

# THE 2026-27 BUDGET

*Speech by the Financial Secretary, the Hon Paul MP Chan  
moving the Second Reading of the Appropriation Bill 2026  
Wednesday, 25 February 2026*

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

I move that the Appropriation Bill 2026 be read a second time.

### **Introduction**

2. Today is the ninth day of the Chinese New Year, and the city is still brimming with festive spirits. The bustling New Year fairs, the buzzing Night Parade and the dazzling fireworks display above Victoria Harbour have echoed the vigour and vitality symbolised by the Year of the Horse.

3. Over the past year, as a result of the booming economy and capital market, our tax revenue has increased. Coupled with the reinforced fiscal consolidation programme gradually bearing fruit, our public finances have improved sooner than expected. The Operating Account has returned to a surplus this financial year. After taking into account the proceeds from bond issuance, the Consolidated Account has also returned to balance ahead of schedule. All these have enabled us to suitably reinforce support for the people and small and medium enterprises (SMEs) within our means.

4. This year marks the beginning of the National 15th Five-Year Plan. The stable and high-quality development of our country is always our strongest backing. Our country's sustained high-standard two-way opening-up, coupled with scientific and technological innovation, have presented us with new opportunities. We must embrace the 15th Five-Year Plan with an innovative mindset, fostering new quality productive forces in accordance with local conditions. Leveraging our edge of having close connectivity with the Mainland and the world, and with a large pool of talents, we will facilitate enterprises in opening up new markets. We expect Hong Kong's economy to sustain good momentum this year.

5. The theme of this Budget is: “Driving High-quality, Inclusive Growth with Innovation and Finance”. I will elaborate on this a little later.

## **Economic Situation in 2025**

6. The global political and economic landscape is fraught with complication and volatility. The United States (US) waged a tariff war early last year, precipitating a sharp escalation in global trade tensions. As the US reached preliminary trade agreements with various economies and achieved consensus with China on key economic and trade matters, trade frictions eased, allowing the global economy to continue expanding.

7. Technological transformation and the rapid development of artificial intelligence (AI) have spurred a fresh wave of investment enthusiasm and driven product demand. Asia, especially China, serves as an important engine propelling global economic growth. Furthermore, the resumption of interest rate cuts by the US since September last year has bolstered performance of the investment and capital markets. The International Monetary Fund (IMF) projects global economic growth of 3.3 per cent for 2025, which is broadly in line with that of 2024.

8. Hong Kong's economy was buoyant last year. External trade remained strong, private consumption rebounded, and fixed investment accelerated. The overall economy grew by 3.5 per cent in the year, marking the third consecutive year of expansion.

9. Boosted by robust demand for electronic-related products, total exports of goods from Hong Kong grew by 12 per cent in real terms, with particularly notable increases in exports to the Chinese Mainland and the Association of Southeast Asian Nations (ASEAN).

10. Exports of services rose by 6.3 per cent. Visitor arrivals surged by 12 per cent, while cross-boundary financial services and traffic saw sustained growth.

11. On domestic demand, private consumption expenditure rose by 1.7 per cent for the year, reversing the downward trend from the second quarter of 2025. Amid continuing economic expansion and a recovering residential property market, growth in overall investment expenditure accelerated to 4.3 per cent.

12. The labour market gradually stabilised in the latter half of the year. The seasonally adjusted unemployment rate stood at 3.8 per cent in the fourth quarter. Employment earnings showed sustained growth, with the median monthly employment earnings of full-time employees increasing by 4.2 per cent year-on-year in the fourth quarter.

13. Inflation remained mild. Netting out the effects of the Government's one-off measures, the underlying inflation rate was 1.1 per cent last year.

14. The stock market delivered a stellar performance. The Hang Seng Index rose by 28 per cent over the year. The daily turnover surged by 90 per cent to a historic high of close to \$250 billion. Capital raised through initial public offerings (IPOs) exceeded 2024 by more than two times to over \$280 billion, ranking first globally.

15. The residential property market saw increases in both prices and transaction volumes. Market activities have been active since last March, with total transactions reaching a four-year high of nearly 63 000 for the year. Property prices rose by 3.3 per cent for the year, ending a three-year decline, while rental prices rose by 4.3 per cent in the year. Transaction volume for non-residential properties rebounded, while the declines in rentals and prices narrowed.

## **Economic Outlook for 2026 and the Medium Term**

16. Entering 2026, global trade tensions have moderated, and economic activities continued to expand in major economies. The Chinese Mainland will be the leading contributor to global economic growth, serving as the key driver for both regional and global economic momentum. The steadfast development of our country will continue providing firm support for Hong Kong.

17. Our country will implement more proactive macro policies this year, expanding domestic demand, and steadfastly advancing high-quality development, while maintaining reasonable economic growth. This will lay a strong foundation for the 15th Five-Year Plan period, and generate propitious conditions for Hong Kong's economic growth.

18. Driven by investments in AI and other new technologies, the demand for related products continues to underpin the trade expansion in Asia. Market expectations of further interest rate cuts in the US would bolster investor confidence. The IMF forecasts moderate growth for the global economy this year.

19. Benefitting from these factors, Hong Kong's exports of goods should sustain decent growth. Exports of services will also continue to increase, driven by increasing visitor arrivals and demand for financial services.

20. Domestic demand will grow steadily. A stable labour market and rising household incomes will drive private consumption, while improvement in business sentiment, coupled with expectations of interest rate cuts, will boost asset markets and investments.

21. Nevertheless, the international environment remains complex and intricate. With the major advanced economies still frequently shifting their trade and economic policies, uncertainties will continue to loom over global trade. A slower-than-expected pace of US rate cuts could hamper the optimism currently underpinning the global financial market.

22. Based on our assessment of the current global and local economic situations, we forecast that Hong Kong's economy will grow by 2.5 per cent to 3.5 per cent this year.

23. As for prices, external price pressures are in check. With the local economy continuing to expand, inflation this year is expected to be moderately higher than last year. We forecast the underlying inflation rate and the headline inflation rate this year to be 1.7 per cent and 1.8 per cent respectively.

24. In the medium term, protectionism will persist in some major economies, while fragmentation of the global economy will continue. Nevertheless, the rise of the "Global South" and the reshaping of the global trade and investment landscape will unlock new markets and new growth areas for Hong Kong.

25. This year marks the beginning of the 15th Five-Year Plan. Hong Kong will proactively align with the 15th Five-Year Plan, better integrate and serve the overall national development, and continue to proactively participate in development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

26. The current-term Government is committed to expanding economic capacity and enhancing competitiveness, expediting the development of the Northern Metropolis (NM), driving growth through talents and innovation and technology (I&T) and developing new quality productive forces tailored to local circumstances for promoting high-quality economic development.

27. We forecast that Hong Kong's economy will grow on average by three per cent per annum in real terms from 2027 to 2030, with the underlying inflation rate averaging two per cent a year.

## **Sustaining Momentum and Accelerating Economic Development**

28. Hong Kong's economy has grown for three consecutive years, with overall sentiment steadily turning positive. Mega events are drawing visitors to Hong Kong, and international conferences have brought together global political and business leaders, fostering deeper exchanges and collaboration:

- (a) **More buoyant asset markets:** The stock market has shown encouraging momentum, with total market capitalisation rising to \$50 trillion. IPO activities were also vibrant. Sentiment in the residential property market has turned positive. Total bank deposits exceeded \$19 trillion as at the end of last year, increasing by 12 per cent year-on-year, with capital continuing to flow in. The asset management sector is also faring well, with net fund inflow of \$357 billion to funds domiciled in Hong Kong. Hong Kong ranked third globally and first in the Asia Pacific in the Global Financial Centres Index. Hong Kong is expected to become the world's largest cross-boundary wealth management centre in one to two years.

- (b) **Accelerated convergence of enterprises and talents:** The Office for Attracting Strategic Enterprises (OASES) has attracted over 100 strategic enterprises to establish in Hong Kong. Among them, 51 have been listed, and 76 set up their global or regional headquarters in Hong Kong, bringing in about \$60 billion of investment and creating around 22 000 jobs. Invest Hong Kong assisted 560 enterprises in establishing or expanding their operations in Hong Kong last year, which is expected to generate about \$70 billion of investment and create over 10 000 jobs. The number of companies in Hong Kong with Mainland or overseas parent companies and the number of start-ups in Hong Kong both rose by 11 per cent, hitting new highs. As regards talent attraction, the Top Talent Pass Scheme has drawn over 100 000 global elites to Hong Kong. We will continue to proactively attract investments and talents, injecting fresh impetus into Hong Kong's economy;
- (c) **Strengthening international connections:** The establishment of the International Organization for Mediation in Hong Kong has further strengthened our status as the centre for international legal and dispute resolution services in the Asia-Pacific region. International conferences and exhibitions such as the Belt and Road Summit, Asian Financial Forum, Hong Kong FinTech Week, Hong Kong Maritime Week and InnoEx each drew thousands of global political, business and industry leaders. This year, we will sustain our efforts in deepening international connections, for instance, the Asia-Pacific Economic Cooperation Finance Ministers' Meeting will be held in Hong Kong for the first time;

- (d) **Soaring visitor arrivals drawn by mega events:** Visitor arrivals approached 50 million last year, increasing year-on-year by 12 per cent, with non-Mainland visitors recording a growth of 15 per cent. Hong Kong boasts an extensive line-up of mega events. The National Games as well as the National Games for Persons with Disabilities and the National Special Olympic Games, which we co-hosted with Guangdong and Macao last year, enhanced Hong Kong's capability to organise large-scale sports events and deepened integration and collaboration among GBA cities. Less than a year after its commissioning, Kai Tak Sports Park has achieved the highest ticket sales in Asia and ranked third globally for its main stadium, registering the highest gross income of any stadium in Asia. In the coming year, mega cultural and sports events will follow one after another, showcasing Hong Kong's unique glamour; and
- (e) **Accelerating the development of the NM:** Being a new engine for long-term development, the NM will inject fresh economic impetus into Hong Kong and support our new "South-North dual engine (finance-I&T)" industry pattern. We are accelerating its development through various measures, including adopting a large-scale land-disposal approach in land allocation and expediting the bringing in of enterprises and industries, as well as establishing two dedicated companies for San Tin Technopole and Hung Shui Kiu Industry Park respectively. We plan to introduce a dedicated legislation for the NM in the middle of this year.

## **Proactively Aligning with the 15th Five-Year Plan**

29. The Recommendations for Formulating the 15th Five-Year Plan (The Recommendations) delineate the overall approach, strategic goals and major initiatives for our country's development in the next five years. It is a strategic blueprint for setting out the direction of the full implementation of Chinese modernisation.

30. The Recommendations also give explicit support to Hong Kong in better integrating into and serving the overall national development, consolidating and enhancing its status as an international financial, shipping and trade centre, while developing into an international I&T centre and an international hub for high-calibre talents. Hong Kong can contribute in various key areas:

- (a) **Contributing to building a modernised industrial system and accelerating high-level scientific and technological self-reliance of our country:** With strong basic research capabilities, Hong Kong possesses unique edge in AI, life and health technology, fintech, as well as new materials and new energy. Being an international financial centre, Hong Kong will drive "Finance+", capitalising on our financial sector to better serve the real economy and industries with competitive edge, and pressing ahead towards mutual empowerment of finance and I&T. In so doing, we can leverage our strengths to serve the country's needs;

- (b) **Proactively participating in our country’s development in promoting high-standard opening up:** Hong Kong possesses unique institutional strength under “One Country, Two Systems”. With our efficient aviation, shipping and logistics services, we serve as a “super connector” and “super value-adder” to help enterprises go global and bring in external investments, fostering two-way trade and investment; and
  
- (c) **Bringing together high-calibre talents from across the globe:** Hong Kong’s world-class universities and internationalised environment are conducive to attracting and bringing in top global talents in various sectors, particularly leading experts in the scientific research field from around the world. We will keep nurturing local talents, aligning with the integrated development of “Education, Technology and Talent” of our country.

31. The Chief Executive will lead a cross-bureau, cross-departmental task force for Hong Kong to proactively align with the 15th Five-Year Plan, and for the first time, to formulate Hong Kong’s five-year plan. We will integrate more actively into and serve the overall national development. With the synergy between a capable government and an efficient market, we aim at driving high-quality, high value-added and diversified economic growth.

## **International Innovation and Technology Hub**

32. Technology changes are reshaping the global economic landscape and generating new consumption demand and investments, while fostering the integration of industries across boundaries. Technological innovation is driving industrial innovation profoundly.

33. Hong Kong's strengths in innovative scientific research and commercialisation of research outcomes lie in our internationalised qualities, strong research capabilities, support of financial sector and a rich pool of high-calibre talents. We are stepping up support measures such as computing power, land and capital, together with GBA cities' well-developed advanced manufacturing, to enhance our influence as a global source of original innovation.

### **Artificial Intelligence + (AI+)**

34. We are pressing ahead with the industrialisation of AI and deepening its integration across various industries, while encouraging wider AI application, thereby achieving the target of adoption and utilisation by all.

### **Committee on AI+ and Industry Development Strategy**

35. The application of AI technology is swiftly driving the process of industrial transformation. New technologies, new industries and new products are quickly emerging. I will establish and chair the Committee on AI+ and Industry Development Strategy to formulate strategies and create favourable conditions for AI to empower the transformation and development of industries. The committee will comprise experts, academics, enterprises and industry park companies with an initial focus on life and health technology and embodied AI.

## **Empower Industries through AI**

36. In respect of basic research and development (R&D), the InnoHK Research Cluster has so far funded 16 laboratories specialising in AI and robotics technologies. Their research focuses on technologies like AI-driven robotics which could widely apply to industries such as healthcare, logistics, smart manufacturing and construction.

37. The \$3 billion AI Subsidy Scheme launched by the Government has approved around 30 R&D applications in the fields of large language models, new materials and biomedicine, etc., to enhance local AI research standards and application.

38. We are making proactive efforts to align with the National AI+ Initiative by promoting “industries for AI” and “AI for industries” through application. The Hong Kong Artificial Intelligence Research and Development Institute Company Limited will come into operation in the second half of this year. The company aims to promote AI+ development and transformation of R&D outcomes. It will also advise on matters such as the governance framework and regulatory regime for AI development.

39. The Hong Kong Monetary Authority (HKMA) and Cyberport have recently commenced trials for the second cohort of sandbox, focusing on “AI vs. AI” strategies for promoting secure and responsible AI application in the banking sector.

## **Computing Infrastructure**

40. Hong Kong’s overall computing power has now reached 5 000 petaFLOPS, laying an important foundation for supporting AI development.

41. The data facility cluster at Sandy Ridge, which can provide a gross floor area of 250 000 square metres, will further enhance Hong Kong's overall computing power. The tender result of the site will be announced shortly. The cluster will render crucial support for data and computing power required by the use of AI.

### **AI Training for All**

42. AI brings new opportunities to society and employment market. The key is to popularise the understanding and use of AI by all levels of society.

43. We will invite public organisations to organise, in collaboration with technology enterprises and tertiary institutions, AI application courses, seminars and competitions targeting students, young people and members of the public for enhancing their AI awareness and application skills, and to be responsible AI users. We will allocate \$50 million to take forward this initiative.

44. In the 2025/26 to 2027/28 triennium, the University Grants Committee (UGC)-funded universities will introduce a total of 27 undergraduate programmes related to STEAM, including AI, creative industries, data science, etc. As regards self-financing post-secondary institutions, AI-related programmes will be given priority to be included in the Study Subsidy Scheme for Designated Professions/Sectors starting from 2027/28 academic year. Meanwhile, the Vocational Training Council (VTC) also includes AI application in the compulsory modules on Information Technology for all of its Higher Diploma programmes.

45. The Employees Retraining Board (ERB) will be upgraded as Upskill Hong Kong, providing various types of skill-based training courses, including AI application, thereby enhancing the competitiveness of the local workforce.

46. The Quality Education Fund has earmarked \$2 billion to take forward digital education in primary and secondary schools by offering school-based AI education programmes and subsidising students to participate in related activities. We also provide AI training for teachers.

### **Data Utilisation**

47. To further enhance the utilisation of data within the Government, we will allocate additional resources to the Census and Statistics Department (C&SD) to expand its consulting and analysis services on data science for bureaux and departments, with a view to identifying pain points in operations and proposing corresponding solutions.

48. The C&SD will launch a new online platform for interactive data dissemination service next month. Through integrating different types of statistical data, this platform enables enterprises and the public to conduct cross-subject analysis. A natural language data query feature will be introduced into the platform in the third quarter.

### **Empower Public Services through AI**

49. Various departments are proactively leveraging AI and related technologies to promote digital intelligence for enhancing the standard of public services. For example:

- (a) Traffic management: The Transport Department will explore the setting up of a traffic management platform integrating the use of big data analytics and AI, allowing comprehensive monitoring of real-time traffic conditions and enhancing management efficiency;

- (b) Employment services: To provide better services for job seekers and employers, the Labour Department will utilise AI to optimise job matching;
- (c) Flood alert: The Drainage Services Department (DSD) will enhance its smart flood forecast and alert system. Besides, the DSD has developed an AI large vision-language model to analyse the images captured by street cameras, thereby speeding up emergency response; and
- (d) Landslide risk assessment: To enhance the Landslip Warning system, the Civil Engineering and Development Department will consolidate Hong Kong's rainfall data, landslide records and man-made slope data this year for conducting real-time and dynamic landslide risk assessment.

50. The Government has set up the AI Efficacy Enhancement Team to co-ordinate and steer government departments to apply AI, conduct process re-engineering and enhance efficiency. We will allocate \$100 million for introducing leading technologies from the industry so as to accelerate digital intelligence transformation of the Government.

51. The Civil Service College will collaborate with the Digital Policy Office to provide AI training for civil servants to better grasp the relevant knowledge.

## **Life and Health**

### **Life and Health Technology**

52. We are actively advancing the integrated development of life and health technology at upstream, midstream and downstream levels. On upstream R&D, we will pursue its development through a “One plus Three” model, involving the headquarters of the Life and Health Technology Research Institutes to be set up in the Hong Kong Park of the Hetao Co-operation Zone (Hetao Hong Kong Park) and the three branches to be established by universities. In addition, we have established various R&D centres under the InnoHK Research Clusters. On midstream outcome transformation, the Research, Academic and Industry Sectors One-plus (RAISe+) Scheme has supported 15 projects. As for downstream industries, three major I&T parks together host nearly 500 relevant enterprises and organisations, creating a vibrant ecosystem.

### **International Health and Medical Innovation Hub**

#### *R&D and Transformation of Biomedicine Technology*

53. The Greater Bay Area International Clinical Trial Institute situated in the Hetao Hong Kong Park has launched a collaboration platform with the Shenzhen Park. It provides a one-stop clinical trial support platform that brings together researchers and integrates databases for promoting R&D of biomedicine and vaccines.

54. The International Clinical Trial Academy will be established next year, which will help enable the Mainland’s biomedicine technology to go global and attract foreign investments, thereby helping Hong Kong to develop into an international health and medical innovation hub.

*Cross-boundary Medical Collaboration*

55. The Government established the Real-World Study and Application Centre at the end of last year to support pharmaceutical companies and expedite the launch of innovative drugs and medical devices on the Mainland and international markets, contributing to the Mainland's drug regulatory science system.

**Development of Chinese Medicine**

56. The Chinese Medicine Development Blueprint outlines the vision for Chinese medicine development in Hong Kong, with the aim of promoting comprehensive, high-quality and high-standard development of Chinese medicine. We will inject \$500 million into the Chinese Medicine Development Fund for undertaking research, training and international publicity on strategic themes.

57. The Chinese Medicine Hospital of Hong Kong and the Government Chinese Medicines Testing Institute have commenced services. The new facilities will help spur the development of Chinese medicine services, scientific research and innovation and standard-setting, for showcasing the edge of Chinese medicine to the world.

## **Development of New Industrialisation**

58. We actively steer local manufacturers towards smart manufacturing, which leverages technologies such as Internet of Things, real-time data, application of data analytics, advanced human-machine interfaces and robotics. The New Industrialisation Funding Scheme has supported over 120 new smart production lines, drawing in private investment of over \$1 billion. Moreover, the New Industrialisation Acceleration Scheme aims to encourage enterprises to establish high-end smart production facilities in Hong Kong. Four projects have been supported so far, involving a total investment of about \$2.5 billion, of which more than 70 per cent is private investment.

59. The Government will launch the New Industrialisation Elite Enterprises Nurturing Scheme this year, supporting targeted high-growth enterprises contributing to the development of new industrialisation, with an aim of nurturing emerging and future industry enterprises in Hong Kong.

60. The Government is committed to implementing the Co-operation Agreement on the Development of New Quality Productive Forces and the Promotion of New Industrialisation signed with the Ministry of Industry and Information Technology to promote industrial collaboration. We will earmark about \$220 million for establishing in Hong Kong the first national manufacturing innovation centre outside the Mainland.

61. The pilot lines for R&D and trial production of third-generation semiconductors of the Hong Kong Microelectronics Research and Development Institute will commence operation this year to facilitate local semiconductor R&D and upgrading of industries. Moreover, the New Industrialisation Acceleration Scheme has supported two enterprises developing semiconductor chip technology and equipment, with total investment of over \$1.5 billion.

62. We are conducting a study on the medium- to long-term development of new industrialisation in Hong Kong, including emerging and future industries. Our objective is to accelerate new industrialisation and the development of new quality productive forces in the city, enabling us to integrate into our country's overall planning of new industrialisation and inject new impetus into the economy.

### **Synergising with Market Forces to Accelerate Innovation and Technology Development**

63. We will promote the full integration between technological innovation and industrial innovation through key infrastructures, including the Hetao Hong Kong Park and San Tin Technopole.

### **Public-Private Partnership**

64. One of the keys to realising the vision of building the NM into a new international I&T city is to release the potential of the underdeveloped private land therein, and convert them to industrial space and ancillary facilities, thereby providing staunch support for accelerated development of the real economy and industries.

65. We are exploring ways of further encouraging developers owning land in the NM to collaborate with technology or advanced manufacturing enterprises in submitting joint development proposals to the Government. We expect that, through tripartite co-operation, relevant land and corporate resources will be channelled towards the target industries for priority development in Hong Kong. In doing so, the business sector will have greater participation in the I&T transformation of our economy, thereby expediting the NM development through concerted efforts.

## **Hetao Hong Kong Park**

66. Over 60 enterprises have moved into the first two buildings in Phase 1 development of the Hetao Hong Kong Park, taking up around 80 per cent of floor area. Meanwhile, the planning for Phase 2 development has been completed. The two phases together will provide a total floor area of two million square metres.

67. We will seek approval from the Legislative Council (the LegCo) to inject a funding of \$10 billion to the park company to accelerate the development of the Hetao Hong Kong Park by engaging the market to speed up the disposal of the remaining land parcels under Phase 1 development, providing key infrastructure, further strengthening support to start-ups and establishing a venture fund.

68. We are seeking to facilitate the convenient flow of personnel, materials, capital and data between the Shenzhen Park and Hong Kong Park. We are also exploring with the Mainland the formulation of specific implementation plans to allow cross-boundary flow of research data and biosamples, such as “white list” and “green lane” mechanisms to streamline entry/exit procedures and approval processes.

## **San Tin Technopole**

69. San Tin Technopole is an extension of the Loop. Together with the Hetao Hong Kong Park, there will be a coordinated development at upstream, midstream and downstream levels, creating a comprehensive industrial ecosystem. While the Loop focuses on R&D, commercialisation, and pilot production in the upstream and midstream levels, the San Tin Technopole will provide a large piece of land which can help accelerate the commercialisation of R&D results and provide industrial space for prototyping, pilot and mass production. We will establish a dedicated company this year and seek approval from the LegCo to inject \$10 billion as initial capital to take forward the development, while leveraging market resources to accelerate the progress.

## **Nurturing and Strengthening Emerging Industries**

### **Low-altitude Economy**

70. Low-altitude economy (LAE) is a new engine for smart city development and regional integration. The Government has completed the first-stage legislative amendment exercise, and will refine the legislation and regulatory framework on civil aviation to lay the foundation for the development of LAE standardisation in the long run, building a competitive LAE ecosystem.

71. Under the first cohort of the Regulatory Sandbox, 32 projects have conducted trials along their designated routes. Some application scenarios of unmanned aircraft such as building management and inspection have already been implemented.

72. Trial projects, such as unmanned aircraft system traffic management system, multiple applications/users shared-platforms, cross-boundary routes and passenger-carrying flying aircraft, will be rolled out in phases from the first half of this year. We are also actively exploring with the Mainland to commence trial flights on cross-boundary low-altitude logistics.

### **Aerospace**

73. The Recommendations set out the goal to expedite the development into an aerospace power. The China National Space Administration also proposes facilitating commercial aerospace enterprises to go global in an orderly manner. Hong Kong can help connect the Mainland aerospace industry with the global market, and provide professional services in areas such as R&D, financing, risk management and law. OASES will take the lead to identify aerospace enterprises to develop in Hong Kong.

74. We have already requested the Hong Kong Exchanges and Clearing Limited (HKEX) to review the relevant listing requirements so as to facilitate and attract the listing of aerospace enterprises in Hong Kong.

75. The Hong Kong Space Robotics and Energy Centre, established under InnoHK, takes part in our country's Chang'E-8 mission. Its multi-functional lunar surface operation robot has entered the spacecraft prototype testing phase, and there would be ground application of such technology. In addition, the Innovation and Technology Fund (ITF) has allocated over \$100 million to support six R&D projects from universities. Recently, the "CUHKSat-1" satellite, developed by the Chinese University of Hong Kong and supported by the ITF, was successfully launched and entered into the planned orbit.

76. Low earth orbit satellites can support the development of high-end industries. We will proactively expand telecommunications infrastructure, streamline the relevant licensing regime and promote future 6G applications.

### **Autonomous Driving**

77. On the premise of ensuring road safety, the Government is accelerating the development of autonomous driving into driverless mode and scaling up its operations, with a view to expediting its transition to commercial operations and encouraging the industry to leverage Hong Kong as a platform to tap into overseas markets. The Airportcity Link autonomous transport system, scheduled for operation this year, will become the first commercially operated project in Hong Kong.

### **New Materials**

78. The R&D of new materials in Hong Kong is progressing towards commercialisation with potential of international ventures. In particular, two local start-ups will set up production lines at EcoPark, Tuen Mun in the middle of this year to upcycle local recyclables into core materials for electricity-free cooling products and acoustic metamaterial products respectively.

79. Meanwhile, the Government is expediting the development of the third InnoHK research cluster, focusing on new materials and advanced manufacturing, energy, and sustainable development. R&D centres under this cluster will be established in phases in the first half of this year.

## **RISC-V**

80. RISC-V is the underlying technology of a new generation of chips. Its open-source nature has overcome the limitations of the closed nature of traditional technology, thereby spearheading a transformative wave of change in chip design and application on a global scale.

81. The Hong Kong Investment Corporation (HKIC) has been actively promoting R&D and industrialisation of the RISC-V technology through strategic investments and collaboration with leading enterprises. Initiatives include the establishment of the Hong Kong RISC-V Alliance, which aims at bringing together industries, academia and the investment sector for cross-industry co-operation in the GBA and international collaboration.

## **Embodied AI**

82. The development of AI has transitioned from large language models towards embodied intelligence capable of interacting with the physical world. The technology and application of different carriers (e.g. robotics) will continue to evolve. This will bring fundamental changes to manufacturing processes, business operation and our daily lives.

83. Various I&T parks and HKIC also provide support to embodied AI start-ups. The Government will actively promote the development of an ecosystem for embodied AI and application of related products.

## **Quantum Technology**

84. Quantum technology can propel an exponential leap in computing power, communication security and sensing accuracy. Such technological breakthroughs will lead to more innovative applications. A number of studies are being conducted by the tertiary institutions on various areas, such as developing the AI-based Quantum Simulation Platform and advancing the convergence of AI and quantum computing, through various platforms including InnoHK. Two state key laboratories relevant to quantum technology have also been established in Hong Kong. The Government will actively promote relevant basic research and industry application.

## **Innovation and Technology Industry-Oriented Fund**

85. The Government introduced the \$10 billion Innovation and Technology Industry Oriented Fund to channel market capital to invest in emerging fields of strategic importance, such as life and health technology, AI and robotics, as well as future industries. The selection of fund managers is underway. We aim at commencing the operation of the Fund within this year.

## **Enhance Collaboration among the Industry, Academic and Research Sectors**

86. The \$10 billion RAISE+ Scheme funds research teams from universities on a matching basis to transform and commercialise R&D outcomes. A total of 49 projects were approved, covering fields such as health and medical sciences, new materials and new energy, AI and advanced manufacturing. Relevant products will be launched in the market.

## **Review Tax Arrangements for R&D Expenditures**

87. Close economic integration of Hong Kong with the GBA brings about opportunities for cross-boundary scientific collaboration, technology transfer and the development of emerging and future industries. The Government will review and enhance tax arrangements for R&D expenditures.

## **Patient Capital**

### **HKIC**

88. In addition to seeking medium- to long-term investment returns for our fiscal reserves, the HKIC aims to bring in more frontier technology enterprises and patient capital to Hong Kong, as well as promote in-depth collaboration among the Government, industry, academia, research institutes and investors. It also aims to accelerate the establishment of Hong Kong's I&T ecosystem and the development of strategic industry chains. All these will enhance our competitiveness and contribute to the diversified development of our economy.

89. Since its full operation, the HKIC has invested in over 190 projects spanning various fields, which mainly include hard and core technology, life technology, new energy and green technology. Ten of the investee companies are already listed in Hong Kong, with a further 20 preparing for listing this year. Every dollar invested by the HKIC attracted over eight dollars of long-term capital investment, effectively drawing "patient capital" from the global market to jointly expedite the development and innovative application of frontier technologies. Considering that the initial capital of the HKIC of \$62 billion has been largely allocated, we will arrange for capital injection in a timely manner to further promote I&T development and industry clustering.

## **International Financial Centre**

90. The global political and economic landscape is undergoing profound transformations. Despite the complex and ever-changing external environment, Hong Kong's financial market has performed strongly and our financial system remains robust. We will continue to consolidate our existing strengths, tap into emerging fields, strengthen market systems and risk control and deepen financial co-operation in the GBA. By doing so, we will enhance Hong Kong's role as an international financial centre on all fronts and contribute to the national strategic goal of "accelerating China's development as a financial powerhouse". We will also leverage our strengths in finance to drive industry development, i.e. "Finance+".

### **Consolidating Existing Strengths**

#### **Advance Internationalisation of the Renminbi**

91. The Recommendations have called for advancing the internationalisation of the Renminbi (RMB) and pursuing greater openness of RMB capital accounts. We will leverage Hong Kong's unique strengths and proactively align with national development strategies. Specific measures include:

- (a) doubling the size of the RMB Business Facility to RMB200 billion earlier this month to support financial institutions in facilitating the wider use of RMB by enterprises and customers in activities such as trade and cross-boundary business;
- (b) promoting more convenient foreign exchange quotations and transactions between RMB and other regional currencies to reduce transaction costs;

- (c) issuing RMB bonds of different tenors on a regular basis to enrich product offerings in the offshore RMB market and improve the offshore RMB bond yield curve;
- (d) exploring with the industry the formation of the offshore RMB yield curve, and looking into specific measures to improve price discovery in the short-to-medium-term-interest-rate market; and
- (e) attracting high-quality issuers to increase RMB bond issuance in Hong Kong and tapping into emerging markets to bring more cross-boundary RMB transactions to Hong Kong.

92. To enrich mutual-market access, we will actively explore with the Mainland to expedite the issuance of Mainland government bond futures in Hong Kong, the inclusion of real estate investment trusts (REIT) under mutual access and the inclusion of a RMB trading counter under the Southbound trading of the Stock Connect. We will explore further enhancements to the Bond Connect.

### **Securities Market**

93. Since the implementation of Severe Weather Trading arrangements by the HKEX in September 2024, the stock market has operated in inclement weather for seven trading days. The trading maintained market liquidity while generating stamp duty revenue of about \$2.5 billion.

94. To continue enhancing the securities market, attracting issuers and boosting market efficiency, the HKEX will take forward the following measures:

- (a) consult the market in the first quarter on the revision of listing requirements for enterprises with weighted voting right structures, facilitation of the secondary listing of overseas issuers, enhancement of the IPO process, and provision of greater flexibility for biotechnology and specialist technology companies applying for listing, etc.;
- (b) implement the enhanced structured product listing framework and put forward specific implementation proposals for the settlement cycle of T+1 for market consultation in the first half of this year; and
- (c) take forward board lot reforms in the securities market and launch the uncertificated securities market regime in collaboration with the Securities and Futures Commission (SFC) and the industry this year.

95. We will also introduce the next stage of reforms, including enhancing the regulatory regime for listed companies, providing specific guidelines for overseas companies seeking secondary listing in Hong Kong, offering more overseas markets as recognised exchanges, and continuing to explore with the market the provision of an over-the-counter trading platform for delisted stocks or those requiring special handling.

### **Bond Market**

96. The SFC and the HKMA are actively implementing the Roadmap for the Development of Fixed Income and Currency Markets announced last year. It includes boosting issuance in the primary market, enhancing liquidity in the secondary market, and expanding offshore RMB business. The electronic bond-trading platform will also be launched in the second half of this year, thereby reinforcing Hong Kong's position as a global fixed income and currency hub.

97. To promote innovation in the bond market, the Government issued the third batch of tokenised bonds with an issuance size of \$10 billion in the fourth quarter last year. It marked the largest tokenised bond issuance in the world at the time. The option to settle via tokenised central bank money also laid the foundation for future integration with other forms of digital money. We will continue issuing tokenised bonds on a regular basis. The HKMA will also encourage more digital bond issuances in Hong Kong through the Digital Bond Grant Scheme.

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

98. The number of single-family offices in Hong Kong exceeds 3 300. To attract more family offices and funds to set up in Hong Kong, we will enhance our tax regime, including expanding the scope of “fund” to cover specific funds-of-one, as well as classifying digital assets, precious metals, specified commodities, etc. as qualifying investments eligible for tax concessions. We will introduce an amendment bill in the first half of this year, with a view to effecting the implementation from the year of assessment 2025/26.

99. The Government and the SFC will continue promoting the development of the REIT market. In addition to seeking early inclusion of REITs under mutual-market access, we will introduce an amendment bill this year to enable the privatisation or restructuring of REITs. We will also provide a stamp duty waiver for the transfer of non-residential properties into REITs seeking to list. The relevant amendment bill will be introduced in the first half of next year.

100. The Integrated Fund Platform under the HKEX will expand its services this year, covering fund sales procedures such as payment and settlement, to enhance market efficiency and lower transaction costs.

## **Exploring Emerging Sectors**

### **Corporate Treasury Centres**

101. We are determined to strengthen the role of Hong Kong as a key base for the establishment of Corporate Treasury Centres (CTCs) and boost the city's appeal as a platform for "bringing in and going global". To this end, we will announce a series of enhancement measures in the middle of this year, including providing additional tax incentives and flexibility to CTCs and their associated companies, and introducing a pre-approval mechanism.

### **Attract Enterprises to Re-domicile to Hong Kong**

102. Since the commencement of the company re-domiciliation regime last year, the Companies Registry has approved 22 re-domiciliation applications, while about 20 applications are being processed. We will step up publicity to attract more enterprises to establish in Hong Kong.

### **Facilitate Asset Management by Enterprises**

103. To enhance the business environment and facilitate internal restructuring by enterprises, we propose to relax the criteria for stamp duty relief in relation to the intra-group transfer of assets. This would expand the scope of eligible associated body corporates. We will introduce an amendment bill this year and the new arrangement will apply retrospectively to instruments signed from today.

## **Develop Fintech and Financial Infrastructure**

### *Development of Digital Assets*

104. The Government published the second policy statement on digital assets for developing Hong Kong into a global hub for digital asset innovation through the establishment of a comprehensive regulatory framework. We will introduce a bill this year to establish licensing regimes for, among others, digital asset dealing and custodian service providers.

105. Hong Kong has implemented the licensing regime for issuers of fiat-referenced stablecoins. The first batch of licences will be issued next month. The Government and financial regulators will continue facilitating licensed issuers in Hong Kong to explore different application scenarios in a compliant and risk-controlled manner.

106. On the premise that sufficient investor protection is in place, the SFC will further enhance the liquidity of Hong Kong's digital asset market and facilitate the offering of more products and services to professional investors. The SFC will also set up an accelerator to expedite market innovation.

107. To support the application of tokenisation technology in bond issuance and transactions, the Government will provide guidelines to clarify that registers of debenture holders can be kept in the form of a distributed ledger. We will also explore the adoption of electronic signature for bond issuance documents and the digitalisation of bearer bonds.

### *Crypto-Asset Reporting Framework*

108. We will amend the Inland Revenue Ordinance for implementing the Crypto-Asset Reporting Framework as well as the amended Common Reporting Standard by the Organisation for Economic Co-operation and Development (OECD) in the coming two years. This will contribute to international efforts in enhancing tax transparency and combating cross-border tax evasion. We will introduce an amendment bill in the first half of this year.

### *Project Ensemble*

109. The HKMA launched Ensemble<sup>TX</sup>, the pilot phase of Project Ensemble, last November to enable industry participants to make real value transactions involving tokenised deposits and digital assets within a controlled pilot environment. The HKMA will continually upgrade the system to support settlement on a 24/7 basis and develop local standards to strengthen Hong Kong's interoperability with other markets.

### *Commercial Data Interchange*

110. Last year, the HKMA launched Project Cargo<sup>x</sup> under the Commercial Data Interchange to enhance the digital ecosystem for trade finance by harnessing the power of cargo and trade data. The Government is actively following up on the recommendations of the Expert Panel on Cargo<sup>x</sup> with a view to promoting Hong Kong as a leading trade financing centre and supply chain hub.

### *Build the International Gold Trading Market*

111. Following the signing of a co-operation agreement with the Shanghai Gold Exchange earlier this year and the establishment of a Hong Kong's central clearing system for gold, we will:

- (a) explore offering tax incentives for eligible institutions conducting gold trading and settlement in Hong Kong;
- (b) assist the industry in setting up an industry-led trade association to consolidate resources, step up promotion, and foster ties with industry stakeholders from around the world; and
- (c) help the industry keep abreast of the latest gold market developments, acquire relevant skills and develop a training framework.

## **Strengthening Market Systems and Risk Control**

### **Strengthen Market Systems**

#### *One-stop Multi-asset Class Post-trade Securities Infrastructure*

112. The HKMA's CMU OmniClear Holdings Limited (CMU OmniClear) and the HKEX will soon commence a study on the establishment of a one-stop multi-asset class post-trade securities infrastructure to cover Mainland and Hong Kong equity and debt securities. This will facilitate cross-product and cross-boundary collateral connectivity, enhancing market liquidity and risk management.

*Enhance the International Network of the Central Moneymarkets Units*

113. To facilitate investors' holdings of securities through the Central Moneymarkets Units (CMU) for achieving global asset allocation, the CMU OmniClear is actively seeking to establish linkages with central securities depositories of various regions. The Central Bank of the United Arab Emirates has become a CMU member. The CMU will activate linkages with SIX of Switzerland and launch equity post-trade services for the first time, enabling investors to manage their diversified asset portfolios more efficiently.

*Digital Asset Platform*

114. To promote the application of fintech and enhance the efficiency of the asset management market, the CMU OmniClear will establish a digital asset platform this year. It will support the issuance and settlement of digital bonds. The platform will also be gradually extended to other digital assets and linked with other tokenisation platforms in the region, consolidating Hong Kong's leading role in the realm of digital assets.

**Non-traditional Risk Management**

115. We are committed to developing the non-traditional risk management business and have extended the Pilot Insurance-linked Securities Grant Scheme to 2028. Meanwhile, the Insurance Authority (IA) will continue stepping up its promotion efforts in markets from around the world. Last year, two captive insurance companies were set up in Hong Kong.

## **Financial Inclusiveness**

116. The Mandatory Provident Fund Schemes Authority (MPFA) is gradually taking forward MPF “Full Portability”. Its Phase One Proposal, to be implemented this year, covers employees whose employment commences on or after 1 May 2025. We will introduce an amendment bill in the first half of next year to extend the coverage to employees whose employment began before the above date.

## **Enhance the Regulatory Regime**

117. To better protect employees’ MPF benefits, the MPFA proposes to enhance the process of recovering default contributions from employers. It will also enhance the flexibility for trustees and relevant service providers in making MPF investments. Upon completion of the MPFA’s stakeholder consultation this year, the Government will introduce an amendment bill.

118. The IA will enhance the risk-based capital regime for insurance companies, adjusting risk parameters for the general insurance business and providing capital relief for infrastructure investments. Moreover, we will require the industry to adopt a standardised checklist for the disclosure of capital adequacy and risk profile, facilitating public understanding of insurers’ governance, finance and risk management.

119. To strengthen the regulation of money lenders, the Government will release the consultation outcome and specific measures next month to address the issue of excessive borrowing and better protect the public.

## **Strengthen International Financial Co-operation**

120. The Asian Infrastructure Investment Bank (AIIB) announced at the end of last year its plan to set up an office in Hong Kong. The Government is proactively facilitating and providing the necessary support.

121. We will hold for the first time the Asia-Pacific Economic Cooperation Finance Ministers' Meeting this year. We will continue hosting various financial mega events, including the Global Financial Leaders' Investment Summit, the Wealth for Good in Hong Kong Summit, and the Hong Kong Fintech Week x StartmeupHK Festival. The Asian Financial Forum will celebrate its 20th anniversary next year, and we will strengthen the element of finance empowering businesses ("Finance+") at the forum.

## **Enhancing Industries with Competitive Edge**

122. The Recommendations, apart from further reinforcing Hong Kong's strategic position, support us to consolidate and enhance industries with competitive edge.

### **International Trade Centre**

123. Facing a complicated and ever-changing geopolitical and economic landscape, we will consolidate and enhance our status as an international trade centre on all fronts through a series of policy initiatives.

### **Expand Commercial and Trade Network**

124. Hong Kong will strengthen its role as the functional node for the Belt and Road (B&R) Initiative. We will collaborate with industry players to further develop the ASEAN and Middle East markets, and explore the potential of Central Asia, South Asia and North Africa markets. Meanwhile, we will forge more free trade agreements and investment agreements (IAs). We have concluded negotiations of IAs with Qatar, Bangladesh and Peru respectively, and are exploring the signing of new IAs with Saudi Arabia and Egypt.

125. Hong Kong has so far signed a total of 55 Comprehensive Avoidance of Double Taxation Agreements (CDTA), including those signed with Jordan, Maldives, Norway and Rwanda last year. We will further expand our CDTA network.

126. We will continue reaching out to relevant authorities in B&R regions to seek more project matching opportunities for Hong Kong enterprises and professional services, while encouraging and assisting external organisations to stage roadshows in Hong Kong. Outbound missions and project matching activities will also be organised to promote our professional services.

### **Attract Enterprises and Investment**

127. To further attract enterprises to set up in Hong Kong, last year's Policy Address announced that we would formulate preferential policy packages to promote industries and investment.

128. We have formulated a preliminary framework, which would take into account a series of factors, including the enterprise's industry and its technology level, as well as the potential economic contributions and employment opportunities it can bring to Hong Kong. Policy tools include land grant arrangements, financial subsidies and tax incentives. The preferential tax rates will be half-rate or five per cent. We will introduce an amendment bill this year.

129. Tax policy is a key component to economic competitiveness. In view of the evolving global tax environment in recent years, I will establish and chair an Advisory Committee on Tax Policy to gather views widely from commercial, industrial and professional sectors, so that Hong Kong's tax policy can reinforce economic development.

### **Support Mainland Enterprises in Going Global**

130. As our country is advancing with high-level, two-way opening-up, more Mainland enterprises are actively expanding overseas markets. The Task Force on Supporting Mainland Enterprises in Going Global (GoGlobal Task Force) will organise promotional activities to attract Mainland enterprises to venture into global markets through Hong Kong. We will also set up a cross-sectoral professional services platform, bringing together Hong Kong's professional services providers in the field of legal services, accounting, financial services, testing and certification, marketing, etc. to support enterprises going global.

### **Support Local Enterprises**

131. The growing popularity of online shopping and changing consumption patterns have posed challenges to some sectors. The Government is enhancing various measures to strengthen the competitiveness of SMEs.

132. The Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) has been well-received by enterprises. The Government will inject \$200 million into the fund, raise the funding ceiling of "Easy BUD" to \$150,000 per application, and provide more targeted funding support for enterprises in AI application.

133. The Hong Kong Export Credit Insurance Corporation will introduce a pilot scheme this year to provide protection for SMEs engaging in exports with higher-risk buyers.

134. The Government will continue providing loan guarantees to enterprises through the SME Financing Guarantee Scheme. We have extended the application period for the 80% Guarantee Product to the end of March 2028 and also extended the application period for the principal moratorium arrangement to mid-November this year. The total loan guarantee commitment under the Scheme will increase by \$20 billion.

135. Hong Kong's food industry can leverage its reputation for quality to further expand into the Mainland and international markets. We will continue seeking market access and simplified customs arrangements of the Mainland for a wider range of local food products. The Centre for Food Safety will waive the fees related to the certification of food products for two years. Besides, we will introduce a new unified brand for local agricultural and fisheries products in the middle of this year, supported by a certification, testing and traceability mechanism.

### **Convention and Exhibition Industry**

136. To promote further development of the exhibition industry and brand building as an international convention and exhibition hub, the Government will earmark \$100 million for attracting large-scale international exhibitions with new elements to Hong Kong through collaborating with relevant organisations on a pilot basis. Our objective is to develop Hong Kong into the first-choice platform for showcasing Mainland and international brands, while attracting high-spending business visitors to Hong Kong and driving high value-added economic activities.

## **International Aviation Hub**

137. The Hong Kong International Airport (HKIA) is the world's busiest cargo airport. Its cargo throughput exceeded five million tonnes last year; and its passenger throughput reached 61 million, marking a year-on-year increase of nearly 15 per cent. We will strive to enter into new air services agreements and expand traffic rights with regions demonstrating development potential, such as the Middle East, Central Asia, Africa and South America, so as to further enhance Hong Kong's competitiveness as an international aviation hub.

138. The new passenger departure facilities at Terminal 2 of HKIA are scheduled to commence operations in May, which will substantially enhance the airport's overall capacity.

## **Airport City**

139. The Airport Authority Hong Kong (AAHK) is proactively attracting businesses and investment to develop Airport City SKYTOPIA into a world-class landmark. Relevant developments include the AsiaWorld-Expo Phase 2, art storage facilities and the Yacht Bay, etc.

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

140. The AAHK is pressing ahead with a leading overseas aircraft services company to provide professional services such as aircraft dismantling and parts recycling in Hong Kong, thereby developing Hong Kong into the first aircraft parts processing and trading centre in Asia.

## **Co-operation in Transport and Logistics**

### *Collaborate with airports in the Greater Bay Area*

141. Since the launch of the direct passenger service from Zhuhai to Hong Kong for passengers taking flights at HKIA, over 100 000 passenger trips have been made. The AAHK will step up promotion while enhancing the connectivity between Zhuhai Airport and the HKIA to encourage more travellers using the service.

### *Sea-Air Intermodal Cargo Transshipment Mode*

142. The sea-air intermodal cargo transshipment mode operated by the AAHK in collaboration with Dongguan has attracted the participation of 27 airlines and 140 logistics companies. In addition, the construction of the intermodal pier under Phase 1 of the HKIA Dongguan Logistics Park has been completed. The remaining works are expected to complete within this year, targeted for commissioning in the first half of next year.

## **International Maritime Centre**

143. Hong Kong will further align with the national maritime strategic development, and elevate our status as an international maritime centre. Meanwhile, we are striving to promote smart logistics and digital transformation in the industry, while expanding our cargo hinterland to secure more transshipment cargo.

## **Smart Port**

144. The newly launched Port Community System (PCS) provides real-time tracking of sea, land and air cargo, fostering free flow of information among different industries. In addition, the PCS and Guangdong e-Port are connected to provide value-added services such as One-Data-Multiple-Declarations. More than 3 000 companies have registered with the PCS. We will continue leveraging the data provided by the PCS to bring greater values to the industry.

## **High Value-Added Maritime Services**

145. We will introduce an amendment bill in the first half of this year to enhance tax concession measures for the maritime service industry and provide a half-rate tax concession to eligible commodities traders. All these will further promote the development of high value-added maritime services in Hong Kong.

146. To consolidate Hong Kong's premier position in ship registration, we will introduce an amendment bill this year to revamp the existing ship registration arrangements, including permitting dual registration arrangement to cater for the diverse operating models of international maritime enterprises.

## **Hong Kong Maritime Week**

147. This year marks the 10th anniversary of the Hong Kong Maritime Week. We will organise more large-scale forums and seminars in collaboration with different international maritime organisations, with a view to enhancing Hong Kong's influence as an international maritime centre.

## **Green Shipping**

### *Develop a Green Maritime Fuel Bunkering Centre*

148. To develop Hong Kong into a green maritime fuel bunkering and trading centre, the Government will provide port dues concessions for vessels powered by green fuel as well as those carrying green fuels to attract more vessels to bunker green fuel in Hong Kong. An incentive scheme will also be launched for green vessels registered in Hong Kong to encourage green transformation of Hong Kong fleets. All these involve government subsidies of around \$34 million. The Government will take forward a legislative amendment exercise this year to provide more anchorages for green maritime fuel bunkering operations.

### *Synergy of Financial and Maritime Services*

149. The international maritime industry is undergoing green transformation. Substantial capital investments are needed for building new green vessels or retrofitting existing ones. Hong Kong will leverage our strengths to promote the co-development of financial and maritime centres.

### **Open up New Cargo Sources**

150. We are fully committed to establishing a comprehensive “rail-sea-land-river” intermodal transport system connecting the inland region, striving to channel more inland cargo for export through Hong Kong. The relevant legislation will be amended within this year to extend the current arrangements under the Air Transshipment Cargo Exemption Scheme to other sea transshipment and sea-air transshipment modes.

### **Smart Logistics**

151. To develop Hong Kong into an international smart logistics hub, the Government will launch the Future Innovative Logistics Acceleration Scheme this year to drive the transformation of the industry and enhance the interconnectivity of logistics data, with a view to increasing the competitiveness of the logistics industry.

### **Modern Logistics Cluster**

152. The Hung Shui Kiu/Ha Tsuen New Development Area is connected with the Qianhai Co-operation Zone and will become the centre for modern services in the NM. The Government has reserved about 32 hectares of land for developing a modern logistics cluster and will invite expressions of interest from the industry for the development of the first site this year.

## **International Legal and Dispute Resolution Services Centre**

### **International Legal Hub**

153. The Department of Justice (DoJ) is preparing for the development of the Hong Kong International Legal Service Building as a new landmark of international legal hub, which will be home to the headquarters of the Hong Kong International Legal Talents Training Academy and international legal and dispute resolution services institutions, etc. The preparatory works will commence this year.

154. The DoJ will continue attracting international legal and dispute resolution services institutions to establish offices in Hong Kong. Amongst them, the International Institute for the Unification of Private Law (UNIDROIT) will establish its Asia-Pacific Liaison Office in Hong Kong this year.

### **Strengthen the Promotion of Mediation and Arbitration Services**

155. The Government will strengthen the regulatory framework for accreditation and disciplinary matters of the mediation profession in Hong Kong, and will take forward the legislative exercise this year.

### **Develop a Sports Dispute Resolution System**

156. We have launched the Pilot Scheme on Sports Dispute Resolution to advance Hong Kong's development as an international centre for sports dispute resolution.

### **Strengthen Professional Collaboration**

157. The Hong Kong Professional Services GoGlobal Platform initiated by the DoJ was officially launched at the end of last year to collaborate with our professional services sectors in supporting Mainland enterprises to go global with Hong Kong as their preferred platform.

### **Regional Intellectual Property Trading Centre**

158. Hong Kong is actively fulfilling its role as a regional intellectual property (IP) trading centre. We will refine the associated tax regime and institutional framework, nurture talents, leverage our strengths in professional services, with a view to boosting economic development through driving IP trading and financing.

### **Tax Deduction Arrangements**

159. We are consulting the trade on tax deduction arrangements for capital expenditure incurred for purchasing IP or the rights to use IP. We plan to introduce an amendment bill this year. Reducing cost will facilitate more relevant trading activities, which would be conducive to the development of knowledge-intensive industries and could reinforce Hong Kong's position as a regional IP trading centre.

### **Intellectual Property Financing Sandbox**

160. The IP Financing Sandbox was launched at the end of last year, with three major Hong Kong banks and their customers from the biotechnology, electronics and technology sectors, as well as legal and professional services organisations participating in the pilot project. The Commerce and Economic Development Bureau and the Intellectual Property Department (IPD) will, together with the HKMA, closely monitor the operation of the Sandbox and make follow-up arrangements.

### **Patent Valuation Support**

161. The Government has earmarked \$28 million to support the Hong Kong Technology and Innovation Support Centre in providing I&T enterprises with patent evaluation based on Guobiao (GB), and implementing the two-year Pilot Patent Valuation Support Scheme to assist I&T enterprises for conducting valuation of their patent assets.

### **Patent Examination**

162. IPD will expand its team of patent examiners, particularly for original grant patent applications in major technology fields, to strengthen its in-house examination capacity and provide more robust legal protection for R&D outcomes.

### **Talent Training**

163. IPD, together with the VTC, will roll out a two-year pilot programme and establish the Intellectual Property Academy to provide on-the-job training linked to the Qualifications Framework. We have earmarked \$52 million for the project, which is targeted to commence at the end of this year.

## **Business Matching**

164. With a robust IP protection regime and professional expertise, Hong Kong can provide comprehensive support to Mainland enterprises. Following the arrangement for Mainland enterprises to participate in matching activities in Hong Kong at the end of last year, the IPD will collaborate with the Mainland to organise Hong Kong IP professionals to participate in Mainland business matching programmes in the middle of this year.

## **International Hub for High-calibre Talents**

165. Hong Kong ranks first in Asia and fourth globally in the World Talent Ranking 2025. We will continue nurturing local talents, attracting talents globally and developing an international education hub to achieve the integrated development of “Education, Technology and Talent”.

### **Nurturing Talents**

#### **I&T**

166. Through the STEM Internship Scheme, we encourage university students to gain I&T-related work experience, providing nearly 20 000 internship opportunities so far. The Research Talent Hub has approved over 15 000 applications, providing subsidies for institutions to engage STEM university graduates to undertake R&D work.

#### **Finance**

167. The Hong Kong Academy of Finance is committed to nurturing financial leaders with global vision. Its Financial Leaders Programme has attracted over 80 senior executives, benefiting nearly 50 institutions.

168. The GBA Fintech Two-way Internship Scheme for Post-secondary Students provides subsidies for students from Hong Kong and the Mainland to participate in short-term internships in fintech companies. About 30 enterprises and 100 students have participated in the scheme.

169. To enhance the professional competency of insurance practitioners, we will extend the Programme to Enhance Talent Training for the Insurance Sector by three years.

## **Legal and Dispute Resolution**

170. The Hong Kong International Legal Talents Training Academy has provided professional practical training for over 2 000 participants from various places and will continue facilitating experience sharing with legal and dispute resolution practitioners in the Mainland, B&R and other jurisdictions.

## **Aviation**

171. We are focusing on training both serving and newly recruited aviation personnel. The Hong Kong International Aviation Academy will, in partnership with the Chinese University of Hong Kong, launch a new Master of Science in Aviation Management programme this year. The Academy has also, in collaboration with an overseas aeronautic services company, established the Aircraft Engineering Training Centre to offer a range of professional training courses on aircraft maintenance, aircraft parts processing and certification.

## **Construction Industry**

172. We will continue nurturing construction professionals to cater for future manpower demand. To assist more graduates in obtaining professional qualifications, we will allocate \$65 million to provide additional government-funded training places this year.

## **Attracting Talents**

173. The various talent admission schemes have attracted over 270 000 talented individuals from around the world, with the Top Talent Pass Scheme drawing over 100 000 global elites, contributing to Hong Kong's economic development.

174. The Hong Kong Talent Engage will continue stepping up its efforts to attract talents from the Mainland and overseas, and expanding its network of working partners to help incoming talents and their families settle in Hong Kong.

175. InnoHK has collaborated with more than 30 top universities and research institutions in the Mainland and overseas, bringing together more than 3 000 researchers for world-class scientific research collaborations. We launched the \$3 billion Frontier Technology Research Support Scheme last year to align with the country's strategic plan for frontier technology development.

## **International Education Hub**

176. As a major international education hub, Hong Kong boasts five of the world's top 100 universities and is ranked second globally in terms of education competitiveness according to the World Competitiveness Yearbook 2025 of the International Institute for Management Development (IMD).

### **Third Medical School**

177. The Government has earmarked resources to support, on a matching basis, the Hong Kong University of Science and Technology (HKUST) in developing the third medical school, which aims to admit its first cohort of students in the 2028/29 academic year. The new medical school will focus on nurturing talents with both clinical and R&D capabilities and attracting more medical talents to take up teaching and research positions.

178. The Government has reserved land at Ngau Tam Mei in the NM for the permanent campus of the new medical school and for the development of an integrated teaching and research hospital. Resources will be earmarked accordingly. The Government will further explore with HKUST the development and operation model of the integrated teaching and research hospital, and fully supports the commencement of the project as soon as possible.

### **NM University Town**

179. For the development of the NM University Town, we will roll out three sites in Hung Shui Kiu/Ha Tsuen New Development Area shortly for application by UGC-funded universities and universities of applied sciences for campus development. We will earmark \$10 billion for providing loans to support campus development.

### **Establish the “Study in Hong Kong” Brand**

180. The Education Bureau (EDB) has established the Task Force on Study in Hong Kong to attract top-notch students globally. The “Study in Hong Kong” week, currently underway, features key events including the Asia-Pacific Association for International Education Conference and Exhibition (APAIE 2026), which is one of the world’s top three international higher education conferences, and the international symposium hosted by the Alliance of Universities of Applied Sciences.

## **Integrated Development of Culture, Sports and Tourism**

181. We will continue promoting the integrated development of culture, sports and tourism to provide better urban living experience for residents and visitors.

### **Tourism Industry**

182. Last year saw an increase of 12 per cent in visitor arrivals, creating business and job opportunities for related sectors. In the coming year, we will allocate \$1,660 million to the Hong Kong Tourism Board (HKTB).

### **Highlight Hong Kong's Uniqueness to Enhance Tourism Appeal**

183. Hong Kong is the Events Capital of Asia. The HKTB will scale up its flagship events and promotion, introducing new elements and extending event duration, and organise more signature festive events to highlight Hong Kong's East-meets-West uniqueness.

184. Building on the success of last year's "Immersive Light Show in Central" featuring spectacular 3D light shows, the HKTB will launch a brand new show with the theme of light festivals across various locations at different times of the year to replace "A Symphony of Lights".

### **Attract High-end Overnight Visitors**

185. The HKTB will draw more overnight visitors by stepping up marketing efforts in source markets with potential, including Mainland cities outside Guangdong, as well as emerging markets such as ASEAN and the Middle East. We will also proactively promote the hosting of a wider range of conferences, exhibitions and incentive travel events in Hong Kong.

186. The number of ship calls to Hong Kong reached 189 last year, representing a year-on-year increase of 26 per cent. The HKTB will further attract more international cruises to include Hong Kong in their itineraries.

187. We will continue strengthening co-operation with the GBA and other Mainland provinces and municipalities, and exploring with airlines to offer multi-destination flight itineraries, so as to attract more overseas visitors to Hong Kong and the Mainland.

### **Revitalise Historic Buildings**

188. Historic buildings embody the city culture of Hong Kong. We have implemented 24 revitalisation projects, with four having won international awards. We have also provided subsidies for maintenance works of more than 80 private historic buildings. We will earmark an additional funding of \$1 billion for the Built Heritage Conservation Fund to continue taking forward the relevant work.

### **Enhance the Harbourfront**

189. Following the opening of the Eastern Section of the East Coast Boardwalk in North Point at the end of last year, the approximately 13-kilometre long harbourfront from Kennedy Town to Shau Kei Wan has now been fully connected. Adhering to the “incremental approach” in enhancing the harbourfront, we plan to conduct a consultation on the construction of a pedestrian walkway at the praya of Kennedy Town in the second quarter of this year. After the phased opening of a waterfront site near Hung Hom Station this quarter, the harbourfront promenades in Kowloon will be extended to about 15 kilometres.

### **Foster “Urban-rural Integration”**

190. To support “tourism is everywhere” and promote “urban-rural integration”, we propose allocating \$200 million for launching the “NM Urban-rural Integration Fund” as a pilot scheme. The scheme aims to encourage non-governmental organisations and relevant bodies to take forward rural tourism projects and bring economic vitality to rural villages.

### **Sports Industry**

191. Hong Kong athletes have achieved outstanding results on the international stage. Last year, our athletes achieved historic results in the National Games, winning nine gold, two silver and eight bronze medals. We will allocate more resources to proactively promote sports in the community, support elite sports, maintain Hong Kong as a centre for major international sports events, enhance professionalism in sports, and develop sports as an industry.

192. We will inject \$1.2 billion into the sports portion of the Arts and Sport Development Fund to further promote sports development, including strengthening training for team sports athletes, improving the professional standards of coaches, as well as supporting and exploring more diverse and higher-level sports competitions to be held in Hong Kong. We will continue promoting Hong Kong as a centre for major international sports events and developing sports as an industry through the “M” Mark System.

193. We will continue working with Kai Tak Sports Park Limited to proactively attract more major international sports events and activities.

### **Cultural and Creative Industries**

194. We are committed to promoting the development of arts, culture and creative industries. A total of over \$9 billion has been injected into the CreateSmart Initiative and the Film Development Fund.

### **Premium Arts Trading Hub**

195. We are proactively developing Hong Kong into a global trading hub for premium arts, and will shortly finalise the details of our collaboration with Art Basel for the coming five years.

196. To strengthen Hong Kong’s position as one of the world’s top three arts trading centres, we have initiated a study focusing on exploring areas such as financing and talent development. The study is expected to be completed within this year.

## **Accelerating Green Development**

197. To proactively align with the national “dual carbon” targets and green and low-carbon development strategies, we will strive to promote the development of green industries and green transformation of enterprises. Green industries and green transformation require the support of capital, technology and talents, thereby bringing enormous business opportunities to Hong Kong.

### **Achieving the Dual Carbon Targets**

198. We are actively implementing the Hong Kong’s Climate Action Plan 2050, as we strive to reduce our carbon emissions by half from the 2005 levels before 2035 and achieve carbon neutrality before 2050.

### **Green Technology**

199. Since the establishment of the Green Tech Fund, the Government has injected a total of \$400 million into the fund and approved a number of projects, including production and storage of hydrogen fuel and the technology of turning waste into resources, etc. In particular, a university research team has promoted its newly developed industrial wastewater treatment technology to the GBA and the Yangtze River Delta Region, while another is planning to promote a new fuel cell stack technology in collaboration with a hydrogen fuel cell enterprise.

## **Hydrogen Development**

200. Pursuant to the Strategy of Hydrogen Development in Hong Kong, we will formulate hydrogen standard certification. We are consulting the trade on the framework, with a view to establishing a certification system that connects with both the Mainland and the world, building Hong Kong into a demonstration platform for the export of green and low-carbon hydrogen technologies and products.

201. The Government will host the Hydrogen Week in May to foster international exchanges, and organise visits to the Mainland on the development of hydrogen applications for overseas experts.

## **Green Finance**

202. To consolidate and enhance Hong Kong's status as an international green finance centre, the Government will continue issuing sustainable bonds, establishing an enabling regulatory environment and strengthening cross-sectoral collaboration, including taking forward the implementation of the Hong Kong Sustainability Disclosure Standards. The Accounting and Financial Reporting Council is consulting the public on the proposed regulatory framework for assurance.

203. The HKMA has been refining the Hong Kong Taxonomy for Sustainable Finance to more effectively address the financing needs of relevant projects, thereby expediting low-carbon transition in the region. It will also strive to develop green transition planning guidance for banks within this year.

204. We will support the exploration with the Mainland and international multilateral financial institutions of the establishment of a Hong Kong-based Green Technology Projects Accelerator. The Accelerator will provide incubation, acceleration, and empowerment services for green technology projects in B&R regions, and serve as an innovative demonstration of Hong Kong's green finance-related services. We will also explore facilitating financial institutions to obtain public utility usage data of enterprises with their consent to enhance the efficiency of green financing and risk assessment.

## **Green City**

### **I·PARK**

205. I·PARK 1, Hong Kong's first waste-to-energy facility for treating municipal solid waste (MSW), has gradually commenced operation since the end of last year. Upon full operation, the facility can process 3 000 tonnes of MSW per day and export over 400 million kilowatt-hours of electricity to the power grid per year, which is sufficient to power 100 000 households. With the development of the planned I·PARK 2, Hong Kong is progressing steadily towards the target of zero landfill and carbon neutrality.

### **Waste Reduction and Recycling**

206. Starting from the next financial year, the Government will earmark resources for launching a five-year plan to enhance and upgrade recycling infrastructure in three areas: first, expanding the recycling network by gradually transforming GREEN@COMMUNITY into round-the-clock self-service recycling facilities; second, extracting valuable materials from waste and turning them into raw materials for making green products through the use of technology; and third, building a smart recycling network logistics system to enhance its cost-effectiveness and efficiency.

### **Electric Vehicles**

207. We will continue promoting the use of electric vehicles (EVs). The first registration tax (FRT) for electric commercial vehicles, electric motorcycles and electric motor tricycles will continue to be waived in full until end-March 2028. Given the maturity of technology, ample supply, more choices of vehicle models and reduced prices, the current FRT concession arrangement for electric private cars will not be extended beyond its expiry at the end of March this year. The Environment and Ecology Bureau will announce the details in due course.

### **Sustainable Development of Agriculture and Fisheries Industries**

208. We are sustaining our efforts in taking forward the Blueprint for the Sustainable Development of Agriculture and Fisheries. For the fisheries sector, the modernised marine fish culture farms at Wong Chuk Kok Hoi and Mirs Bay new fish culture zones have commenced operation. R&D of fish fry and development of processing facilities for local fisheries products will continue to be supported by the Sustainable Fisheries Development Fund. For the agriculture sector, we will select an operator in the first half of this year to construct and operate the first multi-storey, environmentally-friendly pig farm in Lo Wu.

## **Land and Housing Supply**

### **Northern Metropolis**

209. The NM plays a pivotal role in driving Hong Kong's social and economic development and enhancing our competitiveness. The Government is pressing ahead with the development of the NM which would provide ample room for the development of housing, I&T sector as well as other industries.

### **Land Development and Infrastructure**

210. The first batch of site formation works for the I&T land in San Tin Technopole and the university land in Hung Shui Kiu will be completed within this year. We will seek funding approval from the LegCo in 2026-27 for kickstarting projects such as the site formation and engineering infrastructure works for Ngau Tam Mei New Development Area and Stage 2 of San Tin Technopole Phase 1 Development, as well as construction of the government joint-user complex in Kwu Tung North.

211. The Hung Shui Kiu Industry Park Company Limited was established by the Government last month. It will develop and operate around 23-hectare industry land in Hung Shui Kiu through direct participation and public-private partnership with a view to bringing in more industries in an accelerated manner. We plan to seek funding approval from the LegCo for injecting an initial capital of \$10 billion to support its initial operation and development needs, thereby facilitating its operation to commence by the middle of this year.

### **Multi-pronged Development Approach**

212. We are accelerating the development of the NM with an innovative mindset. For instance, the large-scale land disposal approach is adopted to expedite the granting of land in new development areas, and tenders are being invited for the first pilot area in Hung Shui Kiu/Ha Tsuen. We have also introduced flexible land premium payment arrangements, such as allowing the offsetting of land premium by surrendering land in the NM to be resumed by the Government as well as staged payment of land premium. Together with measures such as adoption of the “pay for what you build” approach for assessing premium based on the actual gross floor area and the intended use, and provision of longer-term government tenancies, these arrangements can alleviate the cash flow pressure on enterprises and the uncertainties they face when pursuing land development.

213. We will continue making appropriate land disposal and financing arrangements for the industry sites and major development projects in the NM, and stepping up efforts to attract enterprises and investment, with a view to encouraging high-quality enterprises to establish in the NM.

### **Dedicated Legislation along with Administrative Measures**

214. The Government will shortly conduct public consultation on the proposal to introduce a dedicated legislation to accelerate the development of the NM. Our aim is to introduce a bill in the middle of this year. In addition, the NM Project Supervision Office will expedite large-scale private development projects in the NM by strengthening co-ordination and imposing time limits on the approval process. These administrative arrangements are also applicable to development projects outside the NM.

## **Land Supply**

215. We will make available land for the production of about 98 000 private housing units in the next five years. The Land Sale Programme for the coming year will include nine residential sites. Together with railway property development projects, projects undertaken by the Urban Renewal Authority (URA), as well as private development and redevelopment initiatives, the potential land supply for the whole year is expected to have a capacity for providing around some 22 000 units. I would like to emphasise that, for the steady development of the market, the specific land sale arrangements will be announced on a quarterly basis after careful consideration of market conditions and other relevant circumstances.

216. In view of the vacancy rate in the non-residential property market, the supply and demand, the Government will not put up general commercial sites for sale in the coming year. In addition, the HKIC will collaborate with regional and international long-term capital to channel funds into high-quality commercial property projects that align with Hong Kong's industrial positioning and match them with enterprises from target industries.

217. Separately, the Development Bureau (DEVB) is inviting the market to submit expressions of interest for post-secondary student hostel development on three sites. Subject to market response, the relevant sites may be put up for tender.

## **Housing Supply**

218. Taking into account Light Public Housing (LPH), the total public housing production in Hong Kong will be around 196 000 units in the coming five years, an increase of more than 80 per cent compared to the five-year period since the current-term Government took office.

219. Around 9 500 LPH units were built and commissioned last year. We are steadily moving towards the target of completing around 30 000 LPH units by 2027-28.

220. The Basic Housing Unit regulatory regime will come into effect in March with a 48-month transitional arrangement.

221. On private housing supply, we estimate that the completion of private residential units will average at around 17 000 units annually over a five-year period from this year, 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 104 000 units.

## **Infrastructure Development**

### **Transport Infrastructure**

222. The Government has recently announced the Transport Strategy Blueprint, outlining strategies and specific recommendations for the sustainable development of the transport system in Hong Kong. Guided by a public transport-oriented principle, the Blueprint aims to enhance cross-boundary transport infrastructure, facilitate the movement of people and goods within the GBA and drive smart transformation to provide greater convenience for the public and tourists.

223. We are pressing ahead with a series of railway, major road, and Smart and Green Mass Transit System projects to form an “Eight Vertical and Eight Horizontal” layout. Among them, the Central Kowloon Bypass (Yau Ma Tei Section) is now open to traffic, while the remaining Kowloon Bay Section is expected to be completed by the end of this year. By then, it will only take about 12 minutes to travel between Yau Ma Tei and Tseung Kwan O. As for railways, projects including Kwu Tung Station, Tung Chung Line Extension, Hung Shui Kiu Station, Tuen Mun South Extension and Oyster Bay Station, etc. will be completed progressively from next year onwards.

224. We are taking forward the Northern Link Main Line and Spur Line at full steam for commissioning simultaneously by 2034 or earlier. We are also actively taking forward the Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu-Qianhai) project, with the target of inviting tender for its detailed design and construction next year and commissioning in 2035.

225. Besides, tender for the Smart and Green Mass Transit System project in the Hung Shui Kiu/Ha Tsuen New Development Area is expected to be invited this year. We are also pressing ahead with the investigation study for the NM Highway, with priority given to the San Tin Section. The target is to invite tender for the main construction works next year, aiming for commissioning by 2036 or earlier.

## **Professional Development of Construction Industry**

### **Application of Robots**

226. We have required public works projects to adopt construction robots in suitable processes. To this end, the Construction Industry Council will also provide relevant training to promote the effective use of robots in the industry.

### **Promote Application of Innovation and Technology**

227. The Construction Innovation and Technology Fund serves to promote the industry-wide application of I&T, thereby enhancing productivity and site safety as well as reducing construction costs. We will inject \$1 billion into the fund to continue supporting industry development.

### **New Engineering Contract Form and Smart Site Safety System**

228. We are actively exploring with the Qianhai Authority for the pilot implementation of Hong Kong's New Engineering Contract form and Smart Site Safety System in Qianhai to facilitate the alignment of the Mainland's engineering contract and management system with Hong Kong and international standards.

### **Align Construction Standards**

229. We will make reference to GB and overseas standards to further enhance local construction standards and specifications. Besides, we will leverage Hong Kong's unique strengths as a global city and its experience to co-establish the GBA Construction Standards and help GB gain access to the global market.

### **Building Technology Research Institute**

230. To promote applied R&D and strengthen control over construction costs, we have earmarked \$100 million for commissioning the Building Technology Research Institute to conduct various studies. These include reviewing construction standards and exploring AI applications.

### **Reducing Construction Costs**

231. Through enhancing the project procurement model and streamlining the approval process, DEVB is implementing various measures to reduce construction costs and enhance effectiveness. For example, cost savings of about 10 per cent to 20 per cent can be achieved through direct procurement of Modular Integrated Construction (MiC) modules in LPH projects as well as electrical and mechanical equipment for a sewage treatment plant project.

232. Utilising its self-developed "Building Information Modelling (BIM)-enabled Systematic Approach to Foundation Design", the Housing Department achieves construction cost savings of about \$1 million per building on average. In addition, the second-generation MiC approach, together with locally developed innovative coupling technology, are being adopted to expedite public housing projects and enhance cost-effectiveness.

## **A Caring and Inclusive Community**

### **Supporting Work in the Aftermath of Tai Po Fire**

233. The Government has provided comprehensive support for those affected from the Tai Po fire. We have just announced the long-term housing arrangements and earmarked \$4 billion accordingly.

234. To reduce the risk of bid-rigging in building repair works, the URA will launch an enhanced version of “Smart Tender” in the second half of this year. In addition to providing a more rigorous pre-qualified list, the URA will render professional advice and support for owners in engaging consultants and contractors. Besides, the URA will provide subsidies to encourage owners to utilise the paid services of “Smart Tender”. For these two measures, we propose allocating a total of \$300 million to the URA.

235. DEVB is conducting a comprehensive review of the Operation Building Bright 2.0 to draw up a new subsidy scheme. We will earmark \$3 billion accordingly. Moreover, we will allocate \$1 billion to extend the Lift Modernisation Subsidy Scheme to provide subsidies to property owners.

### **Caring for the Elderly**

236. From the next financial year onwards, the Government will increase the number of Community Care Service Vouchers for the Elderly by 4 000 to 16 000 and the number of Residential Care Service Vouchers for the Elderly by 1 000 to 7 000, involving an estimated full-year expenditure of \$1.2 billion and \$1.97 billion respectively. The Government will also promote the further development of the elderly care services market, while promoting the parallel development of publicly-funded and market-based services, thereby enhancing the overall service capacity.

237. The Government has been supporting cross-boundary elderly care. Starting this month, the Residential Care Services Scheme in Guangdong has included two more residential care homes for the elderly (RCHEs), resulting in a total of 26 RCHEs covering all nine cities of the GBA. The two-year Pilot Medical Subsidy Arrangement was also launched at the end of last year. The subsidy is subject to an annual ceiling of RMB10,000 per person for out-patient expenses and RMB30,000 per person for in-patient expenses.

238. In addition, the Government will implement new arrangements for portable cash assistance in the middle of this year, under which elderly participants of the Guangdong Scheme, Fujian Scheme and Portable Comprehensive Social Security Assistance Scheme may opt to receive government assistance direct through their accounts with designated Mainland banks.

239. Last year, the Working Group on Promoting Silver Economy announced 30 measures, most of which have achieved positive outcomes. The Government will continue working closely with the industry to promote the silver economy.

### **Support for Youth**

240. We will provide young people with more exchange and internship opportunities in the Mainland and overseas, including introducing a new media thematic internship programme in the Mainland and allocating an additional \$60 million for implementing the HYAB Funding Scheme for International Youth Exchange continuously.

241. We will provide around 3 600 short-term internship placements in government departments and public bodies for post-secondary students, enabling young people aspiring for a public service career to gain experience.

## **Women's Development**

242. To promote all-round women's development, the annual funding for the Women Empowerment Fund will be increased to \$30 million starting from the next financial year.

## **Support for Working Families**

243. To strengthen the support for working families, the total number of service places of aided standalone child care centres has exceeded 1 530 with an increase of about 12 per cent over last year.

## **Support for Persons with Disabilities**

244. The Government will enhance rehabilitation services by providing about 450 additional places for day, residential and pre-school services in the next financial year, involving an additional annual expenditure of about \$107 million. For school children receiving On-site Pre-school Rehabilitation Services, the Government will provide bridging and support services during their first term in primary school. This measure will involve an additional annual expenditure of about \$260 million.

## **Promoting Employment**

245. The Re-employment Allowance Pilot Scheme has been well-received. Since its launch one and a half years ago, over 37 000 placements have been made. The provision for the scheme will be increased to \$222 million in the coming financial year.

246. The Employment Programme for the Elderly and Middle-aged aims to encourage employers to hire persons aged 40 or above and provide them with on-the-job training. Employers will, for employing each eligible person, receive a maximum on-the-job training allowance of \$5,000 per month for three months to 12 months. The programme subsidised nearly 4 500 placements last year. Besides, the ERB has launched two new courses dedicated for persons aged 50 or above.

## **Enhancing Healthcare Services**

### **Advance Primary Healthcare Development**

247. The Government will deepen development of primary healthcare in the community by launching the Primary Healthcare Co-care Network, which will extend screening to include hepatitis B and other diseases, strengthen cross-disciplinary collaboration, and improve support services such as medical laboratory testing and diagnostic radiology. The target participation for the first five years is around 700 000 persons. The Government will also implement the community drug formulary and launch the community pharmacy programme in the second half of this year, bringing more convenience to the public.

248. The Elderly Health Care Voucher Pilot Reward Scheme will be extended by two years until end-2028. Elderly persons who have accumulated voucher spending of \$1,000 or above within the same year on specific primary healthcare services such as examination and chronic disease management will have a \$500 voucher reward. The measure will involve an additional expenditure of about \$1 billion.

**Deliver Public Healthcare Services**

249. The 16 projects under the First Hospital Development Plan will be completed progressively. Taking into account the latest demographic structure and distribution, we are reviewing the scale and priority of projects under the Second Hospital Development Plan. We will make an announcement in due course and take forward the projects in an orderly manner.

**Enhance Private Healthcare Services**

250. To enhance the price transparency of private healthcare services such that members of the public can gain a more comprehensive understanding of price information before making medical decisions, the Government will introduce the relevant regulation to the LegCo this year.

## **Public Finance**

251. During the pandemic, several rounds of large-scale counter-cyclical measures were launched to support enterprises and safeguard jobs. These measures, though successful in stabilising the economy and protecting people's livelihood, have led to fiscal deficits in the past few years. The Budget last year introduced a reinforced fiscal consolidation programme, aiming at achieving fiscal balance through strictly containing the growth of government expenditure, suitably increasing revenue and consolidating the Government's financial resources. In addition, the scale of bond issuance would be enlarged. Last year, we set the target of attaining surpluses in the Operating Account from 2026-27 onwards and the Consolidated Account in 2028-29 respectively.

252. Over the past year, we have been fully committed to implementing the fiscal consolidation programme. As a result of the robust stock market and an accelerated economic growth, revenue from stamp duties and profits tax has increased by nearly \$50 billion in total compared to the original estimate. In 2025-26, the Operating Account will return to a surplus ahead of schedule, while the Consolidated Account will be broadly balanced after taking into account the net proceeds from bond issuance.

253. In the medium term, the Operating Account will register a surplus throughout the period from 2026-27 to 2030-2031. The Capital Account will nevertheless still record a deficit annually, mainly due to a high level of capital works expenditure. As infrastructure projects are an investment in Hong Kong's future, we will meet the financing needs by suitably increasing bond issuance. During the period, fiscal reserves are expected to gradually increase to over \$700 billion.

254. Overall, our public finances have seen significant improvement.

255. The Government has been upholding the principle of keeping the expenditure within the limits of revenues as enshrined under Article 107 of the Basic Law. We are striving to achieve fiscal balance in the economic cycle and ensure the resilience and sustainability of public finances.

### **Following through the Fiscal Consolidation Programme**

256. We will continue implementing the reinforced fiscal consolidation programme put forward in last year's Budget. Key principles are as follows:

- (a) to focus on strictly controlling government expenditure, supplemented by increasing revenue;
- (b) to maintain the competitiveness of Hong Kong's simple and low tax regime, and to avoid raising tax rates substantially or introducing new taxes; and
- (c) to uphold the "user pays" and "affordable users pay" principles as far as practicable in increasing revenue.

### **Strictly Containing the Growth of Operating Expenditure**

257. We will continue strictly containing the growth of the Government's operating expenditure. Bureaux and departments will make sustained efforts to review their resource allocation and work priorities, and provide public services with better cost-effectiveness through consolidating internal resources, streamlining procedures and leveraging technology.

258. We will take forward the Productivity Enhancement Programme as planned. On the premise that Comprehensive Social Security Assistance (CSSA), Social Security Allowance and statutory expenditures will not be affected, the Government's recurrent expenditure will be cut by two per cent in both 2026-27 and 2027-28, delivering further savings of about \$7.8 billion and \$15.6 billion respectively over 2025-26.

259. The civil service establishment will be reduced by two per cent in each of the coming two financial years to an estimated level of about 188 000 posts by 1 April 2026, resulting in a cumulative deletion of over 10 000 posts within this term of Government.

260. Regarding the 2026-27 civil service pay adjustment, the Government will conduct the Pay Trend Survey in accordance with the established mechanism. The Chief Executive-in-Council will then make a decision having due regard to the six factors.

### **Increasing Revenue**

261. On increasing revenue, we will uphold the "affordable users pay" principle in implementing the following measures:

- (a) The rates of stamp duty on residential property transactions valued above \$100 million will be raised from 4.25 per cent to 6.5 per cent, affecting about 0.3 per cent of residential property transactions. It is estimated that revenue will increase by about \$1 billion per annum. This measure will take retrospective effect from tomorrow upon passage of the amendment bill by the LegCo; and

- (b) Last year, we amended the Inland Revenue Ordinance to implement OECD's package by imposing the global minimum tax and implementing the Hong Kong minimum top-up tax on large multinational enterprise groups with an annual consolidated revenue of or above EUR750 million. This measure is expected to bring in an additional tax revenue of about \$15 billion for the Government annually starting from 2027-28.

### **Consolidating and Optimising the Use of Government Financial Resources**

#### *Consolidating Funds Established Outside the Government's Accounts*

262. As announced in last year's Budget, we have brought back \$61.5 billion from six seed capital funds with a relatively large unspent balance to the Government's accounts for optimising the use of government financial resources. I have also instructed various policy bureaux to conduct a full review of the remaining 36 purpose-specific funds established outside the Government's accounts. After carefully assessing the individual circumstances of the funds, we propose:

- (a) revising the financial arrangements of four funds to bring back their unspent balances, on the premise of supporting their operations in the next five years;
- (b) closing a fund which has accomplished its policy objectives and two funds for which objectives can be met more effectively under the established funding mechanism, and bringing back their unspent balances;
- (c) consolidating six funds into three for enhanced efficiency in the use of resources; and

- (d) maintaining the financial arrangements of the remaining 23 funds.

The above measures are expected to bring back about \$15.8 billion to the Government's accounts in 2026-27.

*Transferring the Accumulated Surplus of the Bond Fund*

263. The Bond Fund, established in 2009 outside the Consolidated Account, aims to support the issuance of bonds including Silver Bonds, iBonds and alternative bonds under the Government Bond Programme (GBP). Since 2024, Silver Bonds have been issued under the Infrastructure Bond Programme instead, with the proceeds being credited to the Capital Works Reserve Fund. The majority of bonds issued under the GBP will be held to maturity for redemption by the end of this year.

264. By the end of March, the balance of the Bond Fund is estimated to be about \$150 billion, with an accumulated surplus of about \$37 billion after deducting outstanding bond balances and interest payments etc. To optimise the use of the surplus of the Bond Fund, the Government will introduce a resolution to the LegCo to enable the transfer of the accumulated fund surplus to the Consolidated Account in 2026-27.

*Transferring Investment Income of the Exchange Fund*

265. The Exchange Fund achieved record-breaking performance last year, delivering an investment income of \$330 billion. As at the end of last year, the total value of assets under the Exchange Fund exceeded \$4.1 trillion, which would suffice to maintain monetary and financial stability in Hong Kong. On the premise that the Exchange Fund's function to maintain the stability and integrity of the local monetary and financial systems will not be compromised, I propose, under the Exchange Fund Ordinance, transferring \$75 billion in each of the coming two financial years, totalling \$150 billion, from the Exchange Fund to the Capital Works Reserve Fund in support of the NM and other infrastructure projects.

**Bond Issuance**

266. Last year's Policy Address announced that the Government would earmark an additional \$30 billion in the next two to three years to increase expenditure on works projects for driving sustained economic development. The Government's capital works expenditure is estimated to be about \$128 billion for 2026-27. Capital works expenditure will remain at a similar level during the Medium Range Forecast (MRF) period.

267. The Government has since 2019 and 2024 issued green bonds and infrastructure bonds respectively. Issuing bonds allows the Government to invest in infrastructure, while diversifying the development of the local bond market.

268. As the Government will accelerate the development of the NM and other public works projects relating to the economy and people's livelihood, we plan to raise the total borrowing ceiling of the two bond programmes from \$700 billion announced last year to \$900 billion. About \$160 billion to \$220 billion worth of bonds will be issued in each of the next five years, about half of which will be used for re-financing the short-term debts incurred in recent years. In future, we will issue more longer-term bonds to align more closely the cash flow duration with project requirements.

269. During the MRF period, the ratio of government debt to GDP will rise from 14.4 per cent to 19.9 per cent, which is a highly prudent level and well below that of most advanced economies. I would like to reiterate that proceeds from bond issuance will be used to invest in infrastructure only, but not for government recurrent expenditure.

## **Revised Estimates for 2025-26**

270. The 2025-26 revised estimate of total government revenue is about \$688.8 billion, higher than the original estimate by 4.5 per cent.

271. Due to a buoyant equity market and an accelerated economic growth, the revenue estimate from stamp duties is revised to \$99.5 billion, an increase of about \$31.9 billion from the original estimate. Revenue from profits tax has increased by about \$16.8 billion while that from salaries tax remains stable, with the revised estimates at \$209 billion and \$97 billion respectively, demonstrating the strong resilience of Hong Kong's economy. However, as the residential property market has just stabilised while the commercial property market remains relatively sluggish, government revenue from land premium stays low with the revised estimate at \$17.5 billion, lower than the original estimate by \$3.5 billion.

272. The revised estimate of total government expenditure for 2025-26 is \$789.2 billion, lower than the original estimate by \$33.1 billion. Of this, recurrent expenditure is \$572.4 billion, lower than the original estimate by \$15.7 billion.

273. The Operating Account for 2025-26, which was originally estimated to record a deficit of about \$3 billion, will register a surplus of \$51.3 billion. The Capital Account will record a deficit due to low revenue from land premium, coupled with high capital works expenditure to cater for the accelerated development of the NM and other public works projects relating to the economy and people's livelihood. Taking into account the issuance of government bonds of \$155 billion and repayments of \$51.7 billion, it is expected that the Consolidated Account will register a surplus of \$2.9 billion instead of a deficit of about \$67 billion as originally estimated. Fiscal reserves are expected to be \$657.2 billion by 31 March 2026.

## **Estimates for 2026-27**

274. The major policy initiatives announced in last year's Policy Address involve \$7.4 billion in operating expenditure, \$32 billion in capital expenditure and \$20 billion in financial commitments. Besides, there will be about \$1.3 billion in revenue forgone. The financial implications of such initiatives have been reflected in the estimates for 2026-27.

275. Total government expenditure for 2026-27 will increase by about 6.9 per cent to \$843.4 billion, with its ratio to nominal GDP projected to be 24.2 per cent.

276. Recurrent expenditure for 2026-27 will increase by 4.8 per cent to \$599.7 billion. Of this, substantial resources will continue to be allocated to livelihood-related policy areas including healthcare, social welfare and education, involving a total of \$357.1 billion and representing about 60 per cent of recurrent expenditure. Non-recurrent expenditure will increase by 36.9 per cent to \$40.5 billion.

277. Total government revenue for 2026-27 is estimated to be \$765.2 billion, while earnings and profits tax are estimated to be \$321.2 billion, increasing by \$2.2 billion over the revised estimate for 2025-26. On the basis of the Land Sale Programme and the land supply target for 2026-27, revenue from land premium is estimated to be \$18 billion, increasing by \$0.5 billion over the revised estimate for 2025-26. Revenue from stamp duties is estimated to be about \$101 billion, increasing by 1.5 per cent over the revised estimate for 2025-26. Besides, we will bring back about \$15.8 billion from funds established outside the Government's accounts, and transfer \$37 billion and \$75 billion respectively from the surplus of the Bond Fund and the investment income of the Exchange Fund to the Government's accounts.

278. The Operating Account for 2026-27 is estimated to register a surplus of about \$11.9 billion, while the Capital Account is estimated to record a deficit of about \$90.1 billion. Taking into account the bond issuance of about \$160 billion and repayments of about \$59.7 billion in 2026-27, a consolidated surplus of \$22.1 billion is expected for the year, and the fiscal reserves will rise to \$679.3 billion.

## **Supporting People and Enterprises**

279. To relieve the economic pressure faced by the people and enterprises, we will, having regard to the Government's fiscal position this year, introduce the following measures:

- (a) provide rates concession for domestic properties for the first two quarters of 2026/27, subject to a ceiling of \$500 for each rateable property. This measure is estimated to involve about 3.15 million domestic properties and reduce government revenue by about \$3.1 billion;
- (b) provide rates concession for non-domestic properties for the first two quarters of 2026/27, subject to a ceiling of \$500 for each rateable property. This measure is estimated to involve about 440 000 non-domestic properties and reduce government revenue by about \$400 million;
- (c) reduce salaries tax and tax under personal assessment for the year of assessment 2025/26 by 100 per cent, subject to a ceiling of \$3,000. The reduction will be reflected in the final tax payable for the year of assessment 2025/26. This measure will benefit about 2.12 million taxpayers and reduce government revenue by about \$5.3 billion;
- (d) reduce profits tax for the year of assessment 2025/26 by 100 per cent, subject to a ceiling of \$3,000. The reduction will be reflected in the final tax payable for the year of assessment 2025/26. This measure will benefit about 171 000 businesses and reduce government revenue by about \$500 million; and

- (e) provide an allowance for eligible social security recipients, equal to one month of the standard rate 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 \$6.5 billion.

280. Besides, starting from the year of assessment 2026/27, I propose:

- (a) increasing the basic allowance and single parent allowance from \$132,000 to \$145,000, and the married person's allowance from \$264,000 to \$290,000. This measure will benefit about 2.09 million taxpayers and reduce tax revenue by about \$3.56 billion a year;
- (b) increasing the child allowance and additional child allowance from \$130,000 to \$140,000. This measure will benefit about 360 000 taxpayers and reduce tax revenue by about \$680 million a year; and
- (c) increasing the allowance for maintaining a dependent parent or grandparent and raising the deduction ceiling for elderly residential care expenses. These measures will benefit about 830 000 taxpayers and reduce tax revenue by about \$970 million a year. I will make the following three adjustments:
  - increasing the allowance for maintaining a dependent parent or grandparent aged 60 or above from \$50,000 to \$55,000. The same increase applies to the additional allowance for taxpayers residing with these parents or grandparents;

- increasing the allowance for maintaining a dependent parent or grandparent aged 55 to 59 from \$25,000 to \$27,500. The same increase applies to the additional allowance for taxpayers residing with these parents or grandparents; and
  
- raising the deduction ceiling for elderly residential care expenses from \$100,000 to \$110,000 for taxpayers whose parents or grandparents are admitted to eligible residential care homes.

## **Medium Range Forecast**

281. The MRF projects the revenue and expenditure as well as fiscal position of the Government from a macro perspective. It has fully reflected the impact of the measures in the fiscal consolidation programme. From 2026-27 to 2030-31, a real economic growth rate of three per cent is adopted.

282. 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 3.6 per cent per annum. The ratio of total government expenditure to GDP will gradually fall from about 24.2 per cent for 2026-27 to about 21.5 per cent for 2030-31.

283. As regards revenue, the growth rates of revenue from profits tax, salaries tax and stamp duties are expected to correspond to the economic growth rates in the next few years. For 2027-28 onwards, revenue from land premium is estimated to progressively rise to two per cent of GDP, which is a conservative level lower than the average of 3.2 per cent over the past 20 years. Overall, the ratio of government revenue to GDP will maintain at about 20 per cent.

284. In addition, the MRF reflects the proceeds from the annual issuance of government sustainable bonds and infrastructure bonds worth about \$160 billion to \$220 billion in total. After deducting bond repayments, the net proceeds from bond issuance each year range from \$57 billion to \$117 billion.

285. Based on the above projections, there will be a surplus in the Operating Account for each of the next five years, while the Capital Account will still record a deficit due to expenditure on infrastructure. After taking account of net proceeds from the issuance of bonds, the Consolidated Account will register a surplus in each of the next five years. The above forecast has not taken into account any tax concessions or relief measures that the Government may implement after 2027-28.

286. Fiscal reserves are estimated at \$733.7 billion by the end of March 2031, representing 17.3 per cent of GDP, or equivalent to about 10 months of government expenditure.

## **Concluding Remarks**

287. President, over the past year, the global environment has remained volatile, and Hong Kong has continued to undergo economic transformation, with some sectors still facing pressure. Technological innovation, in particular the development of AI, has brought us a mix of opportunities and challenges. Yet, Hong Kong has always thrived amid changes and progressed through innovation, demonstrating strong determination and resilience, as well as exceptional agility and adaptability. While transformation is ongoing, our economy has recalibrated its course and is advancing steadily.

288. Characterised by its cultural blend of East and West, the robust rule of law, a simple and low tax regime, as well as a safe and liveable environment, Hong Kong is well placed to attract talents, enterprises and capital. We must make full use of our strengths and leverage the resolute support of our country to speed up and scale up our economic development sustainably for creating better development opportunities for the people and enhancing their quality of life.

289. The colour of the cover of this year's Budget is purple. Representing elegance and charm, the colour also stands for calmness and perseverance, signifying the growing intrinsic strengths of Hong Kong's economy in the midst of a fast-changing external environment, as well as people's aspirations for happiness.

290. Next year marks the 30th anniversary of Hong Kong's return to the Motherland. Let us gallop towards a brighter future with confidence and determination. By making the most of our strengths under the "One Country, Two Systems" framework, we will certainly enrich and enliven our city through more diverse and inclusive development for the better livelihood of our citizens and to make greater contributions towards Chinese modernisation.

291. Thank you.

# THE 2026-27 BUDGET

Speech by the Financial Secretary, the Hon Paul MP Chan  
moving the Second Reading of the Appropriation Bill 2026

Supplement and Appendices

Wednesday, 25 February 2026



# SUPPLEMENT

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Please visit our website at <http://www.budget.gov.hk/2026/eng/speech.html> for all documents, appendices and statistics relating to the 2026-27 Budget. The Chinese version can be found at <http://www.budget.gov.hk/2026/chi/speech.html>.



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

2026-27<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	7,356	613	6,360	530
Medium	14,616	1,218	13,620	1,135
Large	37,212	3,101	36,216	3,018
Public Domestic Premises <sup>(4)</sup>	3,468	289	2,484	207
<b>All Domestic Premises<sup>(5)</sup></b>	<b>7,332</b>	<b>611</b>	<b>6,372</b>	<b>531</b>
Shops and Commercial Premises	36,396	3,033	35,436	2,953
Offices	43,248	3,604	42,252	3,521
Industrial Premises <sup>(6)</sup>	18,900	1,575	17,928	1,494
<b>All Non-domestic Premises<sup>(7)</sup></b>	<b>35,436</b>	<b>2,953</b>	<b>34,500</b>	<b>2,875</b>
<b>All Properties</b>	<b>10,752</b>	<b>896</b>	<b>9,792</b>	<b>816</b>

- (1) The proposed rates concession measure is capped at \$500 per tenement per quarter for the first two quarters of 2026-27. No rates will be charged on 12% of domestic ratepayers, and 16% of non-domestic ratepayers for the first two quarters of 2026-27. Overall speaking, about 12% of ratepayers will not need to pay any rates for the first two quarters of 2026-27.
- (2) The rates payable have reflected the changes in rateable values for 2026-27 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 2025/26

Salaries tax and tax under personal assessment –  
100% tax reduction subject to a cap at \$3,000 per case

Assessable Income	No. of taxpayers	Average amount of tax reduction	Average % of tax reduced
\$200,000 and below	150 000	\$840	100%
\$200,001 to \$300,000	438 000	\$2,260	59%
\$300,001 to \$400,000	385 000	\$2,530	29%
\$400,001 to \$600,000	480 000	\$2,720	14%
\$600,001 to \$900,000	332 000	\$2,830	7%
Above \$900,000	335 000	\$2,930	1%
Total	2 120 000	—	—

*Note: In the fourth quarter of 2025, the number of employed persons in Hong Kong was 3.67 million.*

Profits tax –  
100% tax reduction subject to a cap at \$3,000 per case

Assessable Profits	No. of businesses <sup>#</sup>	Average amount of tax reduction	Average % of tax reduced
\$100,000 and below	57 900	\$2,000	52%
\$100,001 to \$200,000	19 300	\$3,000	19%
\$200,001 to \$300,000	11 700	\$3,000	11%
\$300,001 to \$400,000	8 500	\$3,000	8%
\$400,001 to \$600,000	11 800	\$3,000	6%
\$600,001 to \$900,000	11 400	\$3,000	4%
Above \$900,000	50 200	\$3,000	0.1%
Total	170 800	—	—

*Note: As at 31 December 2025, there were about 1.39 million corporations and 261 000 unincorporated businesses in Hong Kong.*

<sup>#</sup> *Including 130 300 corporations and 40 500 unincorporated businesses.*

## AD VALOREM STAMP DUTY FOR RESIDENTIAL PROPERTIES

**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 \$4,000,000	\$100	\$100
\$4,000,001 to \$4,500,000	1.50%	1.50%
\$4,500,001 to \$6,000,000	2.25%	2.25%
\$6,000,001 to \$9,000,000	3.00%	3.00%
\$9,000,001 to \$20,000,000	3.75%	3.75%
\$20,000,001 to \$100,000,000	4.25%	4.25%
\$100,000,001 or above	4.25%	6.50%

## ECONOMIC PERFORMANCE IN 2025

1. Rates of change in the Gross Domestic Product and its expenditure components and in the main price indicators in 2025:

	(%)
(a) Growth rates in real terms of:	
Private consumption expenditure	1.7
Government consumption expenditure	1.6
Gross domestic fixed capital formation	4.3
<i>of which :</i>	
Building and construction	-9.4
Machinery, equipment and intellectual property products	24.7
Total exports of goods	12.0
Imports of goods	12.6
Exports of services	6.3
Imports of services	4.3
<b>Gross Domestic Product (GDP)</b>	<b>3.5</b>
<i>Growth rate of per capita GDP in real terms</i>	3.8
<i>Per capita GDP at current market prices</i>	HK\$444,300 (US\$57,000)
(b) Rates of change in:	
<b>Underlying Composite Consumer Price Index</b>	<b>1.1</b>
<b>GDP Deflator</b>	<b>1.0</b>
<b>Government Consumption Expenditure Deflator</b>	<b>1.2</b>
(c) <b>Growth rate of nominal GDP</b>	<b>4.5</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> (%)
2023	-8	-12
2024	9	5
2025	15	13

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> (%)
2023	-12	-14	-10	-15	-5	-12
2024	5	10	3	-1	26	-3
2025	13	14	9	-4	47	36

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> (%)
2023	-9	1
2024	3	-6
2025	13	13

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
		(%)	(%)	(%)	(%)
2023	19	4	521	-7	0
2024	4	4	7	4	2
2025	6	6	9	7	2

6. Hong Kong's goods and services trade balance in 2025 reckoned on GDP basis:

	(HK\$ billion)
Total exports of goods	5,758.8
Imports of goods	5,832.0
<b><i>Goods trade balance</i></b>	<b>-73.2</b>
Exports of services	896.7
Imports of services	727.9
<b><i>Services trade balance</i></b>	<b>168.9</b>
<b><i>Combined goods and services trade balance</i></b>	<b>95.6</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>
2023	2.9	1.1	1.2	2.7
2024	3.0	1.2	-0.4	-0.4
2025	3.6	1.4	0.1	-0.6

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>
2023	1.7	2.1	2.3	2.0	2.0
2024	1.1	1.7	2.1	1.6	1.5
2025	1.1	1.4	1.9	1.3	1.1

## ECONOMIC PROSPECTS FOR 2026

Forecast rates of change in the Gross Domestic Product and main price indicators in 2026:

	(%)
<b>Gross Domestic Product (GDP)</b>	
<i>Real GDP</i>	<b>2.5 to 3.5</b>
<i>Nominal GDP</i>	4.2 to 5.2
<i>Growth rate of per capita GDP in real terms</i>	2 to 3
<i>Per capita GDP at current market prices</i>	HK\$460,700-465,200 (US\$59,100-59,600)
<b>Composite Consumer Price Index</b>	
<i>Underlying Composite Consumer Price Index</i>	<b>1.7</b>
<i>Headline Composite Consumer Price Index</i>	<b>1.8</b>
<b>GDP Deflator</b>	<b>1.7</b>

# APPENDICES



# APPENDICES

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*Note:* Expenditure figures for 2025-26 and before have been adjusted to align with the definitions and policy area group classifications adopted in the 2026-27 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 2026-27 to 2030-31.

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

### Economic Assumptions

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

**3** GDP growth is forecast to range from 2.5% to 3.5% in real terms in 2026. We have used the mid-point of this range forecast in deriving the MRF. For planning purposes, the trend growth rate of the economy in real terms is assumed to be 3% per annum in the four-year period from 2027 to 2030.

#### *Price change*

**4** The GDP deflator, measuring overall price change in the economy, is forecast to increase by 1.7% in 2026. For the four-year period from 2027 to 2030, the GDP deflator is assumed to increase at a trend rate of 2% per annum.

**5** The Composite Consumer Price Index (CCPI), measuring inflation in the consumer domain, is forecast to increase by 1.8% in 2026. Netting out the effects of one-off relief measures, the underlying CCPI is forecast to increase by 1.7% in 2026. From 2027 to 2030, the trend rate of increase for the underlying CCPI is assumed to be 2% 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 4.2% to 5.2% in 2026, and the trend growth rate in nominal terms from 2027 to 2030 is assumed to be 5% per annum.

### Specific Assumptions

- 7** Specific assumptions on expenditure and revenue patterns over the forecast period are as follows –
- The operating expenditure for 2027-28 and beyond represents the forecast expenditure requirements for Government.
  - The capital expenditure for 2026-27 and beyond reflects the estimated cash flow requirements for capital projects including approved capital works projects and those at an advanced planning stage.
  - The revenue projections for 2027-28 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)	2025-26 Revised Estimate	2026-27 Estimate	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast	2030-31 Forecast
<b>Operating Account</b>						
Operating revenue ( <i>Note (b)</i> )	653,257	652,110	666,047	688,762	724,620	767,261
Less: Operating expenditure ( <i>Note (c)</i> )	601,971	640,200	639,605	647,565	672,458	698,391
<b>Operating surplus</b>	<b>51,286</b>	<b>11,910</b>	<b>26,442</b>	<b>41,197</b>	<b>52,162</b>	<b>68,870</b>
<b>Capital Account</b>						
Capital revenue ( <i>Note (d)</i> )	35,505	113,124	128,409	77,035	95,121	107,887
Less: Capital expenditure ( <i>Note (e)</i> )	187,200	203,216	226,997	224,298	218,341	215,215
<b>Capital deficit</b>	<b>(151,695)</b>	<b>(90,092)</b>	<b>(98,588)</b>	<b>(147,263)</b>	<b>(123,220)</b>	<b>(107,328)</b>
<b>Consolidated Account</b>						
Government revenue	688,762	765,234	794,456	765,797	819,741	875,148
Less: Government expenditure	789,171	843,416	866,602	871,863	890,799	913,606
<b>Consolidated deficit before issuance and repayment of bonds</b>	<b>(100,409)</b>	<b>(78,182)</b>	<b>(72,146)</b>	<b>(106,066)</b>	<b>(71,058)</b>	<b>(38,458)</b>
Add: Proceeds from issuance of government bonds ( <i>Note (f)</i> )	155,000	160,000	210,000	220,000	190,000	190,000
Less: Repayment of government bonds ( <i>Note (f)</i> )	51,686	59,708	129,923	103,307	101,571	133,148
<b>Consolidated surplus after issuance and repayment of bonds</b>	<b>2,905</b>	<b>22,110</b>	<b>7,931</b>	<b>10,627</b>	<b>17,371</b>	<b>18,394</b>
<b>Fiscal reserves at 31 March</b>	<b>657,222</b>	<b>679,332</b>	<b>687,263</b>	<b>697,890</b>	<b>715,261</b>	<b>733,655</b>
In terms of number of months of government expenditure	10	10	10	10	10	10
In terms of percentage of GDP	19.7%	19.5%	18.8%	18.1%	17.7%	17.3%

**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. In 2016-17, \$4.8 billion of the consolidated surplus from the Operating and Capital Reserves were transferred to the Future Fund as top-up. The arrangement thereafter is subject to an annual review by the Financial Secretary.

Table 2

<b>Distribution of fiscal reserves at 31 March</b>					
	2025-26 Revised Estimate	2026-27 Estimate			
(\$ million)			Future Fund	Operating and Capital Reserves	Total
General Revenue Account	230,258	<b>234,796</b>	4,800*	229,996	234,796
Funds with designated use	177,140	<b>194,691</b>		194,691	194,691
Capital Works Reserve Fund	57,429	<b>81,730</b>		81,730	81,730
Capital Investment Fund	11,802	<b>9,440</b>		9,440	9,440
Civil Service Pension Reserve Fund	60,478	<b>63,381</b>		63,381	63,381
Disaster Relief Fund	128	<b>200</b>		200	200
Innovation and Technology Fund	17,655	<b>12,119</b>		12,119	12,119
Loan Fund	5,688	<b>5,699</b>		5,699	5,699
Lotteries Fund	23,960	<b>22,122</b>		22,122	22,122
Land Fund	249,824	<b>249,845</b>	249,845	-	249,845
	<u>657,222</u>	<u><b>679,332</b></u>	<u>254,645</u>	<u>424,687</u>	<u>679,332</u>
In terms of number of months of government expenditure	10	10	4	6	10

\* 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 \$619 billion for capital works projects underway and about \$571 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 relating 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 includes the proceeds, repayments and interest expenses of government bonds accounted for in the Capital Works Reserve Fund (*see Note (f)*) but 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 revenue measures proposed in the 2026-27 Budget, and is made up of –

	2025-26 Revised Estimate	2026-27 Estimate	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast	2030-31 Forecast
(\$ million)						
Operating revenue before investment income	627,205	622,549	628,039	655,387	686,778	728,260
Investment income	26,052	29,561	38,008	33,375	37,842	39,001
Total	<u>653,257</u>	<u>652,110</u>	<u>666,047</u>	<u>688,762</u>	<u>724,620</u>	<u>767,261</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 4.8% for 2026 (vs 4.4% for 2025) and is assumed to be in the range of 4.4% to 6.9% from 2027 to 2030.
- (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.
- (iv) As proposed in the 2026-27 Budget Speech, about \$37 billion of accumulated surplus in the Bond Fund will be transferred to the Government's consolidated account in 2026-27.

(c) *Operating expenditure*

This represents expenditure charged to the Operating Account of the General Revenue Account and Land Fund. The figures for 2027-28 and beyond set out the forecast operating expenditure requirements for the Government.

*(d) Capital revenue*

(i) The breakdown of capital revenue is –

(\$ million)	2025-26 Revised Estimate	2026-27 Estimate	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast	2030-31 Forecast
General Revenue Account	2,844	4,920	4,137	4,265	4,660	4,654
Capital Investment Fund	1,176	883	931	985	970	970
Capital Works Reserve Fund	17,638	93,038	109,421	57,881	71,342	84,802
Disaster Relief Fund	4	-	-	-	-	-
Innovation and Technology Fund	58	-	-	-	-	-
Loan Fund	3,104	3,523	4,229	4,344	4,603	4,767
Lotteries Fund	1,246	1,245	1,230	1,229	1,223	1,217
Capital revenue before investment income	26,070	103,609	119,948	68,704	82,798	96,410
Investment income	9,435	9,515	8,461	8,331	12,323	11,477
Total	35,505	113,124	128,409	77,035	95,121	107,887

(ii) Revenue from land premium included under the Capital Works Reserve Fund for 2026-27 is estimated to be \$18 billion with reference to the land sale programme. From 2027-28 onwards, it is prudently assumed to be progressively rising to 2% of GDP, which is lower than that of the past 20-year historical average ratio of 3.2%.

(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 4.8% for 2026 (vs 4.4% for 2025) and is assumed to be in the range of 4.4% to 6.9% from 2027 to 2030.

(iv) As proposed in the 2026-27 Budget Speech, \$75 billion of investment income from the Exchange Fund will be transferred to the Capital Works Reserve Fund in each of 2026-27 and 2027-28 (i.e. \$150 billion in total).

*(e) Capital expenditure*

The breakdown of capital expenditure is –

(\$ million)	2025-26 Revised Estimate	2026-27 Estimate	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast	2030-31 Forecast
General Revenue Account	7,363	8,208	8,957	8,565	8,190	7,805
Capital Investment Fund	2,962	3,767	12,787	14,602	13,533	6,376
Capital Works Reserve Fund	161,298	172,997	183,755	180,416	175,769	177,669
Disaster Relief Fund	81	-	-	-	-	-
Innovation and Technology Fund	10,521	10,270	11,624	11,912	11,083	14,251
Loan Fund	2,909	3,784	3,659	4,325	5,037	5,137
Lotteries Fund	2,066	4,190	6,215	4,478	4,729	3,977
Total	187,200	203,216	226,997	224,298	218,341	215,215

*(f) Government bonds*

The Government issued green bonds under the Government Sustainable Bond Programme (GSBP) (previously known as the Government Green Bond Programme) from 2019-20 to 2025-26, and infrastructure bonds under the Infrastructure Bond Programme (IBP) from 2024-25 to 2025-26. The Government will continue issuing the above two types of bonds from 2026-27 to 2030-31. The actual size and timing of issuance will be determined having regard to market conditions. The proceeds of the two 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)	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	Revised Estimate	Estimate	Forecast	Forecast	Forecast	Forecast
Operating expenditure	601,971	640,200	639,605	647,565	672,458	698,391
Capital expenditure	187,200	203,216	226,997	224,298	218,341	215,215
<b>Government expenditure</b>	<b>789,171</b>	<b>843,416</b>	<b>866,602</b>	<b>871,863</b>	<b>890,799</b>	<b>913,606</b>
Expenditure by other public bodies	55,046	61,308	66,441	69,615	69,377	71,812
<b>Public expenditure (Note (a))</b>	<b>844,217</b>	<b>904,724</b>	<b>933,043</b>	<b>941,478</b>	<b>960,176</b>	<b>985,418</b>
<b>Gross Domestic Product (calendar year)</b>	<b>3,331,774</b>	<b>3,488,400</b>	<b>3,662,800</b>	<b>3,845,900</b>	<b>4,038,200</b>	<b>4,240,100</b>
Nominal growth in GDP (Note (b))	4.5%	4.7%	5.0%	5.0%	5.0%	5.0%
Growth in recurrent government expenditure (Note (c))	2.2%	4.8%	2.4%	2.9%	3.9%	3.9%
Growth in government expenditure (Note (c))	4.8%	6.9%	2.7%	0.6%	2.2%	2.6%
Growth in public expenditure (Note (c))	5.4%	7.2%	3.1%	0.9%	2.0%	2.6%
<b>Public expenditure in terms of percentage of GDP</b>	<b>25.3%</b>	<b>25.9%</b>	<b>25.5%</b>	<b>24.5%</b>	<b>23.8%</b>	<b>23.2%</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 2026-27, the nominal GDP growth of 4.7% represents the mid-point of the range forecast of 4.2% to 5.2% for 2026.
- (c) The growth rates for 2025-26 to 2030-31 refer to year-on-year change. For example, the rates for 2025-26 refer to the change between the revised estimate for 2025-26 and the actual expenditure in 2024-25. The rates for 2026-27 refer to the change between the 2026-27 estimate and the 2025-26 revised estimate, and so forth.

15 Table 4 shows the relationship amongst the sum to be appropriated in the 2026-27 Budget, government expenditure and public expenditure.

**Relationship between Government Expenditure  
and Public Expenditure in 2026-27**

Table 4

(\$ million)	Appropriation	Government expenditure and revenue			Public expenditure
		Operating	Capital	Total	
<b>Expenditure</b>					
General Revenue Account					
Operating					
Recurrent	599,677	599,677	-	599,677	599,677
Non-recurrent	40,523	40,523	-	40,523	40,523
Capital					
Plant, equipment and works	5,233	-	5,233	5,233	5,233
Subventions	2,975	-	2,975	2,975	2,975
	648,408	640,200	8,208	648,408	648,408
Transfer to Funds	4,063	-	-	-	-
Capital Investment Fund	-	-	3,767	3,767	3,767
Capital Works Reserve Fund	-	-	172,997	172,997	172,997
Innovation and Technology Fund	-	-	10,270	10,270	10,270
Loan Fund	-	-	3,784	3,784	3,784
Lotteries Fund	-	-	4,190	4,190	4,190
Trading Funds	-	-	-	-	4,250
Housing Authority	-	-	-	-	57,058
	652,471	640,200	203,216	843,416	904,724
<b>Revenue</b>					
General Revenue Account					
Taxation		522,889	100	522,989	
Other revenue		109,200	4,820	114,020	
		632,089	4,920	637,009	
Capital Investment Fund		-	1,405	1,405	
Capital Works Reserve Fund		-	97,006	97,006	
Civil Service Pension Reserve Fund		-	2,903	2,903	
Disaster Relief Fund		-	9	9	
Innovation and Technology Fund		-	734	734	
Land Fund		20,021	-	20,021	
Loan Fund		-	3,795	3,795	
Lotteries Fund		-	2,352	2,352	
		652,110	113,124	765,234	
<b>Surplus / (Deficit)</b>		11,910	(90,092)	(78,182)	

**SECTION IV CONTINGENT AND MAJOR UNFUNDED LIABILITIES**

**16** The Government’s contingent liabilities as at 31 March 2025, 31 March 2026 and 31 March 2027, are provided below as supplementary information to the MRF –

(\$ million)	<i>Table 5</i>		
	2025	At 31 March 2026	2027
Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance	54,623	61,331	68,537
Guarantees provided under the SME Financing Guarantee Scheme	126,601	108,544	79,110
Legal claims, disputes and proceedings	7,056	7,733	4,623
Subscription to callable shares in the Asian Development Bank	5,662	5,821	5,821
Subscription to callable shares in the Asian Infrastructure Investment Bank	4,800	4,800	4,800
Guarantees provided under the SME Loan Guarantee Scheme	418	209	114
Guarantees provided under Dedicated 100% Loan Guarantee Scheme for Travel Sector	203	1	10
Guarantees provided under the Special Loan Guarantee Scheme	58	54	47
Guarantees provided under Dedicated 100% Loan Guarantee Scheme for Battery Electric Taxis	32	303	2,404
Guarantees provided for the Medium Term Note Programme of the Hong Kong Cyberport Management Company Limited	-	500	500
<b>Total</b>	199,453	189,296	165,966

**17** The Government’s major unfunded liabilities as at 31 March 2025 were as follows –

(\$ million)

Present value of statutory pension obligations ( <i>Note (a)</i> )	924,766
Untaken leave ( <i>Note (b)</i> )	25,841
Green bonds issued under the GSBP and infrastructure bonds issued under the IBP	299,344

*Notes –*

- (a) The statutory pension obligations for the coming ten years are estimated to be about \$571 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 2025 and 31 March 2026 are \$686,928 million and \$619,010 million respectively. Some of these are contractual commitments.

# **APPENDIX B**

## **ANALYSIS OF EXPENDITURE AND REVENUE**

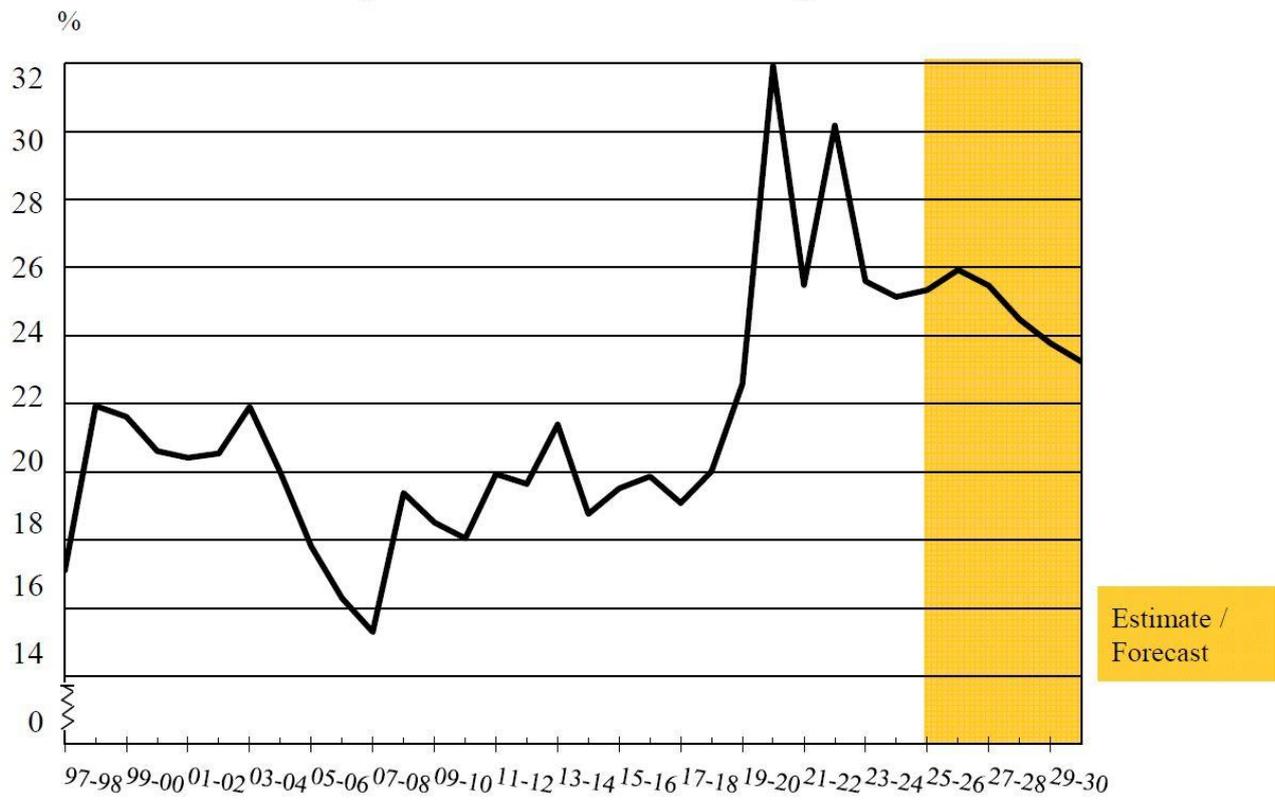


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**SECTION I THE ESTIMATES IN THE CONTEXT OF THE ECONOMY****Relationship between Government Expenditure, Public Expenditure and GDP**

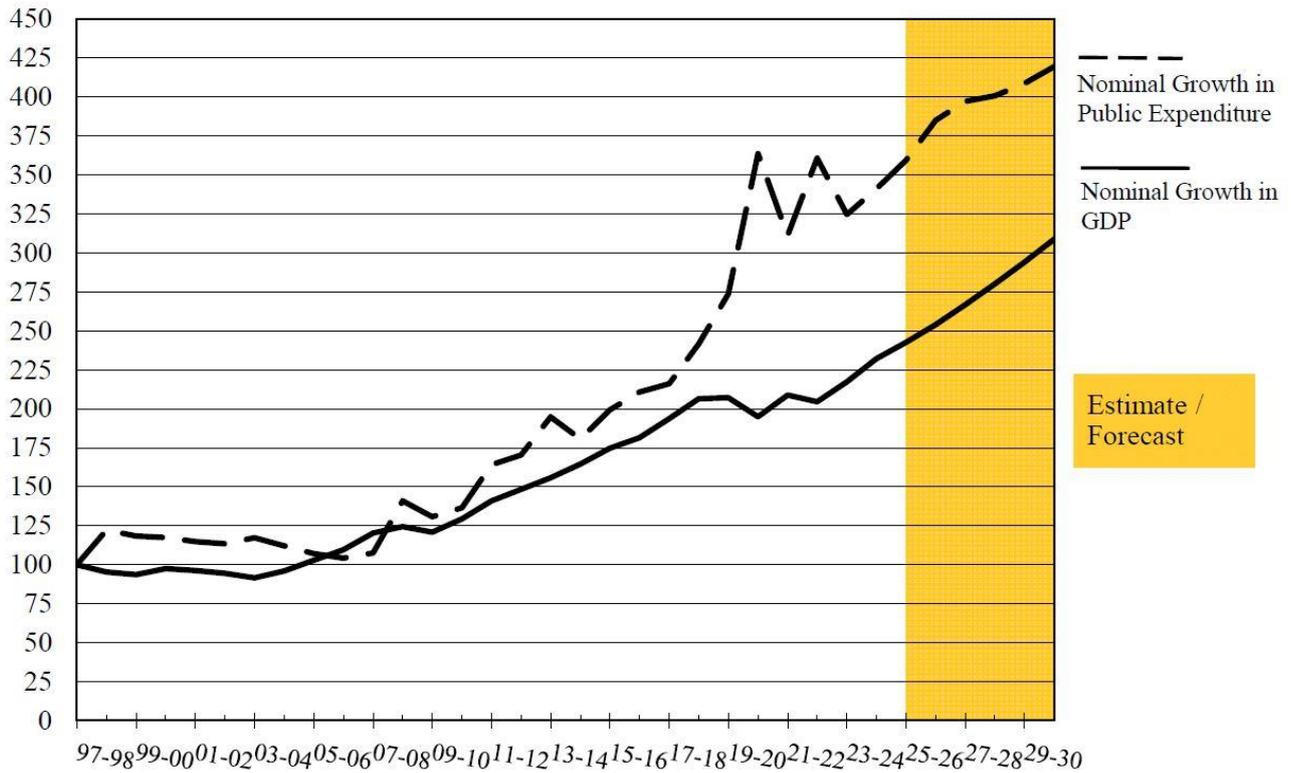
	<b>2026-27 Estimate \$m</b>
General Revenue Account	
Operating	640,200
Capital	8,208
	<hr/> 648,408
Capital Investment Fund	3,767
Capital Works Reserve Fund	172,997
Innovation and Technology Fund	10,270
Loan Fund	3,784
Lotteries Fund	4,190
<b>Government Expenditure</b>	<hr/> <b>843,416</b>
Trading Funds	4,250
Housing Authority	57,058
<b>Public Expenditure</b>	<hr/> <b>904,724</b> <hr/>
GDP	3,488,400
Public Expenditure in terms of percentage of GDP	25.9%

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



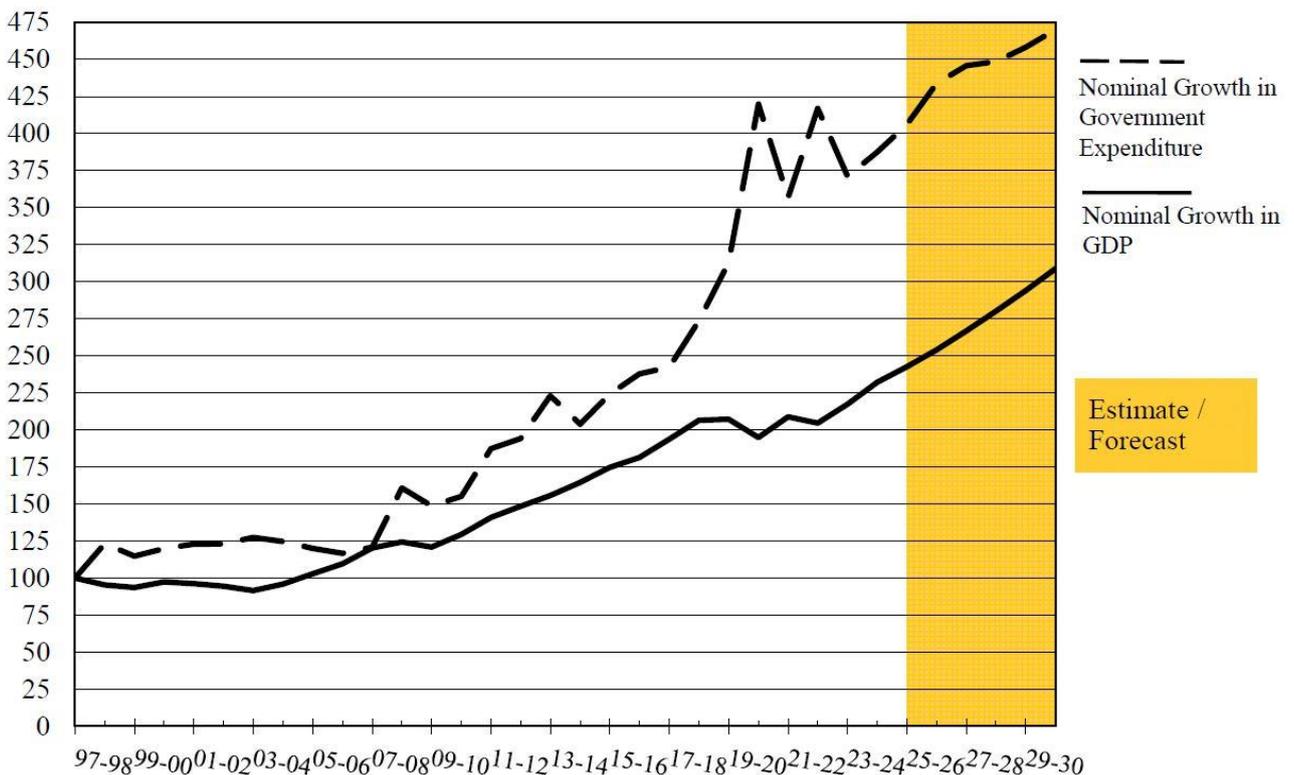
**Comparison of Cumulative Growth in Public Expenditure  
with Cumulative Growth in GDP  
since 1997-98**

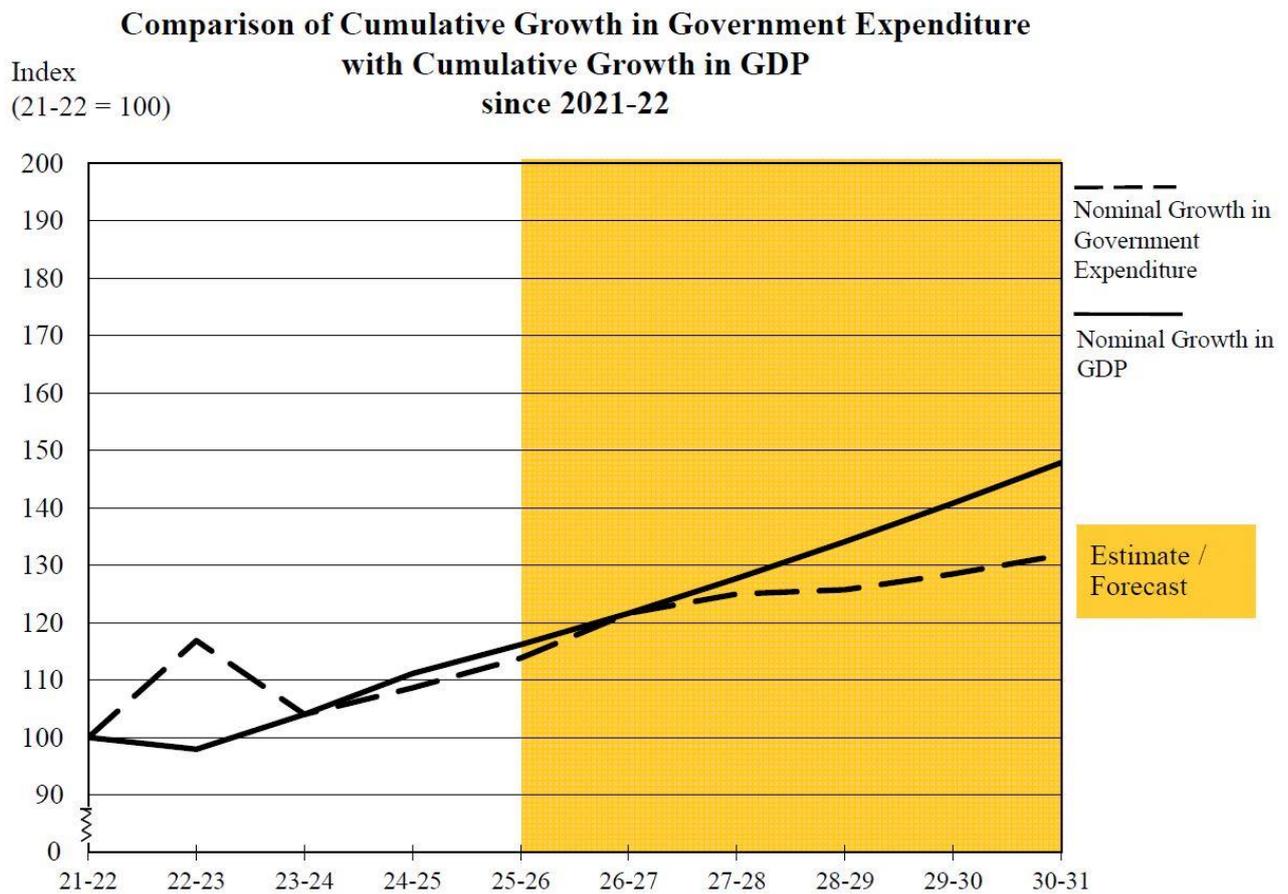
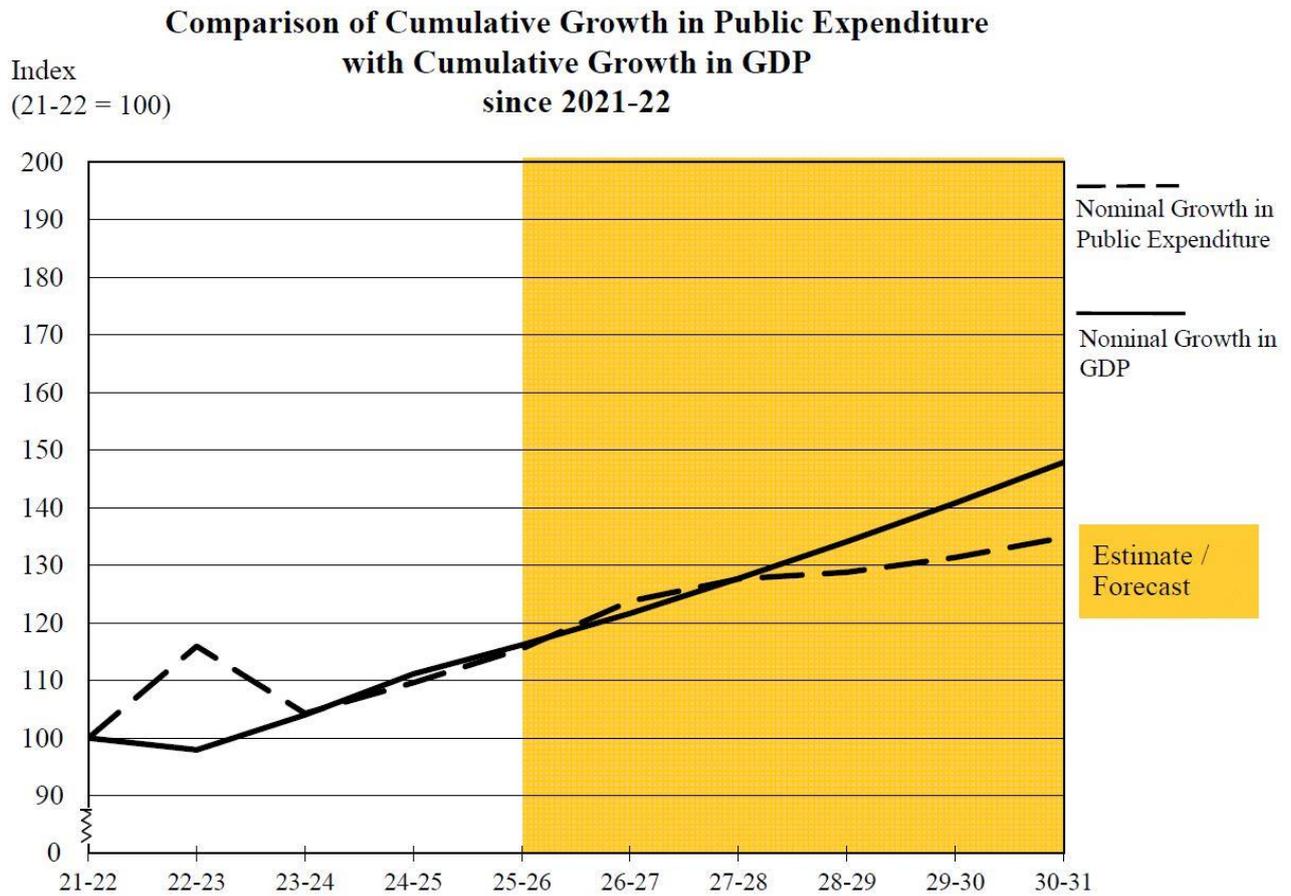
Index  
(97-98 = 100)



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

Index  
(97-98 = 100)





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

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

	2024-25 Actual \$m	2025-26 Revised Estimate \$m	2026-27 Estimate \$m	Increase/Decrease over 2025-26 Revised Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	105,281	101,991	<b>102,308</b>	<b>0.3</b>	<b>-1.0</b>
<b>Social Welfare</b>	116,887	123,614	<b>135,865</b>	<b>9.9</b>	<b>7.3</b>
<b>Health</b>	109,247	114,347	<b>118,881</b>	<b>4.0</b>	<b>2.4</b>
<b>Security</b>	59,167	58,840	<b>60,517</b>	<b>2.9</b>	<b>1.4</b>
<b>Infrastructure</b>	33,655	33,394	<b>35,001</b>	<b>4.8</b>	<b>2.7</b>
<b>Environment and Food</b>	25,358	25,484	<b>26,728</b>	<b>4.9</b>	<b>2.7</b>
<b>Economic</b>	21,857	22,020	<b>22,875</b>	<b>3.9</b>	<b>1.2</b>
<b>Housing</b>	20,394	21,430	<b>22,635</b>	<b>5.6</b>	<b>3.1</b>
<b>Community and External Affairs</b>	18,039	18,418	<b>18,913</b>	<b>2.7</b>	<b>0.6</b>
<b>Support</b>	73,663	77,410	<b>81,310</b>	<b>5.0</b>	<b>3.9</b>
	<u>583,548</u>	<u>596,948</u>	<u><b>625,033</b></u>	<b>4.7</b>	<b>2.9</b>
<b>GDP growth in 2026</b>				<b>4.2% to 5.2%</b>	<b>2.5% to 3.5%</b>

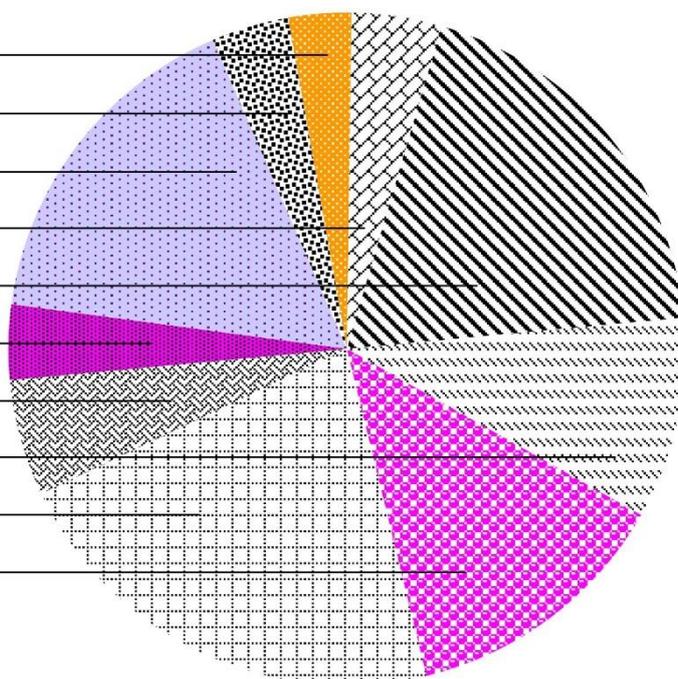
**SECTION II RECURRENT PUBLIC/GOVERNMENT EXPENDITURE  
BY POLICY AREA GROUP**

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

	2024-25 Actual \$m	2025-26 Revised Estimate \$m	2026-27 Estimate \$m	Increase/Decrease over 2025-26 Revised Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	105,281	101,991	<b>102,308</b>	<b>0.3</b>	<b>-1.0</b>
<b>Social Welfare</b>	116,887	123,614	<b>135,865</b>	<b>9.9</b>	<b>7.3</b>
<b>Health</b>	109,247	114,347	<b>118,881</b>	<b>4.0</b>	<b>2.4</b>
<b>Security</b>	59,167	58,840	<b>60,517</b>	<b>2.9</b>	<b>1.4</b>
<b>Infrastructure</b>	33,406	33,129	<b>34,727</b>	<b>4.8</b>	<b>2.7</b>
<b>Environment and Food</b>	25,358	25,484	<b>26,728</b>	<b>4.9</b>	<b>2.7</b>
<b>Economic</b>	18,320	18,292	<b>19,202</b>	<b>5.0</b>	<b>2.2</b>
<b>Housing</b>	765	844	<b>1,226</b>	<b>45.3</b>	<b>39.5</b>
<b>Community and External Affairs</b>	18,039	18,418	<b>18,913</b>	<b>2.7</b>	<b>0.6</b>
<b>Support</b>	73,663	77,410	<b>81,310</b>	<b>5.0</b>	<b>3.9</b>
	<u>560,133</u>	<u>572,369</u>	<u><b>599,677</b></u>	<b>4.8</b>	<b>3.0</b>
<b>GDP growth in 2026</b>				<b>4.2% to 5.2%</b>	<b>2.5% to 3.5%</b>

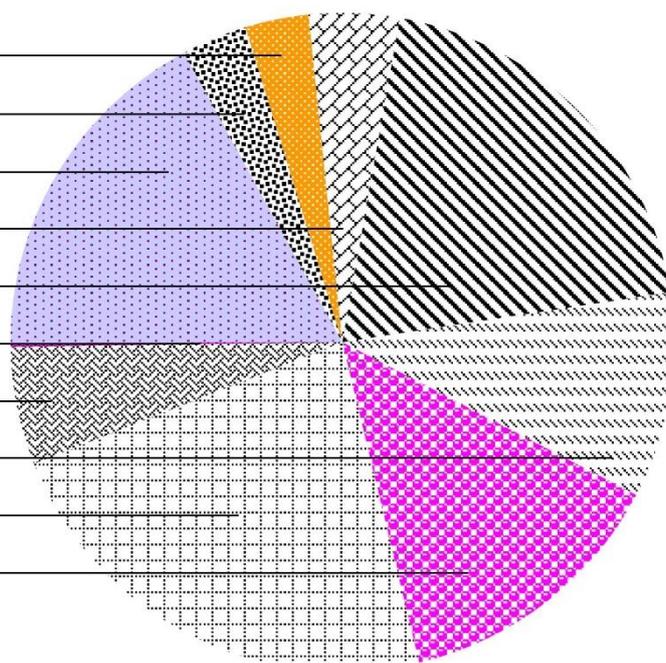
**Percentage Share of Expenditure by Policy Area Group  
 Recurrent Public Expenditure : 2026-27 Estimate**

<b>Community and External Affairs</b>	<b>3.0%</b>
<b>Economic</b>	<b>3.7%</b>
<b>Education</b>	<b>16.4%</b>
<b>Environment and Food</b>	<b>4.3%</b>
<b>Health</b>	<b>19.0%</b>
<b>Housing</b>	<b>3.6%</b>
<b>Infrastructure</b>	<b>5.6%</b>
<b>Security</b>	<b>9.7%</b>
<b>Social Welfare</b>	<b>21.7%</b>
<b>Support</b>	<b>13.0%</b>
	<b>100.0%</b>



**Percentage Share of Expenditure by Policy Area Group  
 Recurrent Government Expenditure : 2026-27 Estimate**

<b>Community and External Affairs</b>	<b>3.1%</b>
<b>Economic</b>	<b>3.2%</b>
<b>Education</b>	<b>17.1%</b>
<b>Environment and Food</b>	<b>4.4%</b>
<b>Health</b>	<b>19.8%</b>
<b>Housing</b>	<b>0.2%</b>
<b>Infrastructure</b>	<b>5.8%</b>
<b>Security</b>	<b>10.1%</b>
<b>Social Welfare</b>	<b>22.7%</b>
<b>Support</b>	<b>13.6%</b>
	<b>100.0%</b>



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

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

	2024-25 Actual \$m	2025-26 Revised Estimate \$m	2026-27 Estimate \$m	Increase/Decrease over 2025-26 Revised Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	113,783	110,904	111,975	1.0	-0.4
<b>Social Welfare</b>	122,123	129,519	148,140	14.4	11.6
<b>Health</b>	130,340	144,823	153,102	5.7	3.8
<b>Security</b>	65,746	65,127	71,516	9.8	8.1
<b>Infrastructure</b>	99,830	114,803	125,267	9.1	6.5
<b>Environment and Food</b>	47,756	50,854	51,256	0.8	-1.3
<b>Economic</b>	58,725	55,879	60,861	8.9	6.7
<b>Housing</b>	51,310	60,620	64,474	6.4	3.6
<b>Community and External Affairs</b>	30,374	27,160	27,990	3.1	0.8
<b>Support</b>	81,236	84,528	90,143	6.6	5.3
	<u>801,223</u>	<u>844,217</u>	<u>904,724</u>	7.2	5.1
<b>GDP growth in 2026</b>				4.2% to 5.2%	2.5% to 3.5%

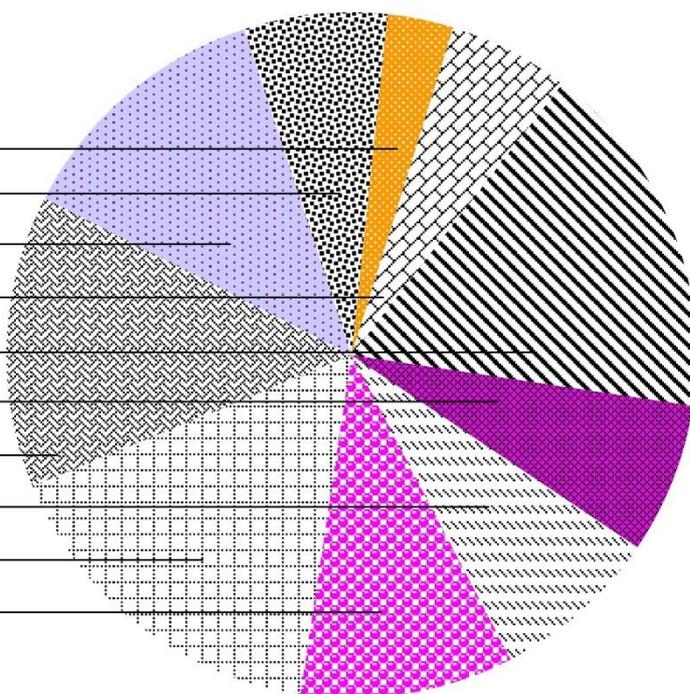
**SECTION III TOTAL PUBLIC/GOVERNMENT EXPENDITURE  
BY POLICY AREA GROUP**

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

	2024-25 Actual \$m	2025-26 Revised Estimate \$m	2026-27 Estimate \$m	Increase/Decrease over 2025-26 Revised Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	113,783	110,904	<b>111,975</b>	<b>1.0</b>	<b>-0.4</b>
<b>Social Welfare</b>	122,123	129,519	<b>148,140</b>	<b>14.4</b>	<b>11.6</b>
<b>Health</b>	130,340	144,823	<b>153,102</b>	<b>5.7</b>	<b>3.8</b>
<b>Security</b>	65,746	65,127	<b>71,516</b>	<b>9.8</b>	<b>8.1</b>
<b>Infrastructure</b>	99,546	114,482	<b>124,923</b>	<b>9.1</b>	<b>6.5</b>
<b>Environment and Food</b>	47,756	50,854	<b>51,256</b>	<b>0.8</b>	<b>-1.3</b>
<b>Economic</b>	54,913	51,937	<b>56,955</b>	<b>9.7</b>	<b>7.4</b>
<b>Housing</b>	7,403	9,837	<b>7,416</b>	<b>-24.6</b>	<b>-26.4</b>
<b>Community and External Affairs</b>	30,374	27,160	<b>27,990</b>	<b>3.1</b>	<b>0.8</b>
<b>Support</b>	81,236	84,528	<b>90,143</b>	<b>6.6</b>	<b>5.3</b>
	<u>753,220</u>	<u>789,171</u>	<u><b>843,416</b></u>	<b>6.9</b>	<b>4.8</b>
<b>GDP growth in 2026</b>				<b>4.2% to 5.2%</b>	<b>2.5% to 3.5%</b>

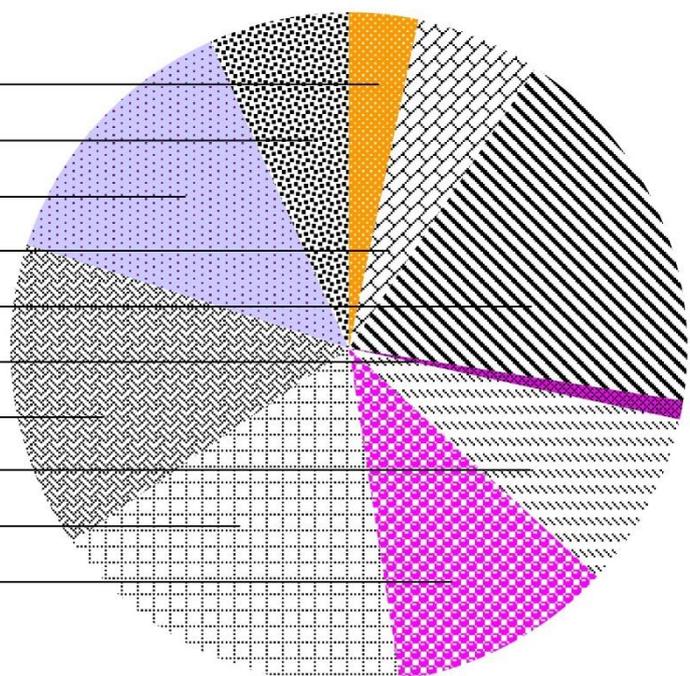
**Percentage Share of Expenditure by Policy Area Group  
Total Public Expenditure : 2026-27 Estimate**

Community and External Affairs	3.1%
Economic	6.7%
Education	12.4%
Environment and Food	5.7%
Health	16.9%
Housing	7.1%
Infrastructure	13.8%
Security	7.9%
Social Welfare	16.4%
Support	10.0%
	<b>100.0%</b>



**Percentage Share of Expenditure by Policy Area Group  
Total Government Expenditure : 2026-27 Estimate**

Community and External Affairs	3.3%
Economic	6.7%
Education	13.3%
Environment and Food	6.0%
Health	18.2%
Housing	0.9%
Infrastructure	14.8%
Security	8.5%
Social Welfare	17.6%
Support	10.7%
	<b>100.0%</b>



**SECTION IV MAJOR CAPITAL PROJECTS PLANNED FOR COMMENCEMENT IN 2026-27**

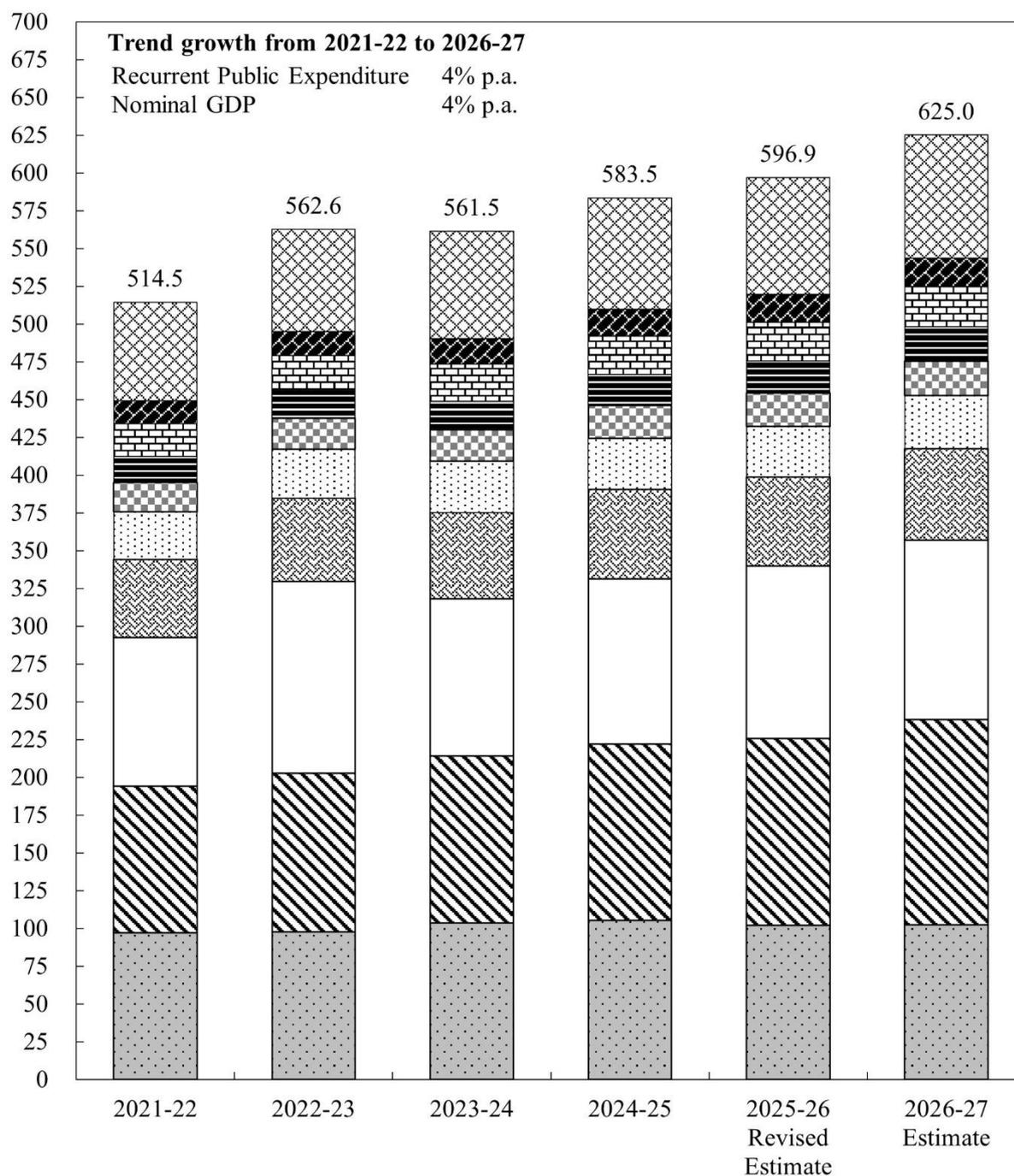
Major capital projects estimated to begin in 2026-27 include –

	<b>Project Estimates \$ billion</b>
<b>Infrastructure</b>	<b>41.6</b>
— Drainage improvement works in Eastern District—remaining works	
— Expansion of Aberdeen Typhoon Shelter	
— Dredging, management and capping of contaminated sediment disposal facility at the West of Lamma Island—Phase 1	
— Widening of Yuen Long Highway (section between Lam Tei and Tong Yan San Tsuen)	
— Development off Tseung Kwan O Area 132	
— Development at Tseung Kwan O Area 137—Phase 1	
— Phase 1 Stage 2 Works of San Tin Technopole—Site Formation and Engineering Infrastructure	
— The Priority Development Area of New Territories North New Town—Detailed Design and Site Investigation	
— Improvement to So Kwun Po Interchange	
— Site formation and infrastructure works at Shap Pat Heung, Yuen Long	
<b>Environment and Food</b>	<b>40.7</b>
— Provision of Crematorium at Wo Hop Shek Cemetery	
— Integrated Waste Management Facilities Phase 2	
— Modification and upgrading of Sha Tin transfer station	
— Establishment of Sam Po Shue Wetland Conservation Park—Phase 1 Construction and Detailed Design for Remaining Phase	
<b>Support</b>	<b>3.3</b>
— Joint-user Complex at Carpenter Road, Kowloon City	
<b>Education</b>	<b>1.8</b>
— A 30-classroom secondary school at Area 89 (Southern side), Tung Chung	
— The Chinese University of Hong Kong—Engineering Building at Central Campus	
— Development of Hong Kong Institute of Information Technology at the School of Business and Information Systems Building in Tsing Yi	

**SECTION V TRENDS IN PUBLIC EXPENDITURE : 2021-22 TO 2026-27**

**Recurrent Public Expenditure by Policy Area Group**

(\$billion)

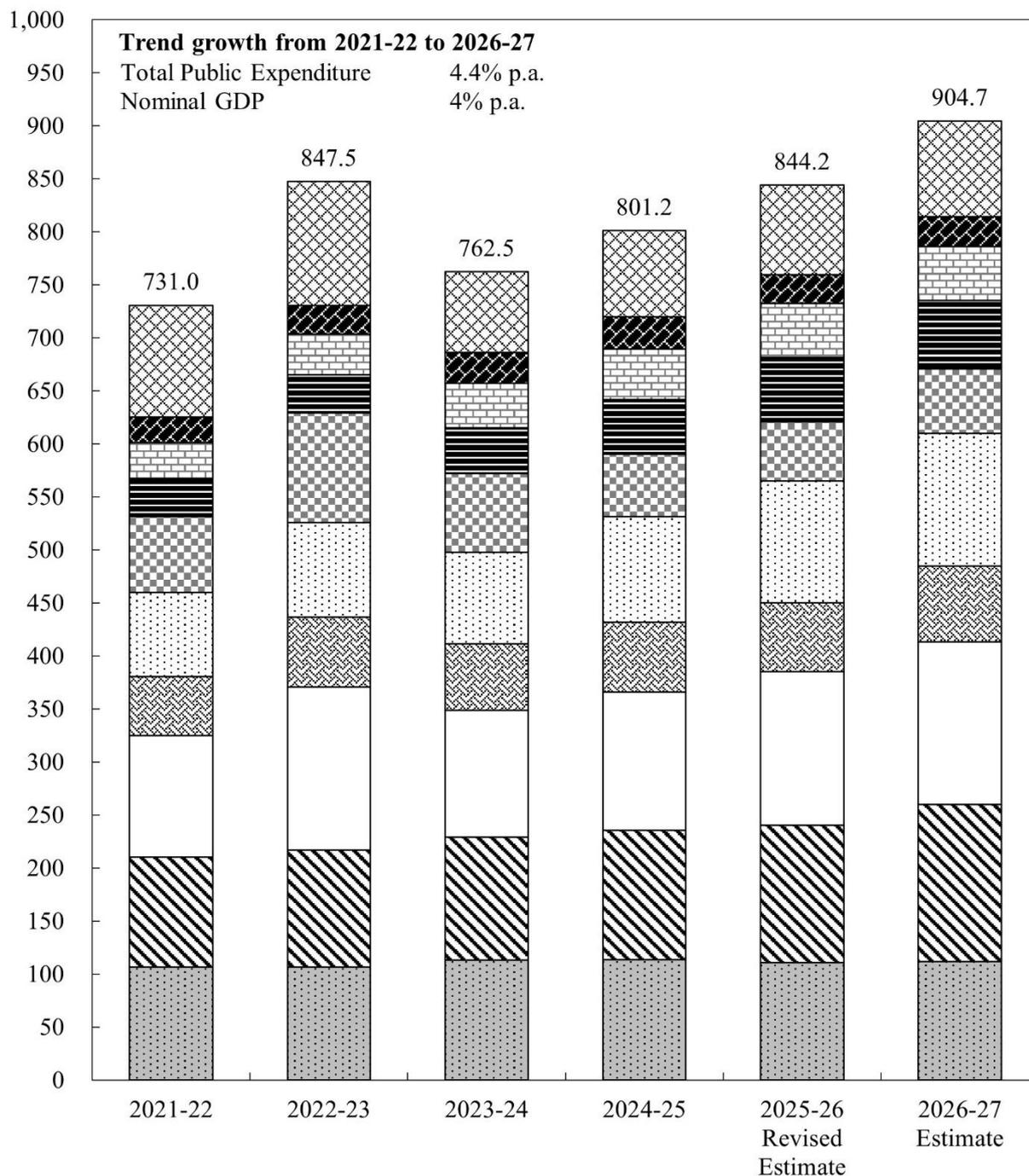


- Education
- Health
- ▨ Infrastructure
- Housing
- ▨ Community & External Affairs
- Social Welfare
- ▨ Security
- ▨ Economic
- ▨ Environment & Food
- ▨ Support

**SECTION V TRENDS IN PUBLIC EXPENDITURE : 2021-22 TO 2026-27**

**Total Public Expenditure by Policy Area Group**

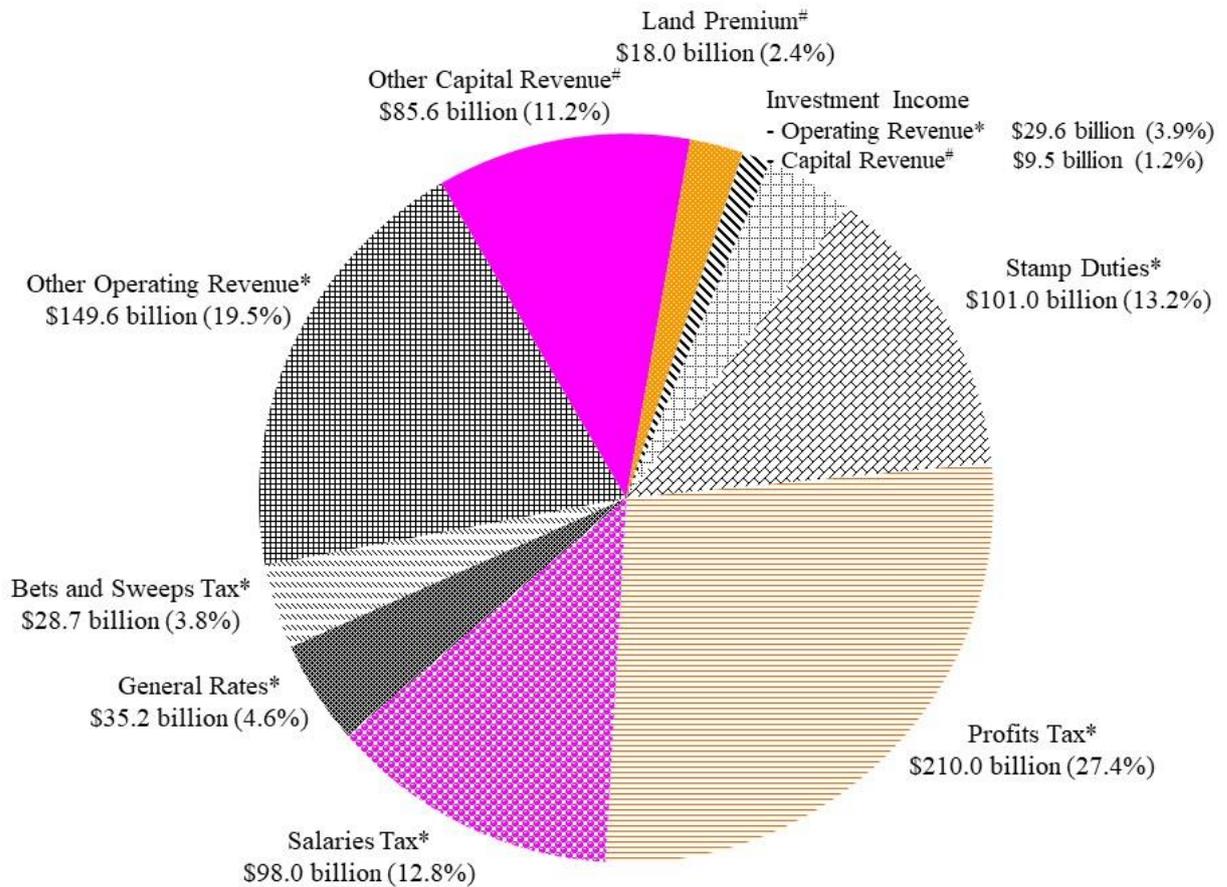
(\$billion)



- Education
- Health
- ▣ Infrastructure
- ▤ Housing
- ▥ Community & External Affairs
- ▦ Social Welfare
- ▧ Security
- ▨ Economic
- ▩ Environment & Food
- Support

**SECTION VI ANALYSIS OF GOVERNMENT REVENUE**

**2026-27 Estimate (\$765.2 billion)**



	2026-27 Estimate	% Share of Government Revenue	% of GDP
* Operating Revenue	\$652.1 billion	85.2%	18.7%
# Capital Revenue	\$113.1 billion	14.8%	3.2%
<b>Total</b>	<b>\$765.2 billion</b>	<b>100%</b>	<b>21.9%</b>

## SECTION VII CLASSIFICATION OF POLICY AREA GROUP

Policy Area Group	Policy Area	(Note)
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 2026-27 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 / (deficit).** 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.