

Developing the Economy

Trading and Logistics Industry

- Designate 12 hectares of land at Tuen Mun West and Tsing Yi for developing logistics facilities to provide a floor area of more than 300 000 square metres and create 7 500 new jobs

Tourism

- Offer a \$2.3 billion loan to Ocean Park to build an all-weather Water World
- Hong Kong Disneyland to launch a night-time parade and put in place a themed area featuring "Marvel heroes"

Financial Services Industry

- Expand the size of the Government Bond Programme from \$100 billion to \$200 billion
- Issue iBond worth not more than \$10 billion
- Allow private equity funds to enjoy the same tax exemption as offshore funds
- Reduce profits tax on the offshore insurance business of captive insurance companies to attract more enterprises to form captive insurance companies in Hong Kong

Emerging Industries

- Provide each of the 6 universities with a subvention of up to \$12 million for a period of 3 years to support their technology transfer work
- Allocate \$50 million to acquire local visual artists' outstanding artworks
- Convert the club house of the former Royal Hong Kong Yacht Club in Oil Street, North Point, into a visual arts exhibition and activity centre
- Set up a working group to study the strategy for promoting intellectual property trading

Small and Medium Enterprises

- Waive business registration fees for 2013-14
- Reduce profits tax for 2012-13 by 75 per cent, subject to a ceiling of \$10,000
- Extend the application period for the special concessionary measures under the Small and Medium Enterprises (SME) Financing Guarantee Scheme for 1 year
- Increase the cumulative amount of the grant under the SME Export Marketing Fund from \$150,000 to \$200,000
- Introduce a small business policy scheme to be run by the Hong Kong Export Credit Insurance Corporation

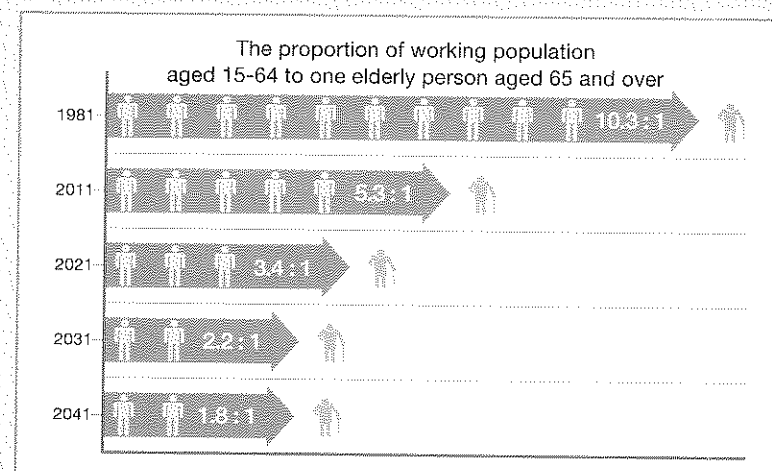
“The ultimate objective of economic policies is not about chasing statistics. It is about expanding Hong Kong's overall economic scale and promoting holistic development of our society, and creating more business and job opportunities so that our people can realise their aspirations and improve their living standards.”

Easing Pressure

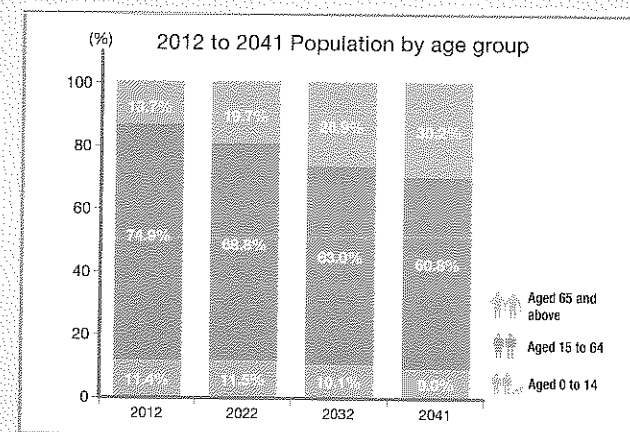
Tax concessions and one-off measures:

- Increase the basic and additional child allowances from the current \$63,000 to \$70,000 for each child
- Reduce salaries tax and tax under personal assessment for 2012-13 by 75 per cent, subject to a ceiling of \$10,000
- Grant each residential electricity account a subsidy of \$1,800
- Waive rates for the whole year, subject to a ceiling of \$1,500 per quarter
- Provide extra allowance to recipients of CSSA, Old Age Allowance, Old Age Living Allowance and Disability Allowance, equal to 1 month of the allowances
- Pay 2 months' rent for public housing tenants
- Allocate another \$100 million to extend short-term food assistance services when necessary
- Raise the deduction ceiling for self-education expenses to \$80,000
- Give all student loan borrowers who complete their studies in 2013 the option to start repaying their student loans 1 year after completion of studies

“The one-off measures can help ease the community's burden and are countercyclical from a macro perspective to cope with short-term economic fluctuations, maintain spending power and support the employment market.”



Challenges Ahead



- In 10 years' time, economic growth will continue to taper off and the growth rate will be much lower than the trend growth rate of 4.5 per cent over the past 10 years
- In 20 years' time, the current elderly dependency ratio of 5 persons of working age supporting 1 dependent elderly person will drop to 2 persons supporting 1 dependent elderly person
- Government revenue will drop substantially as a result of the reduction in the number of taxpayers and decelerated economic growth. The Government may not be able to make ends meet
- We will set up a working group to explore ways to make more comprehensive planning for our public finances in the long run

“With an increase in the number of the elderly, a shrinking working population, reduction in the number of taxpayers and decelerated economic growth, I expect that the growth of government revenue will drop substantially if our tax regime remains unchanged. Meanwhile, expenditure on welfare and healthcare will soar. We may not be able to make ends meet.”



2013-14 Budget Highlights



“ Social welfare, education and medical services are the major spenders of public resources. In 2013-14, estimated recurrent expenditure in these three areas will approach \$170 billion, or 60 per cent of recurrent government expenditure. This is an increase of \$55.1 billion, or 50 per cent, compared with 2007-08. ”

Government Expenditure

Poverty Alleviation

- Inject \$15 billion into the Community Care Fund

Elderly Services

- Allocate \$8.3 billion for payment of the Old Age Living Allowance, to benefit more than 400 000 elderly people
- Allocate \$380 million from the Lotteries Fund to launch the first phase of the Pilot Scheme on Community Care Service Voucher for the Elderly
- Increase expenditure by \$73 million for the provision of 600 additional subsidised places
- Allocate an additional \$164 million to increase the subvention for 7 000 places with continuum of care by 10 per cent, and to upgrade 7 850 ordinary places in subvented residential care homes for the elderly to places with continuum of care
- Allocate an additional \$160 million to provide 1 200 places under the two-year full-time Enrolled Nurse Training Programmes for the welfare sector

Rehabilitation Services for the Disabled

- Allocate an additional \$35.6 million to provide 145 new places each for residential and day training services
- Allocate an additional \$67.9 million to increase the manpower of residential care homes and day training centres
- Allocate an additional \$203 million to regularise the home care service for persons with severe disabilities

Healthcare

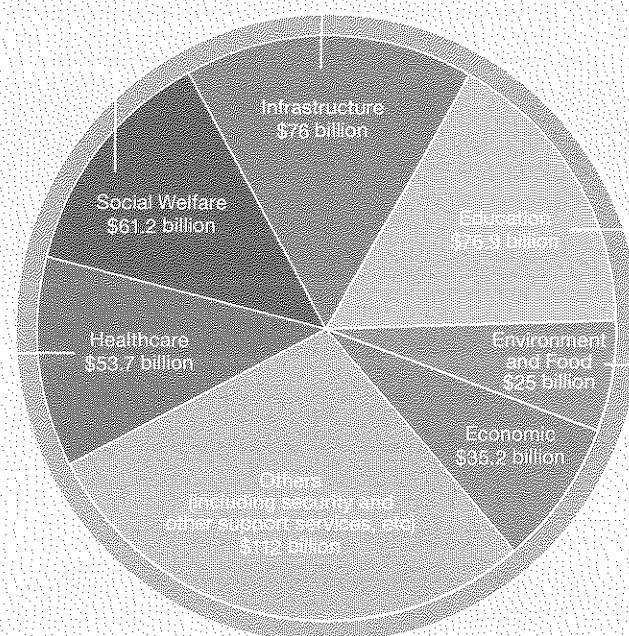
- Optimise the management of specialist out-patient clinics to shorten the waiting time
- Add 290 acute patient beds and convalescent beds
- Use \$8 billion to redevelop Kwai Chung Hospital
- Enhance community support for patients with severe mental illness
- Allocate \$44 million to include in the Drug Formulary two chemotherapeutic drugs and expand the clinical application of two special drugs for treating advanced Parkinson's disease and cancer

Land Supply

- Include in the Land Sale Programme 46 residential sites, of which 28 are new sites
- Include 9 sites for commercial/business use, providing a total floor area of 330 000 square metres
- Carry out studies and design work relating to reclamation outside Victoria Harbour on an appropriate scale, opening up of new development area, etc

Infrastructure

- Capital works expenditure for next year will reach \$70 billion, creating about 75 000 job opportunities

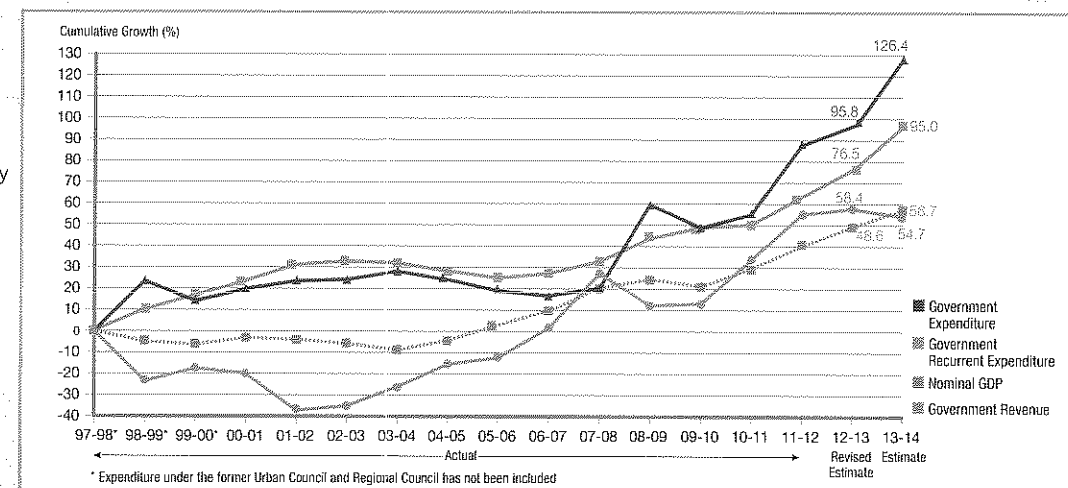


Total government expenditure: \$440 billion
(+15.6% year-on-year)

Recurrent expenditure: \$291.3 billion
(+10.5% year-on-year)

Economic Outlook

- There is a modest improvement in our economy this year. Forecast GDP growth is between 1.5% and 3.5%
- Inflation will be subject to upward pressure. The average rate of headline inflation for the year is estimated at 4.5%, and the underlying inflation rate is 4.2%



Education

- Inject \$5 billion into the Language Fund
- Inject \$480 million to set up scholarships for 20 outstanding students to pursue studies overseas. Awardees must undertake to be teachers upon graduation
- Inject \$40 million to establish scholarships to give recognition to outstanding tertiary students with special education needs
- Allocate \$12 million to the Vocational Training Council to support students with special education needs

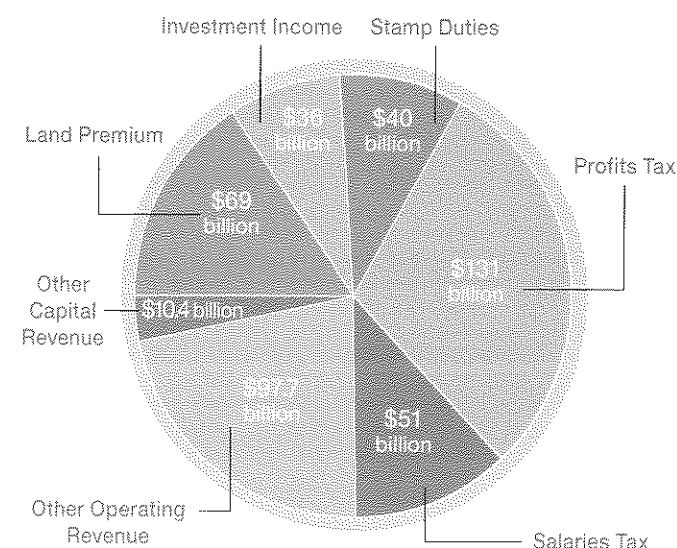
Training

- Inject \$15 billion into the Employees Retraining Board
- Establish a \$100 million training fund for maritime and aviation transport to attract young people to enrol in related skills training
- Set up a task force to study manpower development in the retail industry

Environment

- Earmark \$10 billion to phase out old diesel commercial vehicles
- Inject \$5 billion into the Environment and Conservation Fund
- Earmark \$500 million to set up waste electrical and electronic equipment processing facilities and five community green stations
- Take forward organic waste treatment facilities in Siu Ho Wan on Lantau

Government Revenue



Total government revenue: \$435.1 billion

“ The use of public resources has always been guided by the principle of pragmatism. Resources are allocated in accordance with actual needs and priorities, taking into account with our fiscal sustainability. ”