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**Madam President,**

## **Introduction**

First of all, I would like to thank Honourable Members for the 2 733 written questions raised on the 2008-09 Budget, which is a record. In other words, each Member, excluding the President, has raised 46 questions on average. Our colleagues had spent great efforts and a lot of time from end of February to end of March in helping to reply to these questions.

2. I also wish to extend my heartfelt thanks to Honourable Members for the valuable views they expressed in the two-day debate last week. My gratitude also goes to various sectors of the community for the views they have given to me through different channels in the past few months.

3. After the announcement of the Budget, apart from discussing the various measures that I have proposed, another focus of the community was, I am afraid, my wildly fluctuating popularity rating. It has been like the roller-coasting stock market performance in recent months and the movements are difficult to predict!

4. As a team accountable to the public, the Government must pay attention to public opinions and listen to the community's views on our policies. Our governance is for the community. When our popularity rating is high, it is indeed an encouragement. But when our rating is low, we need to be vigilant in reviewing our policies in order to identify shortcomings and consider rooms for improvement. We should strive to make improvements so as to meet the public's expectations.

5. In my speech moving the second reading of the Appropriation Bill, I have spelt out the short and long-term challenges facing Hong Kong and pointed out that we must make full preparations for these challenges. This year's Budget has been formulated on three principles, namely, commitment to society, sustainability and pragmatism. The measures I have proposed will not only give additional support to various disadvantaged groups, they will also allow various sectors of the community to share the fruits of economic development, promote economic and social development, and alleviate pressures on public finances in the long run.

## **External Economic Conditions**

6. As I have pointed out earlier, there are uncertainties in the external economic environment, which will pose risks to Hong Kong's economic prospects. As expected, the impacts of the US sub-prime mortgage problem and credit crunch on the financial markets around the world have progressively surfaced in the past two months, exerting downward pressure on the global economy.

7. The US economy has slowed down further, with the growth rate in the fourth quarter of 2007 falling to 0.6 per cent. While the US Federal Reserve Board and other central banks have introduced a series of proactive and exceptional measures to tackle the problem, many financial institutions still need time to restructure their capital and cash flow arrangements, and are not very willing to take risks. As such, the credit crunch problem persists.

8. On the other hand, the threat of financial crisis lingers on with concerns over the further deterioration of the property market and the economic slowdown in the US. The international community became even more concerned about the health of the US financial markets after a US investment bank ran into cash flow problems at the end of last month.

9. In its Global Financial Stability Report published two weeks ago, the International Monetary Fund estimates that the aggregate potential losses in the global financial industry caused by the US sub-prime mortgage problem may reach some US\$1 trillion. The estimate reflects the seriousness of the situation.

10. The US financial crisis, the drastic cut in the US dollar interest rates, and the slide in the US dollar exchange rates have caused volatilities in the commodity markets. The persistently high prices of food, oil and other commodities have worsened the global economic prospect as a whole. In advanced economies, consumer confidence has fallen to new lows. Lately, many people have revised downward their forecasts on the US economy in 2008.

11. The market also believes that the US economic slowdown will last longer than originally anticipated and that a US economic contraction in the first half of this year is looming. Furthermore, retail businesses in the euro area have been sluggish recently, and the property markets in some European countries have experienced downward adjustments. The Japanese economy has also slowed down further.

12. In contrast, the economy of emerging markets, in particular the Mainland and India, continues to grow strongly. So far, there has been no clear sign of a credit crunch in the East Asian region. However, the economic slowdown in the US and Europe and the global financial turmoil will inevitably have some impacts on exports and the economic prospects of the East Asian economies. In addition, the macroeconomic adjustment and tight monetary policy adopted by the Mainland will bring considerable pressure on the businesses of many enterprises.

## **Local Economic Conditions**

13. On the back of the strong momentum over the past four years, Hong Kong's economy continued to grow steadily in early 2008. The unemployment rate in the first quarter of 2008 is 3.4 per cent, and there has been a continued increase in wages, which stimulates a strong growth in domestic consumption and a rise in housing rentals. As a result, inflation has been rising progressively.

14. Meanwhile, rapid economic growth and population increase in developing economies have generated huge demand for food. Coupled with the abnormal weather conditions, increase in demand for biofuels, rise in production costs and reduction in agricultural land, the recent shortage of the global food supply has led to a significant increase in the prices of many food items. Our food and daily necessities are predominantly imported goods, which are highly susceptible to external factors. This has led to our sharply rising inflation in recent months.

15. The Composite Consumer Price Index for the first quarter of 2008 published yesterday registers an increase of 4.6 per cent over the same period of last year, and the rise in food prices accounts for about one-third of the increase. In other words, if food items are excluded, the underlying inflation rate for the first quarter will be 3 per cent. These show that the causes of our inflation in recent months are from both the supply side as well as the demand side.

16. The current volatility of global food prices will have a vital influence on Hong Kong's overall inflation this year. Other factors such as soaring world prices of oil and commodities, the weakening US dollar and the rising rentals and wages in Hong Kong will also play a part in this. I believe that the inflation problem still needs to be closely monitored in the next few years.

17. From the medium-term perspective, however, we should not be overly pessimistic about the inflation problem. Inflation in Hong Kong is dependent on domestic factors as well as the global environment. The central banks of the advanced economies in Europe and the US are endeavouring to maintain price stability in the medium term. The Mainland has also stepped up its efforts in containing inflation.

18. With increasing market incentives, there should be a gradual improvement in global food supply. Food production will also pick up when weather conditions return to normal. Moreover, with the impending global trend of economic slowdown, the increase in commodity prices will be constrained. The medium and long-term interest rate trend in Europe and the US reflects the market's expectation that inflation will be under control and will not rise substantially in the medium to long term.

19. Domestically, we have implemented measures to ensure an adequate food supply in Hong Kong and have the support of the Mainland in this connection. As a long-term policy, we will strive to ensure that our economy and foodstuff market are open and competitive. This will help expand the sources of food supply, providing more choices for consumers and thus alleviating the impact of inflation. Besides, enhancing productivity and promoting market competition will help to ease the overall inflation. The average growth rate of our total labour productivity in the past four years reaches 4.8 per cent, outperforming many other economies. By implementing various initiatives to promote economic development, enhance market adjustability, promote fair competition and improve economic efficiency, productivity can be increased further, thus curbing inflation and increasing our citizens' real income.

20. Hong Kong is a free market, and price fluctuations are therefore inevitable as a market mechanism. However, the Government recognises that a significant rise in inflation will have a direct impact on the livelihood of our citizens and that low income earners will be hit hardest. I fully understand their hardships. Therefore, in formulating this year's Budget, I have adopted "Commitment to Society" as my first principle so as to provide assistance targeting those people in need.

21. For social security recipients, we will provide one additional month of standard rate CSSA payments for CSSA recipients and one additional month of allowance for recipients of Disability Allowance. We will also adjust the CSSA payment rates in accordance with the existing mechanism ahead of the normal schedule so as to lessen the impact of rising prices on recipients. Furthermore, the Government will pay one-month's rent for lower income families living in the rental units of the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS), increase the income ceilings for applicants for Cross-district Transport Allowance and provide each residential electricity account with a subsidy of \$1,800. Proposals for these measures will be submitted to the Legislative Council shortly for approval. We hope that Members could give their approvals expeditiously so that the pressure of inflation on our citizens can be relieved soon.

22. I would also like to call on public utilities to follow the principle of "social commitment" and take into consideration the hardships of our citizens under inflationary pressure when they apply for tariff adjustments. They should strike a proper balance between corporate profits, shareholders' interests and social responsibilities. For Government fees and charges that have a wide impact on citizens, subject to the cost recovery and the user-pay principles, we will carefully consider the adjustment levels taking into account the affordability to our citizens.

23. Some retail businesses have taken advantage of the rise in food prices to increase their retail prices drastically. I believe their business reputations will suffer as a result of their pursuit for short-term benefits and their losses will ultimately outweigh their gains. I trust that the Consumer Council and other relevant bodies will help citizens obtain information about the prices of daily necessities so that they can make informed choices.

24. Some Members consider the pegging of Hong Kong dollar to the US dollar to be the main cause of rising inflation, and propose that we consider abolishing the linked exchange rate system or pegging Hong Kong dollar to other currencies. I do not think this proposal will be able to resolve the problem because the surge in food prices is a global phenomenon, and is also occurring in economies adopting floating exchange rate regimes.

25. The linked exchange rate system has been implemented in Hong Kong for almost 25 years and amply demonstrates its ability to weather fluctuations in different economic cycles. It is unwise to change a well-established system in order to address a problem not caused by exchange rates. If the linked exchange rate system, which has been successfully implemented for a long time, is hastily abolished, the confidence of the international community in the stability of Hong Kong dollar will inevitably be undermined, potentially causing adverse consequences to our overall economy. I would like to reiterate that we do not intend, or see any need, to change this well-established system.

## **Promoting Economic Development**

26. In the face of the current global risks like financial turmoil, economic downturn and rising protectionist sentiments, we must step up our efforts in promoting economic development.

27. In the Budget, I forecast a small deficit for this year that will provide some stimulus to domestic demand. With the external environment becoming more difficult, this will give an impetus to our economic growth.

28. I have also put forward in the Budget a number of principles and measures to promote long-term economic development. We will invest heavily in infrastructure, make good use of land resources, reinforce pillar industries, tap new markets, develop human capital, support community building and improve our environment. Upon implementation, these long-term objectives and measures will help to strengthen Hong Kong's position as an international financial centre and as a hub of trade, logistics and commerce in the region.

29. Hong Kong has the unique advantage of having the Mainland as our hinterland while maintaining an international outlook. The Mainland is now adjusting its mode of development to enhance economic efficiency, promote the development of service industries, and encourage enterprises to enter the international market. The moving of the Mainland economy up the value chain has brought more opportunities to Hong Kong.



As such, we must constantly adapt ourselves to the changes in the Mainland economy. Apart from strengthening and deepening our close relationship with the Mainland to bring our advantages under “One Country, Two Systems” into full play, we must endeavour to tap new markets to further enhance our status as Asia’s world city.

30. The Greater Pearl River Delta Economic Region is the fruit of the close cooperation between Hong Kong and Guangdong in the past 30 years. Currently, Guangdong is finding a new path under the direction of scientific development, and Hong Kong needs to move towards a knowledge-based service-oriented economy. Both places must optimise the existing mode of cooperation, forge new consensus, and further economic cooperation and integration, with a view to providing new impetus to and making a breakthrough in the development of the region, thus making greater contributions to the economic development of our nation.

31. Hong Kong and Shenzhen have conducted a joint study on the preliminary planning of the Liantang/Heung Yuen Wai control point. Under the principle of joint study and development, the Hong Kong-Shenzhen Joint Task Force on Boundary District Development decided in March this year to explore the feasibility of developing the Lok Ma Chau Loop. This is a new mode of collaboration which requires new thinking. We should also apply such new thinking to other areas, such as financial and other service industries and environmental protection. In the area of furthering regional integration, we will liaise regularly with the Mainland authorities to explore the feasibility of various options so as to increase cooperation, strengthen the complementary roles of each place and achieve mutually beneficial outcomes.

32. As a result of globalisation, Hong Kong will inevitably face intense competition. We must, on the one hand, enhance our overall competitiveness, and on the other hand, identify new impetus for economic growth. The exemption of duties on wine, beer and all other alcoholic beverages except spirits as announced in this year’s Budget is one such measure aimed at further developing Hong Kong’s wine trading and distribution businesses and creating more employment opportunities for Hong Kong people.

## **Wine-related Businesses**

33. Surveys conducted after the announcement on 27 February on the immediate exemption of wine duty show that the average retail prices of the best-selling wine have been reduced by about 20 per cent, demonstrating the benefits to consumers. From the announcement to mid-April, the volume of imported wine has increased by about 80 per cent compared with the same period last year, and the increase in value terms is more than 200 per cent. Furthermore, a number of major auctioneers have decided to hold wine auction in Hong Kong. Some companies have also embarked on business expansion or indicated their intention to develop businesses in Hong Kong relating to wine trading, including exhibition and storage. The market's initial response to the wine duty exemption has been encouraging.

34. The Government is stepping up the publicity and promotion work in conjunction with the Hong Kong Trade Development Council, Hong Kong Tourism Board and Invest Hong Kong, with a view to further promoting the development of business activities relating to wine trading, thereby benefiting our catering, hotel, tourism and logistics industries and creating more job opportunities.

35. The Commerce and Economic Development Bureau is liaising with the industry to identify their needs in storage facilities, manpower training and tapping Mainland markets so as to formulate appropriate business facilitation measures.

## **Financial Services**

36. As an international financial centre in Asia, Hong Kong has a number of unique advantages, such as a sound legal system, free flow of capital, and a low and simple tax regime. The financial turmoil triggered by the US sub-prime mortgage problem will continue to have an impact on the development of global financial industry in the short term. However, given the sustained strong growth momentum in the Asian-Pacific markets,

we believe that capital will continue to flow in, bringing more opportunities to the Asian markets and attracting more professionals and investors to develop their businesses and seek new opportunities in the region.

37. We expect that the Mainland's economy will sustain a robust growth and its financial markets will become increasingly mature. With further interactions between the markets in Hong Kong and the Mainland, we believe that the development of our financial industry will also benefit from the rapid growth of the Mainland's financial markets. We will continue to study ways of enhancing the competitiveness of our financial industry, such as further improving the regulatory regime, improving our business environment and attracting more financial talent. Efforts will also be made to explore new areas, including the Islamic finance and certain emerging markets, so as to ensure greater diversification and internationalisation in the development of our financial industry.

## **Efficient Use of Land Resources**

38. I indicate in the Budget that we will adopt a more proactive approach in the use of land resources to facilitate the overall social and economic development of Hong Kong. Examples of the concrete measures in this respect are the inclusion of sites "restricted to hotel use" in the 2008-09 Application List and the provision of two sites adjacent to the Wetland Park in Tin Shui Wai North for diversified development so as to create more job opportunities. I am glad to see that Members welcome and endorse this approach and that they have made other suggestions along this direction.

39. We will consider all these suggestions and give positive responses as far as possible. For example, in support of the development of the logistics industry, we have made available a site in Kwai Chung with an area of about 2.3 hectares for the development of a logistic back-up base. A tender for the site has been awarded after an open tender exercise early this year. Besides, to address the needs of international schools to expand, we have allocated four sites in Kowloon and the New Territories for international school development and have invited interested parties to express their interest to the Education Bureau.

## **Lowering Development Density**

40. I am pleased that many Members have expressed their support to our efforts in recent years to amend the outline zoning plans in order to state the development parameters and suitably lower the development density. As Hong Kong is a small and densely populated city, I believe Members will not underestimate the difficulty of the work involved.

41. The objective of building Hong Kong into a quality city with a balance struck between optimal development and adequate provision of open space requires a consensus forged through thorough discussions by the community. The Stage 2 Public Engagement for the Urban Design Study for the New Central Harbourfront launched in early April is a good example of the Government's determination to build a vibrant, green and accessible new Central harbourfront through public participation.

## **Returning Wealth to the Community**

42. One of the focus areas of this year's Budget is to take advantage of the fiscal surplus to return wealth to the community. In the area of support for disadvantaged groups, we have adopted a comprehensive approach so as to reduce as far as possible the number of people in need who might fall outside the net of the measures. I have already mentioned some such measures, namely the provision of additional CSSA payments and Disability Allowance, adjustment of the CSSA payment rates ahead of the normal schedule, payment of rent for public housing tenants, relaxation of the eligibility criteria for application for the Cross-district Transport Allowance, and granting of electricity charge subsidy.

43. Other major wealth-returning and support measures include the injection of \$6,000 into the MPF accounts of employees and self-employed persons who earn not more than \$10,000 a month, provision of \$1 billion to create 3 000 jobs for youth, injection of \$1 billion into the Samaritan Fund, provision of \$1.2 billion to provide one additional month of the standard rate CSSA payments for CSSA recipients and one

additional month of allowance for recipients of Disability Allowance, provision of \$1.5 billion to provide each Old Age Allowance recipient with an additional grant of \$3,000, and earmarking \$1.2 billion as a subsidy for needy elderly people to repair their self-occupied properties and to provide them with minor home maintenance and improvement services. These measures have amply demonstrated the Government's commitment to support the disadvantaged groups.

44. Some Members are of the view that lowering the standard tax rate and profits tax rate, introducing tax concessions and waiving rates are indications that the Budget leans towards the rich and the business community. I do not agree with this.

45. If we put the clock back to the year 2003, we can see clearly that the Government raised the tax rates at that time to ask the taxpayers and the business community to help in riding out the difficulties in the public finances. As the health of our public finances has been restored, I consider it reasonable to revert the tax rates to their 2002-03 levels. I believe that this will gain the support of our citizens.

46. In fact, we have taken a more prudent approach on profits tax. On the other hand, for salaries tax, we have accepted the suggestions of many Members and widened the tax bands. They are now wider than in 2002-03 and will help to lessen the burden on the middle class. With a large surplus, we can afford to return wealth to those taxpayers who helped us ride out the difficulties a few years ago by offering tax reduction and waiving rates.

## **Expenditure Relating to People's Livelihood**

47. Some Members remarked that the percentage share of social welfare expenditure in public expenditure has decreased, and this reflects the Government's failure to make the best effort to help the disadvantaged. I would like to point out that such a decrease can be explained with simple arithmetic. It is largely due to a bigger "denominator" from a number of the one-off measures involving large sums proposed for this

year. These one-off measures include an upfront endowment of \$21.6 billion to the West Kowloon Cultural District Authority, a grant of \$18 billion for establishing the Research Endowment Fund, granting of electricity charge subsidy, and injection of fund into the MPF accounts of those employees and self-employed persons who earn not more than \$10,000 a month. Some of the one-off measures that benefit the disadvantaged have not been categorised under the policy area of social welfare. As such, the percentage share of social welfare expenditure in public expenditure has naturally decreased.

48. Social welfare expenditure is mostly recurrent expenditure. The share of social welfare expenditure in public expenditure has in fact increased from 15.1 per cent in 2003-04 to 16.6 per cent in the 2008-09 Estimate. The estimated recurrent expenditure for the three policy area groups of education, social welfare and health, which are related to people's livelihood, will account for 56.6 per cent of government recurrent expenditure for 2008-09. This shows that the Budget has definitely not neglected the people in need.

49. Some Members pointed out that the share of housing expenditure in public expenditure is lower than that in 2003-04. The main reason for this is that the Government has repositioned the housing policy in 2002, focusing land and financial resources to provide public rental housing units for low income families that could not afford private sector rental housing. Expenditures relating to the operations of shopping malls and car parks and the construction of Home Ownership Scheme flats have been reduced. The streamlining of the organisation of the HA has also achieved savings in staff cost. However, the policy objective of an average waiting time of about three years for public rental housing remains unchanged. The HA will plan the construction and development of public rental housing to meet this objective.

## **Pilot Transport Support Scheme**

50. Some Members considered that the Pilot Transport Support Scheme should be extended to cover all districts and turned into a long-term subsidy scheme. As you will recollect, the Report of the Commission on Poverty clearly stated that the purpose of the Scheme is to provide a time-limited allowance as an incentive for the needy unemployed persons and low income employees in the remote districts to find employment and work across districts, in view of the relative lack of employment opportunities in those districts. The Commission also considered that the subsidies are not meant to be a form of income support to supplement the low wages of employees. Providing the subsidies on a long-term basis is likely to have a negative impact on wages. Therefore, I have reservations on the views of those Members.

## **Old Age Allowance Scheme**

51. Many Members mentioned the Old Age Allowance Scheme. I appreciate the community's expectations and also care for the well-being of the elderly in need. We are not rejecting any increase in the Old Age Allowance. We hope to formulate a set of measures that can meet the needs of the community. The Labour and Welfare Bureau has commenced the studies on how to improve the Old Age Allowance Scheme, and we hope that a decision will be made by the end of this year. The new Scheme will be more sustainable and better suit the needs of the elderly. I have pledged to provide the necessary resources. The purpose of providing a one-off grant of \$3,000 to the elderly is to enable them to share the fruits of our economic growth immediately during the period when the Labour and Welfare Bureau is reviewing the Scheme. I must reiterate that with our population ageing gradually, we have the responsibility to ensure that the Scheme is sustainable.

## **Maintaining Competitiveness**

52. In considering how to better assist the disadvantaged, we must bear in mind that capital and commercial activities are highly mobile in a globalised economy and will move to markets with the highest returns. If Hong Kong's business environment deteriorates, for example, because of a need to raise tax substantially to finance various social welfare measures, it is conceivable that capital and investment in Hong Kong may move to other areas. This can have a significant impact on our economy and further reduce our social resources. Therefore, we must endeavour to maintain Hong Kong's competitiveness at all times and strike a proper balance between various social demands.

## **Health Care Reform and Financing**

53. Last month the Government published the Consultation Document on Health Care Reform for the first stage consultation. The Consultation Document makes a number of recommendations for improving health care services in light of the problems facing the health care system and the challenges brought by population ageing and medical inflation. It also sets out the pros and cons of various supplementary financing options.

54. Health care reform is an important and major project. Increasing the share of public health care expenditure to 17 per cent of government recurrent expenditure should be able to provide adequate resources for the Government of this term to meet the health care demand and take forward the health care reform. This is, however, just the starting point.



55. The Government introduces the health care reform at this time so as to seize the opportunity afforded by the favourable economic environment to create conditions in anticipation of the problems of health care system that will emerge in several years' time. The proposed health care reform includes such measures as enhancing primary care, promoting public-private partnership and enhancing the efficiency of public health care services. Upon implementation, these measures can ease the pressure of the increasing health care expenditure in the long run.

56. Even when the reform has been implemented, health care expenditure will remain a major challenge to our public finances in the future. Changes in demographic profiles are traceable, and our population projections have already taken into account the future population growth. The phenomenon that advances in health technology drive up medical costs is common to all advanced economies, and Hong Kong is no exception.

57. The Government has also provided detailed data to explain how changes in demographic structure and rising medical costs can give rise to an increase in health care expenditure that outstrips the economic growth. The share of health care expenditure will increase substantially from the present 15 per cent of government recurrent expenditure to 27 per cent in 2033. Some critics are of the view that health care reform does not require financing and some suggest undertaking the reform before implementing any financing arrangements. These views are shortsighted, without due regard for the future. Our generation, including you and me, will become the burden of our children in the future. Should we not have the courage to deal with this cross-generation problem with a long-term vision?

58. If we do not have the resolve now to revamp the existing arrangements of relying on tax revenue to cover the rising health care costs in parallel with the reform of health care services, there will be an acute shortage of medical resources when the peak of population ageing arrives. At such times, the Government will have no alternative but to increase tax substantially or cut the expenditure of other public services in order to maintain the quality of public health care services.

59. For the future of Hong Kong and our younger generation, we must grasp this opportunity to reach a general consensus on a sustainable supplementary financing arrangement. The Government has pledged to draw \$50 billion from the fiscal reserves to assist the implementation of health care reform. This demonstrates our commitment to share the health care financing burden with citizens.

## **Rent Holiday for Public Housing Tenants**

60. Some Members suggested that the measure of rent holiday for public housing tenants should also apply to HA tenants who are required to pay extra rent and tenants of HS Group B estates. I would like to stress that this measure is meant to provide assistance to lower income public housing tenants and should therefore be a targeted one. However, I note that there are some 300 tenants who are living in elderly persons' flats in HS Group B estates. The income ceilings for those flats are lower than the normal tenants of the same estates. These elderly tenants should also be the target beneficiaries of the measure. As such, the Government will pay one month's rent for them as well.

## **Injection into MPF Accounts**

61. Moreover, to demonstrate the Government's commitment to enhance retirement protection in Hong Kong, I have proposed in the Budget that for people earning not more than \$10,000 a month, a one-off injection of \$6,000 be made into their MPF accounts and accounts under an occupational retirement scheme which is a defined contribution scheme.

62. I am glad that the measure has received widespread support in the community. I also note the suggestion of some Members that the Government should broaden the coverage of the measure to include people who have no MPF accounts or have not joined any occupational retirement schemes because of temporary unemployment. After careful consideration of the implementation details and the feasibility of the measure, I have decided to make some adjustments to the original proposal.

63. To be eligible for this one-off injection, a person must be a member of an MPF scheme or an occupational retirement scheme as at the end of February this year. Apart from those in employment as at the end of February, others who had been employed during a year period preceding the announcement of the Budget, who had an MPF account or an account under occupational retirement scheme during the employment period and who earned not more than \$10,000 a month would also be entitled to the fund injection.

64. Another adjustment is that the measure will cover all members of occupational retirement schemes who meet the same salary requirements, irrespective of whether their schemes are defined contribution schemes or defined benefit schemes. Therefore, persons who have recently left their jobs and those who have an option to join an MPF-exempted Occupational Retirement Schemes Ordinance scheme under the law can also benefit from the measure, provided that they meet the salary requirements.

65. With the above adjustments and the latest figures provided by the Mandatory Provident Fund Schemes Authority, we estimate that the number of beneficiaries will increase from some 1.3 million to some 1.7 million while the expenditure will increase from \$8.5 billion to \$11.5 billion. The Financial Services and the Treasury Bureau will consult the LegCo Panel on Financial Affairs on the measure in early May. I expect that the funds will be injected into the relevant accounts in 2008-09 upon the completion of the necessary legislative procedures.

## **Concluding Remarks**

66. Madam President, because of the volatility of the global financial markets, the local stock market has fallen and the turnover has shrunk. The property market has also become relatively thin recently. It could therefore be expected that the revenue from stamp duty this year will be lower than last year. Moreover, our economy will be affected by uncertainties in the external environment. Therefore, the Government must adhere to the principle of prudent management of public finances. Nevertheless, we have provided additional resources to benefit various disadvantaged groups as far as possible.

67. We will continue to monitor the impacts of rising inflation on citizens, especially low income families, and introduce relief measures where necessary. I believe that the Budget has provided appropriate assistance to the disadvantaged groups, offered a large number of concessions to share the fruits of economic development with various sectors of the community, as well as put forward positive measures to promote social and economic development and alleviate pressures on public finances in the long run.

68. This year's Budget fully reflects the concerted efforts of the Government and our citizens to join hands to readily face various challenges that our citizens may encounter. Through investing heavily in education, public health care and infrastructure as well as vigorously promoting economic development, the Budget will also help people carry hope in their hearts for a better future.

69. Madam President, I would like to extend my heartfelt thanks again to those members of the public, organisations and Honourable Members for the many valuable views they have expressed from the start of the consultation exercise through the preparation of the Budget, as well as after its announcement. Thanks to their great efforts to reflect the aspirations of various sectors, this Budget has been able to stay close to our citizens' expectations and satisfy the community's needs.

70. I have tried my best to prepare a budget that enables people from all walks of life to share the fruits of economic growth. Nevertheless, I appreciate that the Budget is still not perfect. I will bear in mind your comments and criticisms. Deployment of public resources is not a task to be completed in one single year – it is an ongoing job. Your views will therefore serve as my reference in the next stage of my work.

71. I hope Members will support the Appropriation Bill 2008.

72. Thank you.