

# The Chief Executive's 2023 Policy Address

“Stability to Prosperity”  
Economic Development for a Caring Society

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On 25th October 2023, John Lee, the Chief Executive of Hong Kong Special Administrative Region, delivered the policy address for the second time since taking office. Focusing on Hong Kong's economic development and improvement of the wellbeing of citizens, John Lee not only reinforced Hong Kong's advantages through aligning with national strategies and enhancing international connectivity, but also emphasized the measures to ensure Hong Kong's long-term prosperity and stability, including measures for enterprises and talents attraction, industry revitalization, housing policy enhancement, fertility promotion and medical care improvement. This report will introduce the main contents of the policy address.

## 1. OUTLINE OF THE SPEECH OF THE POLICY ADDRESS

At the beginning of this speech, John Lee mentioned that in the past year Hong Kong came out of the pandemic with normalization of society and have strengthened the government governance and civil service management system with a “result oriented” culture. Following the transition “from chaos to order”, Hong Kong is advancing “from stability to prosperity”. As the only world-class city under “One Country, Two Systems” that can capitalize on both the “China advantage” and the “international advantage”, John Lee emphasized his policy directions to sharpen the city's edge and grasp the opportunities while addressing the shortcomings, with the aim to uphold Hong Kong's status as an international financial centre and maintain its competitiveness.

Following the improvement of inbound tourism and local consumption as well as low unemployment rate, the real GDP in the first half year saw a 2.2% increase which is set to reverse last year's -3.5% negative result. Nevertheless, John Lee pointed out that goods exports, investment and asset markets have been “negatively impacted” by the global economic slowdown. As the outlook for the global economy becomes uncertain, downward pressure on Hong Kong's economy is increasing, alongside fierce competition from the other regions. In addition to challenges from the external environment, John Lee also addressed internal challenges such as the declining birthrate, aging population, and labor shortage.

Facing challenging internal and external environments, the policy includes measures to revitalize the real estate and investment markets and promote tourism in order to stimulate the economy. Moreover, support measures for small and medium-sized enterprises and policies for attracting talents and enterprises are specified. In addition to measures for reinforcement of Hong Kong's competitive advantages in finance, trade, and logistics, there are also strategies to increase collaboration with mainland China, Southeast Asia and other regions, and develop emerging industries such as innovation and pharmaceutical research and development. Aiming for medium to long-term economic growth, social stability is also the focus of the policy address. In this regard, a number of measures on fertility promotion, construction of transportation infrastructure, elderly care as well as land development plans to resolve housing and land issues are proposed. Below, we will introduce the main contents of the policy address and our views.

## MAIN CONTENT OF THE POLICY ADDRESS (Extract)

Area	Content
<b>Politics &amp; Governance</b>	<p><u>Safeguard national security and uphold the principle of "One Country, Two Systems"</u></p> <ul style="list-style-type: none"> <li>▪ Legislate for Article 23 of the Basic Law and complete the exercise in 2024</li> <li>▪ Integrate patriotic education into the education system</li> <li>▪ Establish a Chinese Culture Promotion Office and implement programmes to promote Chinese culture and history</li> <li>▪ Introduce a bill for enhancing cybersecurity of critical infrastructure</li> </ul> <p><u>Improve governance</u></p> <ul style="list-style-type: none"> <li>▪ Set 150 indicators for specific tasks, of which 73 are new</li> <li>▪ Establish the Committee on Financing of Major Development Projects and the Office for the Financing of Major Development Projects to advise on feasible investment and financing options</li> <li>▪ Explore with the Guangdong Provincial Government and other institutions on setting up a joint investment fund to invest in projects with social and economic in GBA</li> <li>▪ Enhance the digitalization of government services</li> </ul>
<b>Attract Enterprises and Talents</b>	<p><u>Attract Enterprises</u></p> <ul style="list-style-type: none"> <li>▪ Develop "Headquarter Economy" to attract enterprises from outside Hong Kong to set up headquarters and/or corporate divisions in Hong Kong. Explore with relevant central authorities feasible measures to facilitate Mainland enterprise</li> <li>▪ Introduce a mechanism to facilitate companies domiciled overseas for re-domiciliation in Hong Kong</li> <li>▪ Allow foreign staff of companies in Hong Kong to apply for "multiple-entry visas" to the Mainland with priority visa processing</li> </ul> <p><u>Retain and attract talents</u></p> <ul style="list-style-type: none"> <li>▪ Establish the physical office of Hong Kong Talent Engage</li> <li>▪ Expand the coverage of universities under the Top Talent Pass Scheme</li> <li>▪ Relax visa requirements for Vietnamese, Nepalese and Laotian talents</li> <li>▪ Implement the Capital Investment Entrant Scheme, eligible investors who make investment of \$30 million HKD or above in assets excluding real estate can apply for entry into Hong Kong</li> <li>▪ Implement a pilot scheme to allow non-local graduates of the Vocational Training Council (VTC) to stay in Hong Kong for one year after graduation to seek jobs</li> <li>▪ Set up a dedicated office and expert group to take forward the establishment of the Hong Kong International Legal Talents Training Academy</li> </ul>
<b>Reinforce the status as the International Financial Centre</b>	<p><u>Enhance stock market liquidity</u></p> <ul style="list-style-type: none"> <li>▪ Reduce the rate of stamp duty on stock transfer from 0.13% to 0.1%</li> <li>▪ Reform GEM by streamlining the transfer mechanism to Main Board and adding a new listing route for R&amp;D-focused companies</li> <li>▪ Examine future directions for continuous market enhancement such as maintaining trading under severe weather</li> </ul> <p><u>Other measures of reinforce the competitiveness as the Financial Centre(72)</u></p> <ul style="list-style-type: none"> <li>▪ Expand offshore Renminbi business and enrich the variety of RMB investment product through facilitating initiatives like inclusion of RMB counters under the Southbound Trading of Stock Connect<sup>1</sup></li> <li>▪ Deepen cooperation on Fintech and green finance in the GBA</li> <li>▪ Provide early-stage funding support for pre-commercialised green Fintech to expand the green Fintech ecosystem</li> </ul>
<b>Enhance Competitiveness</b>	<p><u>International trade centre</u></p> <ul style="list-style-type: none"> <li>▪ Set up additional offices for business and trade along the Belt and Road</li> <li>▪ Consolidate business cooperation and connections with the market of ASEAN and</li> </ul>

<sup>1</sup> Eligible investors, through Mainland securities firms, are able to place orders to trade eligible shares listed on Hong Kong

	<p>the Middle East and strive for Hong Kong's early accession to RCEP<sup>2</sup></p> <ul style="list-style-type: none"> <li>▪ Strive for further liberalization of CEPA in sectors that Hong Kong enjoys competitive advantages</li> <li>▪ Expand convention and exhibition space by 40% to 220,000 m<sup>2</sup></li> </ul> <p><u>International Logistics Centre</u></p> <ul style="list-style-type: none"> <li>▪ Publish the Action Plan on Modern Logistics Development and the Action Plan on Maritime and Port Development Strategy to promote smart development, green and internationalization of logistics</li> <li>▪ Develop modern logistics clusters in Hung Shui Kiu/Ha Tsuen New Development Area which will serve as a logistic gateway to the GBA</li> <li>▪ Introduce an autonomous transportation system to carry passengers along the Airport City Link connecting Tung Chung Town Centre and a new aviation security screening system to shorten the screening process</li> <li>▪ Complete the first-phase construction of permanent facility of the Hong Kong International Airport Logistics Park in Dongguan<sup>3</sup> by end-2025 to increase the cargo handling capacity of Hong Kong Airport</li> </ul> <p><u>Innovation and Technology Ecosystem</u></p> <ul style="list-style-type: none"> <li>▪ Set up a \$10 billion HKD New Industrialization Acceleration Scheme to provide matching fund for promotion downstream development of new industrialization</li> </ul> <p><u>Development into a Health and Medical Innovational Hub</u></p> <ul style="list-style-type: none"> <li>▪ Set up a preparatory office for the Hong Kong Centre for Medical Product Regulation to accelerate launch of new drugs and medical devices to the market</li> <li>▪ Establish the GBA International Clinical Trial Institute in the Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone and explore cooperation with the clinical trial networks between Hong Kong and Shenzhen</li> <li>▪ Establish the new "1+" mechanism to allow registry of pharmaceutical products with only one certificate issued by reference drug regulatory office (instead of two under the prevailing arrangement), with a view to expedite the approval of new drugs</li> </ul> <p><u>Regional Intellectual Property Trading Centre</u></p> <ul style="list-style-type: none"> <li>▪ Introduce a bill into the LegCo to reduce the tax rate for qualifying profits derived from patents from the existing 16.5% to 5%</li> <li>▪ Conduct consultation to explore further enhancement of the Copyright Ordinance regarding protection for AI technology development</li> </ul> <p><u>Centre for International Legal and Dispute Resolution Services</u></p> <ul style="list-style-type: none"> <li>▪ Extend the adoption of Hong Kong law and usage of Hong Kong's dispute resolution services by Mainland enterprises</li> <li>▪ Step up efforts in establishing interface with the Mainland regarding practical works on judicial and legal matters relating to the GBA</li> </ul> <p><u>International Hub for Post-secondary Education</u></p> <ul style="list-style-type: none"> <li>▪ Double the emission quota of non-local students by Government-funded post-secondary institutions to 40%</li> <li>▪ Strengthen scholarships and related support to post-secondary institutions to attract more ASEAN and Mainland students</li> <li>▪ Develop the Northern Metropolis University Town to attract renowned Mainland and overseas institutions</li> </ul>
<p><b>Revitalise Industry</b></p>	<p><u>Support Small and Medium Enterprises to Embrace Challenges</u></p> <ul style="list-style-type: none"> <li>▪ Establish the inter-departmental E-commerce Development Task Force to implement policies assisting Hong Kong's SMEs in developing e-commerce business</li> </ul>

<sup>2</sup> Abbreviation of "Regional Comprehensive Economic Partnership Agreement"

<sup>3</sup> A pilot scheme has been conducted in which cargo security screening, palletisation and airline acceptance for export cargo of GBA can be completed upstream in Dongguan. The cargo will then be shipped by vessels to the airside of Hong Kong International Airport (HKIA) for direct uplift to overseas destinations as transshipments. Vice versa, international shipments can also be imported to Mainland China via HKIA and the logistics park.

	<ul style="list-style-type: none"> <li>▪ Launch the Digital Transformation Support Pilot Programme to subsidise SMEs in the retail and food and beverage sectors in applying for electronic payment and other digital packages</li> </ul> <p><u>Revitalization of Property Market</u></p> <ul style="list-style-type: none"> <li>▪ Shorten the applicable period of the Special Stamp Duty (SSD) from three years to two years</li> <li>▪ Reduce the respective rates of the Buyer's Stamp Duty (BSD) applicable to non-permanent residents in their acquisition of residential properties and the New Residential Stamp Duty (NRSD) applicable to permanent residents in their acquisition of second residential property by half, from 15% to 7.5%</li> <li>▪ Reduce the costs of non-permanent residents in their acquisition of residential properties by half from 30% to 15%</li> <li>▪ Introduce a stamp duty suspension arrangement for incoming talents' acquisition of residential properties</li> </ul> <p><u>Revitalization of Tourism (85)</u></p> <ul style="list-style-type: none"> <li>▪ Formulate the Development Blueprint for Hong Kong's Tourism Industry</li> <li>▪ Enhance cruise tourism development and strengthen Hong Kong's competitiveness as Asia's cruise hub in the long run. Announce an action plan on the development of cruise tourism economy in the first half of 2024</li> <li>▪ Adopt technologies such as augmented reality (AR) to enhance visitors' experience and formulate and implement initiatives to promote smart tourism</li> <li>▪ Establish Sha Tau Kok Cultural Tourism Zone and promote cultural and eco-tourism of Sha Tau Kok and nearby outlying islands</li> </ul>
<b>Infrastructure Development</b>	<p><u>Northern Metropolis and Kau Yi Chau Artificial Islands</u></p> <ul style="list-style-type: none"> <li>▪ Establish the Committee on the Financing of Major Development Projects to advise on feasible investment and financing options</li> </ul> <p><u>Transport Network</u></p> <ul style="list-style-type: none"> <li>▪ Publish the Hong Kong Major Transport Infrastructure Development Blueprint, enhancing the Three Railways and Three Major Roads<sup>4</sup> proposals and pursuing new projects of two railways and one major road<sup>5</sup> to facilitate the development of eastern part of the Northern Metropolis</li> <li>▪ Construct new smart and green mass transit in East Kowloon, Kai Tak and Hung Shui Kiu/Ha Tsuen</li> </ul>
<b>Wellbeing of citizens</b>	<p><u>Fertility Promotion</u></p> <ul style="list-style-type: none"> <li>▪ Provide a cash bonus of \$20,000 HKD for each newborn</li> <li>▪ Raise the accommodation-related tax deduction ceiling for families with newborns from \$100,000 to \$120,000 HKD</li> <li>▪ Raise the chances for families with newborns to select and buy subsidized sale flats and introduce priority arrangement for public rental housing to reduce their waiting time</li> <li>▪ Strengthen child care services</li> <li>▪ Increase the public service quota and provide tax deduction for assisted reproductive services</li> </ul> <p><u>Housing Strategy</u></p> <ul style="list-style-type: none"> <li>▪ Establish the Task Force on Tackling the Issue of Subdivided Units to examine the issues and advise on way forward</li> <li>▪ Build about 410 000 public housing units in the next decade</li> <li>▪ Make available sufficient land in the next five years to provide about 80 000 units of private housing</li> </ul>

<sup>4</sup> Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu - Qianhai), the Central Rail Link, the Tseung Kwan O Line Southern Extension, the Northern Metropolis Highway, the Shatin Bypass and the Tseung Kwan O - Yau Tong Tunnel

<sup>5</sup> Northern Link Eastern Extension, Northeast New Territories Line and Northern Metropolis Highway-New Territories North New Town Section

- Speed up land production and urban renewal by streamlining statutory and administrative procedures and expedite the approval procedure

#### Healthcare

- Roll out the eHealth+ to deposit personalised digital health records and allow users to check and carry electronic health records and appointments on mobile phones anytime
- Update the registration regimes to provide new pathways for admitting qualified non-locally trained dentists and nurses to alleviate the manpower shortage

#### Elderly Care

- Establish an Advisory Panel on Silver Economy to capture the business potential of the silver economy to provide better products and services to the elderly
- Extend the coverage of the elderly health care vouchers to about five suitable medical institutions in the GBA
- Extend the subsidized Residential Care Services Scheme to include specific residential care homes for the elderly operated by Mainland organizations so that elderly people retiring in the Mainland cities of the GBA will have more choices

## COMMENTS

Consistent with last year, John Lee continued to emphasize the “result-oriented” policy approach in his second policy speech. In addition to reporting the implementation progress of the 110 indicators set last year, John Lee also introduced 73 new indicators this year at the end of the policy address. Goals like “reduce the rate of stamp duty on stock transfer from 0.13% to 0.1% by November 2023”, “promulgate the details of the ‘Capital Investment Entrant Scheme’ by the end of 2023, and start accepting applications by the end of 2024” and “revise the new drug registration system and speed up the new drug approval for life-threatening or severely-debilitating diseases by the end of 2023”, are set with a focus on producing specific outcomes within a short period of time, showing Hong Kong government’s heightened sense of crisis in face of challenging global and domestic environment.

Against the background of declining assets value and consumer spending caused by global economic recession and high interest rates, the government announced eye-catching tax cut measures for resident properties and stock trading. Despite reduced tax rates are said to be lower than market expectations, the property sector welcomes the policies and expects a short-term stimulating effect on the city’s residential property market. “As long as it does not cause other financial and confidence risks, it is appropriate to let the market adjust itself,” said by Financial Secretary Paul Chan, adding that the local housing prices are still high and unaffordable to most people in spite of a drop of about 17% in prices and transaction volume since September 2021. He stressed that the government will not be completely abolish measures to curb the overheating property market, such as Buyer’s Stamp Duty (BSD) imposed on foreigners. Meanwhile, regarding the stock market, in addition to tax reduction, the government announced its plan on examining future directions for continuous market enhancement such as maintaining trading under severe weather and strengthening the listing system for overseas issuers. It is expected that the market access expansion measures will attract overseas companies to list in Hong Kong and bring new capital inflows to the city.

John Lee mentioned that inbound tourism and local consumption are key drivers for economic recovery. The average number of daily visitor arrivals reached nearly 70% of the same period in 2018 this summer and private consumption expenditure grew up by 8.2% in the second quarter. Still, the lower-than-expected growth underscores the headwinds Hong Kong continues to face. While the policy address includes travel promotion measures such as enhancement of cruise tourism development, there are not many remedies to suppress the outflow of local consumption. Since the reopen of borders, the inbound tourists have changed traveling and shopping behavior. Many are favouring experience-packed itineraries instead of shopping sprees on tour buses. Meanwhile, there is a growing trend of Hong Kong people taking trips across the border to shop, dine and play in Shenzhen. The travel outflow of locals to Mainland is greater than the inflow of tourists to Hong Kong. It is reported that the number of local tourists leaving Hong Kong to China over the long weekends of Easter and National Day is more than twice the number of inbound tourists from China during the same period, which is diminishing local consumption power. In this regard, apart from developing travel promotion policies corresponding to changes in travel pattern and tourists’ behavior, the government is expected to take measures to understand the consumption patterns of local consumers and effort to transform Hong Kong’s retail industry with the aim to curb consumption outflows.

Since last year, John Lee has focused on responding the outflow of residents and strengthening the attraction of talents. This year, he further noted the importance of tackling the problems of the declining birthrate, aging population and labour shortage. The average number of kids per couple in Hong Kong has dropped to a record low of 0.9 in 2022. Meanwhile, the proportion of elderly persons aged 65 and above will increase from 20% of Hong Kong's population to nearly one-third by the end of the next decade. John Lee pointed out there is an urgent priority for Hong Kong to address the threat of labor shortage caused by the falling birth rate. Although some criticized that "cash alone was not enough to address this issue", fresh measures like priority arrangement for public housing rental and purchases and relaxed visa requirements for Vietnamese, Nepalese and Laotian talents, are said to be an important "first step" to tackle the urgent problems and heading in the right direction.

To conclude his speech, John Lee shows his confidence in the future of Hong Kong. At present, Hong Kong is encountering huge challenges, both externally and internally. Despite the challenges, John Lee emphasized that Hong Kong has overcome countless difficulties and will flexibly turned crises into opportunities. We will continue to provide relevant information while keeping a close eye on future policy.

	Publish date	Title
No.2 2023	2023/11/13	<a href="#">Proposed design of the refined FSIE regime for disposal gains</a>
No.1 2023	2023/09/29	<a href="#">Hong Kong Fintech Promotion Roadmap: Challenges and Solutions of Fintech Adoption</a>
No.3 2022	2022/10/26	<a href="#">Funding Schemes with HKPC as Secretariat to provide support for SMEs' growth</a>

- Please refer to the below links for previous News Focus:

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