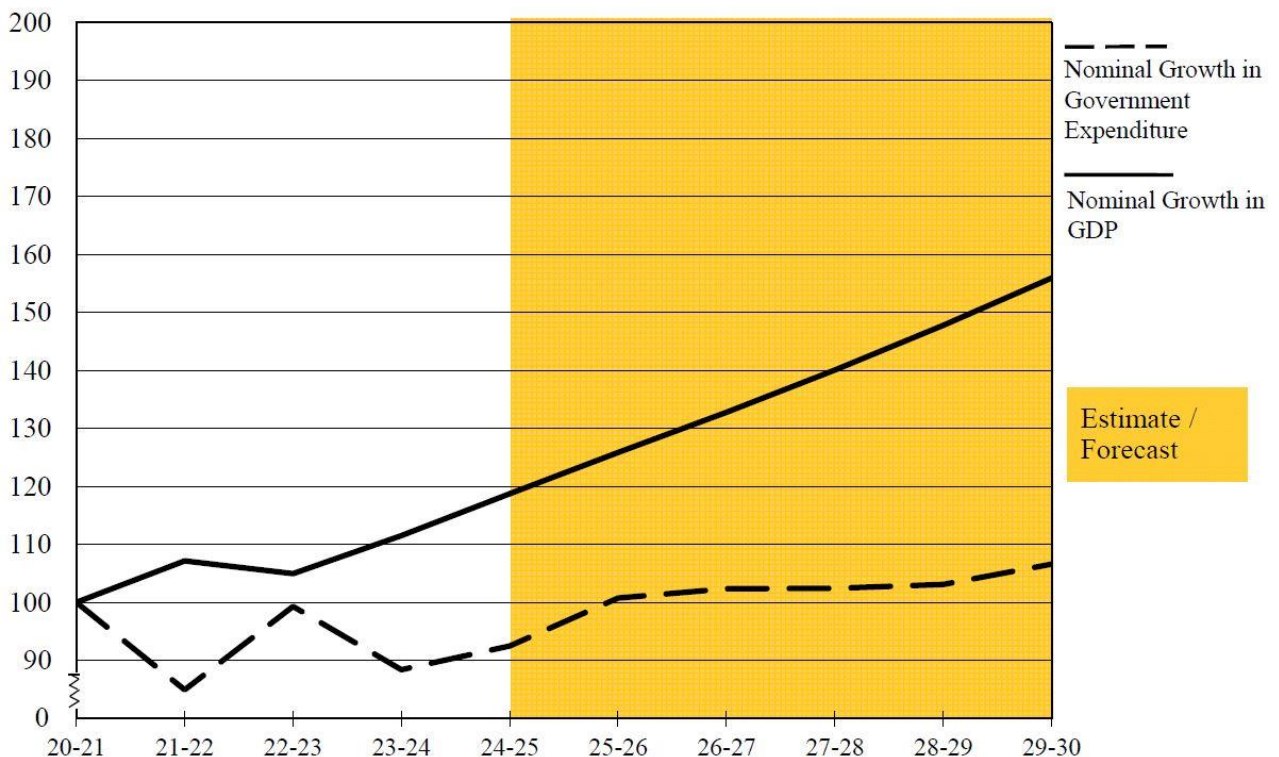
**Comparison of Cumulative Growth in Public Expenditure  
with Cumulative Growth in GDP  
since 2020-21**

Index  
(20-21 = 100)



**Comparison of Cumulative Growth in Government Expenditure  
with Cumulative Growth in GDP  
since 2020-21**

Index  
(20-21 = 100)



**SECTION II RECURRENT PUBLIC/GOVERNMENT EXPENDITURE  
BY POLICY AREA GROUP**

**Recurrent Public Expenditure : Year-on-Year Change**

	2023-24 Actual \$m	2024-25 Revised Estimate \$m	2025-26 Estimate \$m	Increase/Decrease over 2024-25 Revised Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	103,683	105,314	<b>102,857</b>	-2.3	-3.1
<b>Social Welfare</b>	110,642	118,731	<b>130,393</b>	9.8	8.4
<b>Health</b>	103,918	109,211	<b>115,331</b>	5.6	4.3
<b>Security</b>	57,053	59,458	<b>60,913</b>	2.4	1.4
<b>Infrastructure</b>	33,891	33,533	<b>34,369</b>	2.5	0.6
<b>Environment and Food</b>	24,533	25,396	<b>26,296</b>	3.5	1.2
<b>Economic</b>	20,834	22,167	<b>22,849</b>	3.1	1.5
<b>Housing</b>	18,947	20,473	<b>21,980</b>	7.4	5.5
<b>Community and External Affairs</b>	16,860	17,829	<b>19,331</b>	8.4	6.1
<b>Support</b>	71,145	74,198	<b>79,150</b>	6.7	4.9
	<u>561,506</u>	<u>586,310</u>	<u><b>613,469</b></u>	<b>4.6</b>	<b>3.2</b>
<b>GDP growth in 2025</b>				<b>5.5% to 6.5%</b>	<b>2% to 3%</b>

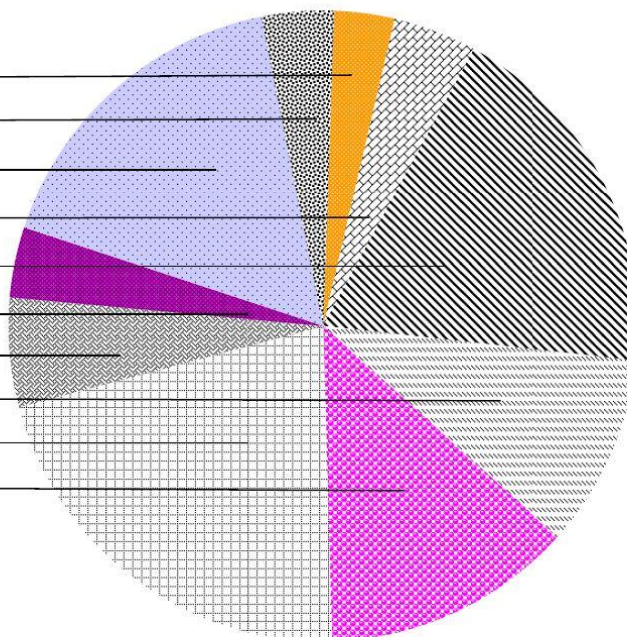
**SECTION II RECURRENT PUBLIC/GOVERNMENT EXPENDITURE  
BY POLICY AREA GROUP**

**Recurrent Government Expenditure : Year-on-Year Change**

	2023-24 Actual \$m	2024-25 Revised Estimate \$m	2025-26 Estimate \$m	Increase/Decrease over 2024-25 Revised Estimate	
				in Nominal Terms %	in Real Terms %
<b>Education</b>	103,683	105,314	<b>102,857</b>	<b>-2.3</b>	<b>-3.1</b>
<b>Social Welfare</b>	110,642	118,731	<b>130,393</b>	<b>9.8</b>	<b>8.4</b>
<b>Health</b>	103,918	109,211	<b>115,331</b>	<b>5.6</b>	<b>4.3</b>
<b>Security</b>	57,053	59,458	<b>60,913</b>	<b>2.4</b>	<b>1.4</b>
<b>Infrastructure</b>	33,662	33,275	<b>34,102</b>	<b>2.5</b>	<b>0.6</b>
<b>Environment and Food</b>	24,533	25,396	<b>26,296</b>	<b>3.5</b>	<b>1.2</b>
<b>Economic</b>	16,895	18,314	<b>18,842</b>	<b>2.9</b>	<b>1.1</b>
<b>Housing</b>	718	790	<b>849</b>	<b>7.5</b>	<b>7.4</b>
<b>Community and External Affairs</b>	16,860	17,829	<b>19,331</b>	<b>8.4</b>	<b>6.1</b>
<b>Support</b>	71,145	74,198	<b>79,150</b>	<b>6.7</b>	<b>4.9</b>
	<u>539,109</u>	<u>562,516</u>	<u><b>588,064</b></u>	<b>4.5</b>	<b>3.2</b>
<b>GDP growth in 2025</b>				<b>5.5% to 6.5%</b>	<b>2% to 3%</b>

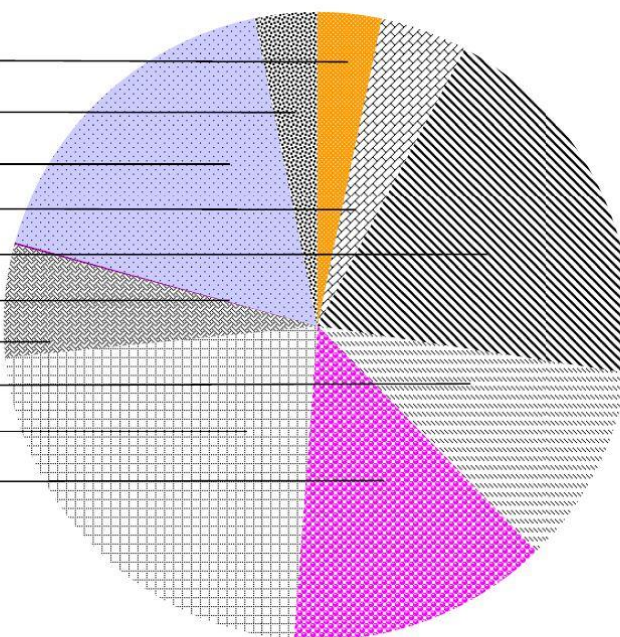
**Percentage Share of Expenditure by Policy Area Group  
 Recurrent Public Expenditure : 2025-26 Estimate**

Community and External Affairs	3.1%
Economic	3.7%
Education	16.8%
Environment and Food	4.3%
Health	18.8%
Housing	3.6%
Infrastructure	5.6%
Security	9.9%
Social Welfare	21.3%
Support	12.9%
	100.0%



**Percentage Share of Expenditure by Policy Area Group  
 Recurrent Government Expenditure : 2025-26 Estimate**

Community and External Affairs	3.3%
Economic	3.2%
Education	17.5%
Environment and Food	4.5%
Health	19.6%
Housing	0.1%
Infrastructure	5.8%
Security	10.3%
Social Welfare	22.2%
Support	13.5%
	100.0%





**SECTION III TOTAL PUBLIC/GOVERNMENT EXPENDITURE  
BY POLICY AREA GROUP**

**Total Public Expenditure : Year-on-Year Change**

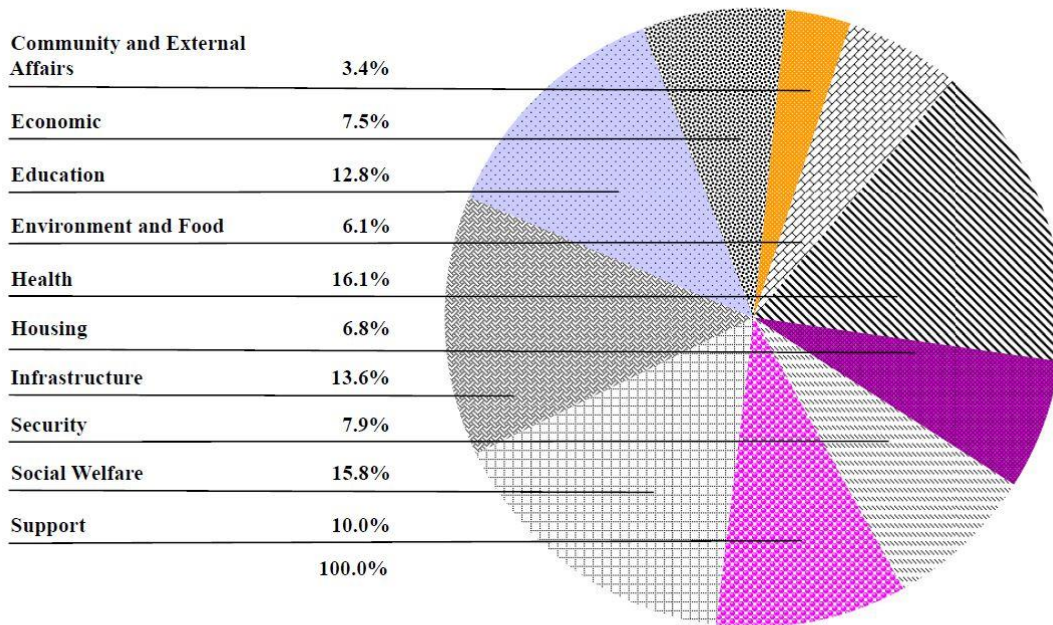
	2023-24 Actual \$m	2024-25 Revised Estimate \$m	2025-26 Estimate \$m	Increase/Decrease over 2024-25 Revised Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	113,541	113,780	<b>112,448</b>	-1.2	-2.2
<b>Social Welfare</b>	115,795	124,128	<b>139,050</b>	12.0	10.5
<b>Health</b>	119,471	130,224	<b>141,040</b>	8.3	6.7
<b>Security</b>	62,868	66,003	<b>69,014</b>	4.6	3.3
<b>Infrastructure</b>	86,325	99,090	<b>119,612</b>	20.7	18.1
<b>Environment and Food</b>	42,039	48,489	<b>53,518</b>	10.4	8.0
<b>Economic</b>	74,262	57,599	<b>66,045</b>	14.7	11.6
<b>Housing</b>	42,979	53,103	<b>59,824</b>	12.7	10.2
<b>Community and External Affairs</b>	28,987	30,663	<b>29,841</b>	-2.7	-5.0
<b>Support</b>	76,193	81,784	<b>87,353</b>	6.8	4.9
	<u>762,460</u>	<u>804,863</u>	<u><b>877,745</b></u>	9.1	7.2
<b>GDP growth in 2025</b>				5.5% to 6.5%	2% to 3%

**SECTION III TOTAL PUBLIC/GOVERNMENT EXPENDITURE  
BY POLICY AREA GROUP**

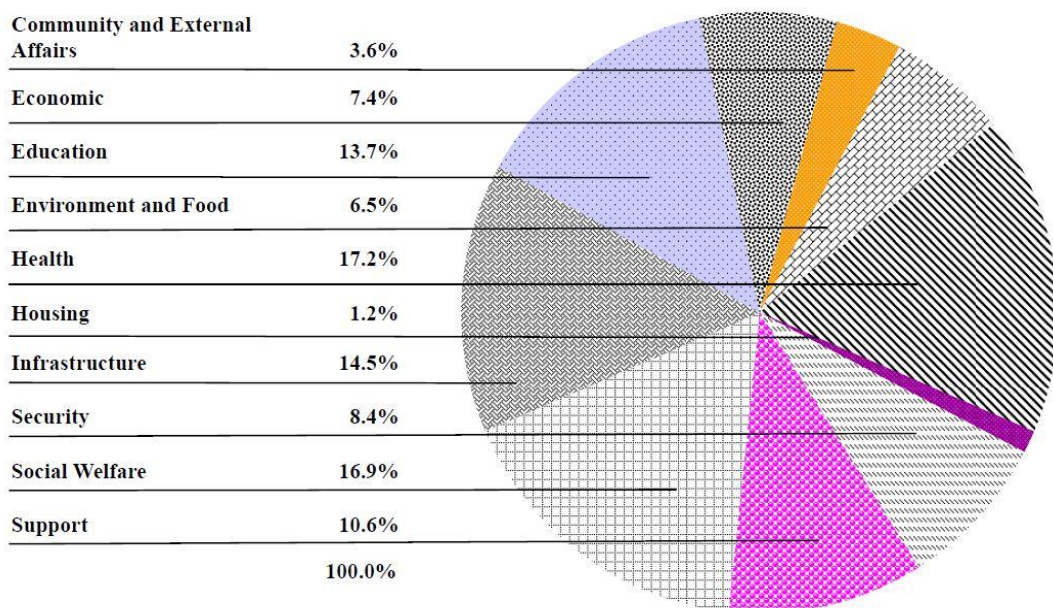
**Total Government Expenditure : Year-on-Year Change**

	2023-24 Actual \$m	2024-25 Revised Estimate \$m	2025-26 Estimate \$m	Increase/Decrease over 2024-25 Revised Estimate	
				in Nominal Terms %	in Real Terms %
<b>Education</b>	113,541	113,780	112,448	-1.2	-2.2
<b>Social Welfare</b>	115,795	124,128	139,050	12.0	10.5
<b>Health</b>	119,471	130,224	141,040	8.3	6.7
<b>Security</b>	62,868	66,003	69,014	4.6	3.3
<b>Infrastructure</b>	86,054	98,786	119,275	20.7	18.1
<b>Environment and Food</b>	42,039	48,489	53,518	10.4	8.0
<b>Economic</b>	69,954	53,392	61,006	14.3	11.0
<b>Housing</b>	6,399	7,505	9,726	29.6	26.5
<b>Community and External Affairs</b>	28,987	30,663	29,841	-2.7	-5.0
<b>Support</b>	76,193	81,784	87,353	6.8	4.9
	<u>721,301</u>	<u>754,754</u>	<u>822,271</u>	8.9	7.1
<b>GDP growth in 2025</b>				5.5% to 6.5%	2% to 3%

**Percentage Share of Expenditure by Policy Area Group**  
**Total Public Expenditure : 2025-26 Estimate**



**Percentage Share of Expenditure by Policy Area Group**  
**Total Government Expenditure : 2025-26 Estimate**



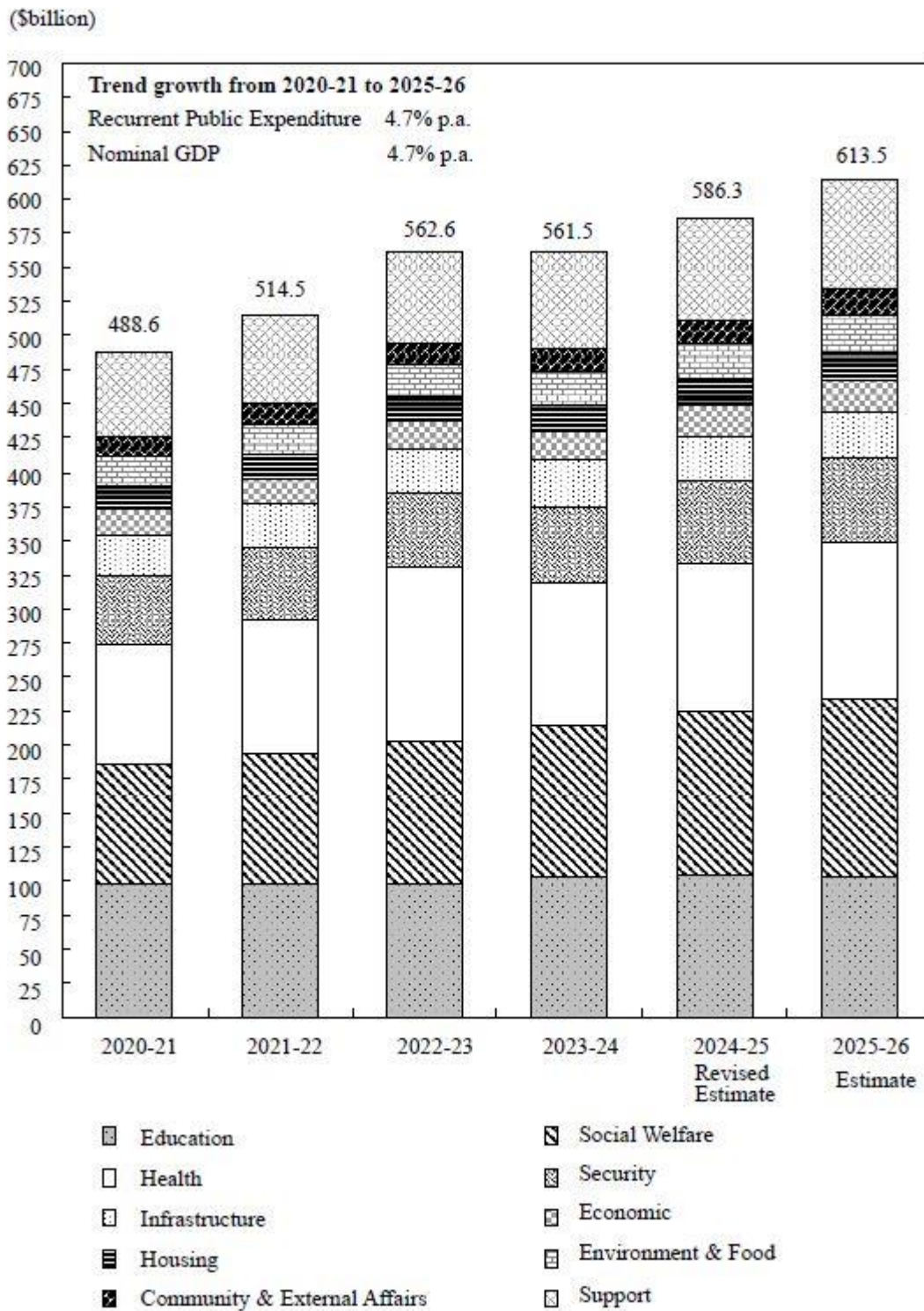
**SECTION IV MAJOR CAPITAL PROJECTS PLANNED FOR COMMENCEMENT IN 2025-26**

Major capital projects estimated to begin in 2025-26 include –

	<b>Project Estimates \$ billion</b>
<b>Infrastructure</b>	<b>34.5</b>
— Construction of Annex Block at Hong Kong Observatory Headquarters, Tsim Sha Tsui	
— Town Park with Public Vehicle Park in Area 66, Tseung Kwan O	
— Tung Chung New Town Extension—Site Formation and Infrastructure Works (Second Phase)	
— Yuen Long South New Development Area—Second Phase Development—Site Formation and Engineering Infrastructure Works	
— Ngau Tam Mei water treatment works extension—Main works—Package one	
— Improvement of water supply to northern New Territories	
— Site formation and infrastructure works for public housing development at A Kung Ngam Village, Eastern	
— Site formation and infrastructure works for public housing development near Chai Wan Swimming Pool, Chai Wan	
<b>Environment and Food</b>	<b>22.1</b>
— Relocation of Sha Tin Sewage Treatment Works to caverns—Remaining works	
— Hung Shui Kiu Effluent Polishing Plant—Phase 1	
<b>Education</b>	<b>6.4</b>
— A 30-classroom primary school at Area 89 (Northern side), Tung Chung	
— A 30-classroom primary school at Area 17, Fanling North New Development Area	
— A 30-classroom primary school at Area 29, Kwu Tung North New Development Area	
— Construction of a new academic building on an extension site east of No. 3 Sassoon Road (Main Works)	
— Construction of a Clinical Training Amenities Centre at No. 6 Sassoon Road (Main Works)	
— Development of Hong Kong Institute of Information Technology (HKIIT) at the School of Business and Information Systems Building in Tsing Yi	
<b>Support</b>	<b>5.7</b>
— Hoi Ting Road Joint-user Complex	
— Joint-user Complex at Cheung Sha Wan Road, Sham Shui Po	
<b>Health</b>	<b>3.3</b>
— Redevelopment of Shek Kip Mei Health Centre	
— Re-provisioning of Victoria Public Mortuary	
<b>Security</b>	<b>1.2</b>
— Construction of Fire Station-cum-Ambulance Depot with Departmental Quarters and Facilities at Anderson Road Quarry Site, Sai Kung	

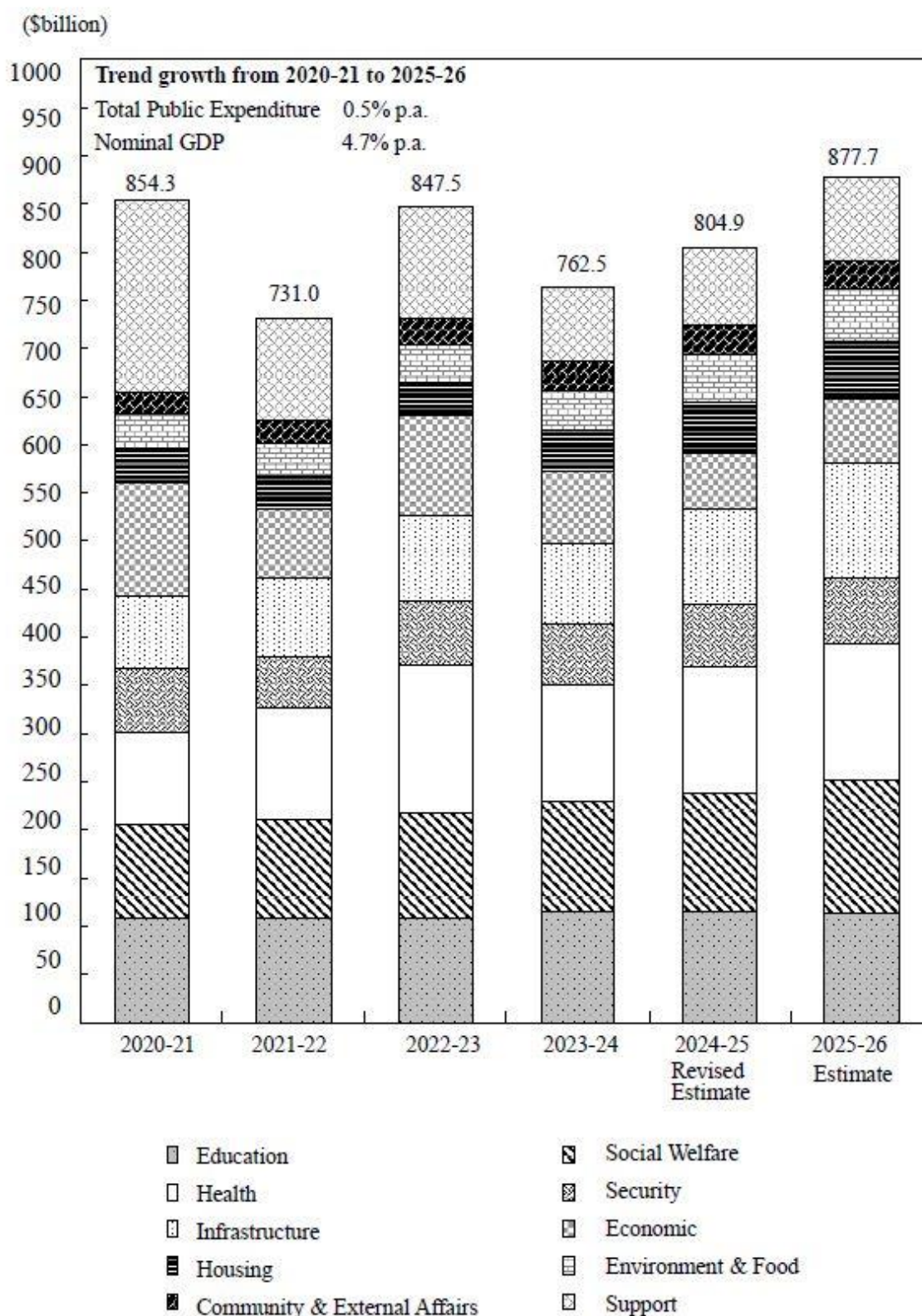
**SECTION V TRENDS IN PUBLIC EXPENDITURE : 2020-21 TO 2025-26**

**Recurrent Public Expenditure by Policy Area Group**



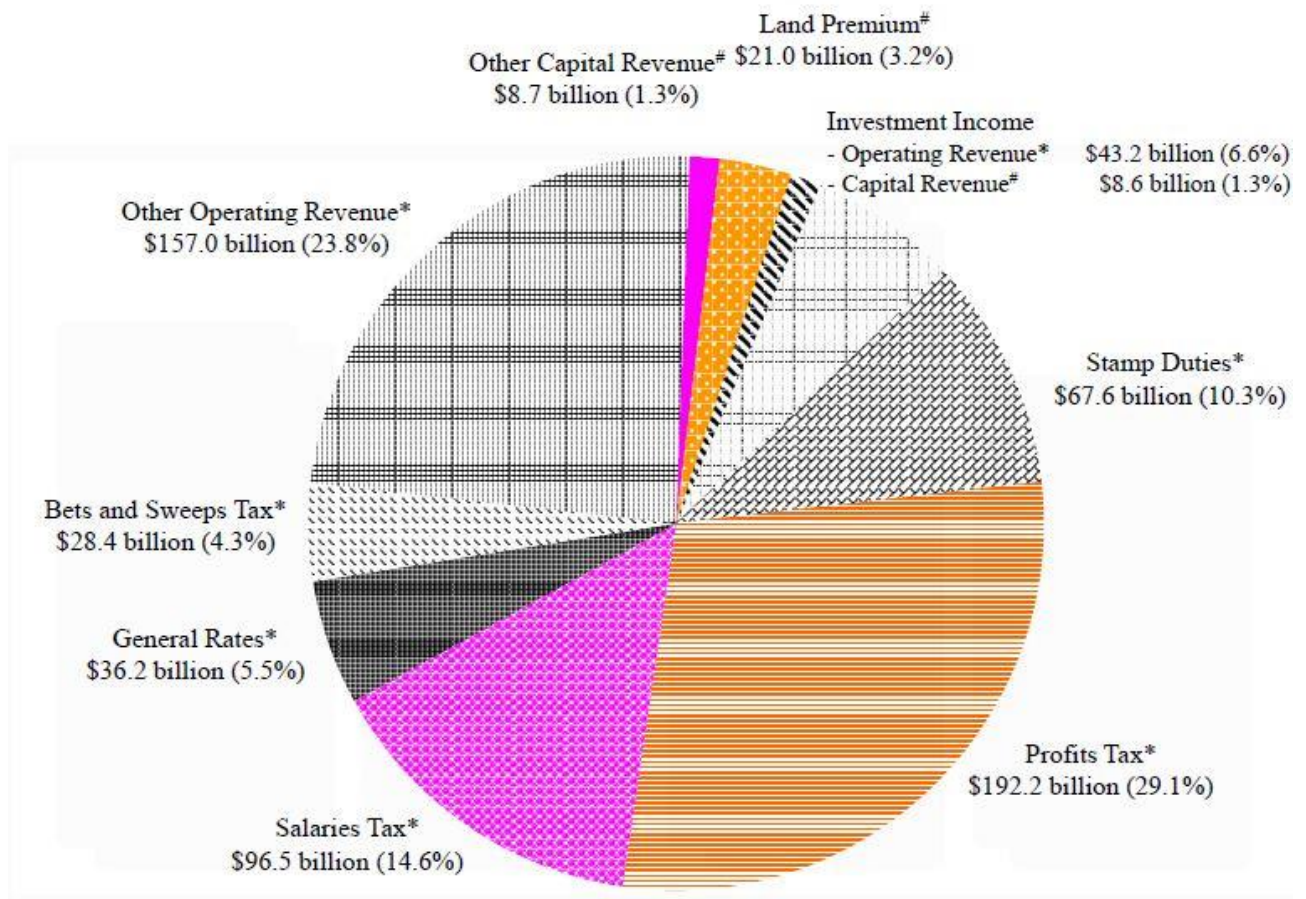
**SECTION V TRENDS IN PUBLIC EXPENDITURE : 2020-21 TO 2025-26**

**Total Public Expenditure by Policy Area Group**



**SECTION VI ANALYSIS OF GOVERNMENT REVENUE**

**2025-26 Estimate (\$659.4 billion)**



	2025-26 Estimate	% Share of Government Revenue	% of GDP
* Operating Revenue	\$621.1 billion	94.2%	18.5%
# Capital Revenue	\$38.3 billion	5.8%	1.1%
<b>Total</b>	<b>\$659.4 billion</b>	<b>100%</b>	<b>19.6%</b>

## SECTION VII CLASSIFICATION OF POLICY AREA GROUP

<b>Policy Area Group</b>	<b>Policy Area (Note)</b>	
Community and External Affairs	19	District and Community Relations
	18	Recreation, Culture, Amenities and Entertainment Licensing
Economic	3	Air and Sea Communications and Logistics Development
	6	Commerce and Industry
	8	Employment and Labour
	1	Financial Services
	17	Information Technology and Broadcasting
	34	Manpower Development
	4	Posts, Competition Policy and Consumer Protection
	7	Public Safety
	5	Travel and Tourism
Education	16	Education
Environment and Food	2	Agriculture, Fisheries and Food Safety
	32	Environmental Hygiene
	23	Environmental Protection, Conservation, Power and Sustainable Development
Health	15	Health
Housing	31	Housing
Infrastructure	22	Buildings, Lands, Planning, Heritage Conservation, Greening and Landscape
	21	Land and Waterborne Transport
	24	Water Supply, Drainage and Slope Safety
Security	12	Administration of Justice
	13	Anti-corruption
	10	Immigration Control
	9	Internal Security
	11	Legal Administration
	20	Legal Aid
Social Welfare	14	Social Welfare
Support	26	Central Management of the Civil Service
	30	Complaints Against Maladministration
	28	Constitutional and Mainland Affairs
	27	Intra-Governmental Services
	25	Revenue Collection and Financial Control
	29	Support for Members of the Legislative Council

*Note:* Details of individual heads of expenditure contributing to a particular policy area are provided in an index in Volume I of the 2025-26 Estimates. The index further provides details, by head of expenditure, of individual programmes which contribute to a policy area.



# **APPENDIX C**

## **GLOSSARY OF TERMS**



## GLOSSARY OF TERMS

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Note: Terms shown in *bold italic* are defined elsewhere in the glossary.

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**Capital expenditure.** This comprises all expenditure charged to the Capital Account of the General Revenue Account, Capital Investment Fund, Capital Works Reserve Fund (including interest on government bonds but excluding repayment of the bonds), Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund. Major items are highlighted below –

*General Revenue Account*

equipment, works and capital subventions of a minor nature

*Capital Investment Fund*

advances and equity investments

*Capital Works Reserve Fund*

acquisition of land  
 capital subventions  
 computerisation  
 interest and other expenses on government bonds  
 major systems and equipment  
 Public Works Programme expenditure

*Disaster Relief Fund*

relief to disasters that occur outside Hong Kong

*Innovation and Technology Fund*

projects promoting innovation and technology upgrading in manufacturing and service industries

*Loan Fund*

loans made under various development schemes supported by the Government  
 loans to schools, teachers, students, and housing loans to civil servants, etc.

*Lotteries Fund*

grants, loans and advances for social welfare services

**Capital surplus.** The difference between *capital revenue* and *capital expenditure*.

**Capital revenue.** This comprises certain revenue items in the General Revenue Account and all receipts credited to seven Funds, as highlighted below –

*General Revenue Account*

disposal proceeds of government quarters and other assets  
 estate duty  
 loan repayments received  
 recovery from Housing Authority

*Capital Investment Fund*

dividends from investments  
 interest on loans  
 investment income  
 loan repayments received  
 proceeds from sale of investments

*Capital Works Reserve Fund*

investment income  
land premium  
recovery from MTR Corporation Limited

*Civil Service Pension Reserve Fund*

investment income

*Disaster Relief Fund*

investment income

*Innovation and Technology Fund*

investment income  
loan repayments received  
proceeds from sale of investments

*Loan Fund*

interest on loans  
investment income  
loan repayments received  
proceeds from sale of loans

*Lotteries Fund*

auctions of vehicle registration numbers  
investment income  
loan repayments received  
share of proceeds from the Mark Six Lottery

**Consolidated surplus / (deficit) before issuance and repayment of bonds.** The difference between *government revenue* and *government expenditure*.

**Fiscal reserves.** The accumulated balances of the General Revenue Account, Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund.

**Future Fund.** It is the part of the fiscal reserves which is set aside for longer-term investment with a view to securing higher investment returns for the fiscal reserves. It is a notional savings account established on 1 January 2016. It comprises the balance of the Land Fund as its initial endowment and top-ups from consolidated surpluses to be transferred from *Operating and Capital Reserves* which is the part of the fiscal reserves outside the Future Fund.

**Government expenditure.** The aggregate of *operating expenditure* and *capital expenditure*. Unlike *public expenditure*, it excludes expenditure by the Trading Funds and the Housing Authority.

**Government revenue.** The aggregate of *operating revenue* and *capital revenue*.

**Operating and Capital Reserves.** With the establishment of the *Future Fund*, the part of the fiscal reserves outside the *Future Fund* is collectively known as the Operating and Capital Reserves.

**Operating expenditure.** All expenditure charged to the Operating Account of the General Revenue Account and the Land Fund.

**Operating revenue.** This comprises all revenue credited to the General Revenue Account (except those items which are treated as *capital revenue*) and the Land Fund, as highlighted below –

*General Revenue Account*

- duties
- finances, forfeitures and penalties
- investment income
- rents and rates
- royalties and concessions
- taxes
- utilities, fees and charges

*Land Fund*

- investment income

**Operating surplus / (deficit).** The difference between *operating revenue* and *operating expenditure*.

**Public expenditure.** *Government expenditure* plus expenditure (operating and capital) by the Trading Funds and the Housing Authority.

**Transfer to Funds.** Transfers between the General Revenue Account and the eight Funds (Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund) are not counted as government revenue and expenditure as these are merely internal transfers within Government's accounts.