

立法會
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Tel : 2869 9205

Date : 23 April 2004

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 12 May 2004

**Proposed resolution under
the Loans Ordinance**

I forward for Members' consideration a proposed resolution which the Financial Secretary will move at the Council meeting of 12 May 2004 under the Loans Ordinance. The President has directed that "it be printed in the terms in which it was handed in" on the Agenda of the Council.

2. The draft speech, in both English and Chinese versions, which the Financial Secretary will deliver when moving the proposed resolution, is also attached.

(Ray CHAN)
for Clerk to the Legislative Council

Encl.

LOANS ORDINANCE

RESOLUTION

(Under section 3(1) of the Loans Ordinance (Cap. 61))

RESOLVED, in the exercise of the powers conferred by section 3(1) of the Loans Ordinance, that the Government be authorized to borrow, for the purposes of the Capital Works Reserve Fund established by resolutions passed under section 29 of the Public Finance Ordinance (Cap. 2), a sum or sums not exceeding in total \$20 billion or equivalent.

**SPEECH BY
THE FINANCIAL SECRETARY
IN THE LEGISLATIVE COUNCIL**

ON 12 MAY 2004

LOANS ORDINANCE (CHAPTER 61)

**Resolution to Authorise the Issuance
of Government Bonds**

Madam President,

I move the motion standing in my name on the Agenda.

2. The purpose of the resolution is to provide the Government with the authority under the Loans Ordinance to raise a loan of up to \$20 billion or its equivalent by the issuance of bonds.

3. In my Budget Speech on 10 March 2004, I announced that I proposed to

issue government bonds in order to raise capital revenue to fund infrastructure or other investment projects which will bring long-term economic benefits to Hong Kong. Today, I would again like to emphasize that it is not the purpose of the proposed bond issue to meet the Government's operating expenditure. All proceeds raised after defraying expenses will be credited to the Capital Works Reserve Fund. Annual payment of interest and repayment of principal, as required, will be met from future appropriation of funds from the concerned year's expenditure estimates. The Administration will continue to manage public finance in a prudent manner and maintain strict fiscal discipline in order to meet our target of reducing operating expenditure to \$200 billion by 2008-09 and restoring fiscal balance in that year.

4. The issuance of government bonds will bring many benefits. It will provide greater flexibility in both the management of our liquidity and the execution of our asset sale and securitisation programme. Furthermore, bond issuance will also help to promote the development of our local capital markets, an objective which forms part of our continual efforts to reinforce Hong Kong's position as an international financial centre.

5. As many of us believe, now is a good time to issue government bonds.

The Government will benefit from the prevailing relatively low interest rate environment while the public can be offered a high-quality investment alternative. We need, however, to move quickly to seize this window of opportunity and achieve a win-win result.

6. We therefore intend to appoint the transaction arrangers and begin detailed preparatory work as soon as this Council has approved the Resolution. We envisage that the proposed government bonds will be issued primarily in Hong Kong Dollars but we will explore with the arrangers, once they are appointed, further opportunities for issuance in foreign currencies. We expect that separate tranches of bonds of varying maturities will be available for investors from which to choose to meet their different investment appetites. We will also build on the experience gathered from the recent offering of “Five Tunnels and One Bridge” / Hong Kong Link 2004 Bonds and the offerings of Exchange Fund Notes in the past.

7. Finally, I would like to reiterate that the proceeds from the coming bond issue will be invested in productive capital projects. We will be turning Hong Kong people’s “burden” to “wealth” by allowing them to participate directly in capital investments which will be of benefit to themselves and succeeding generations.

The proposed bond issue will also provide an opportunity for our citizens to invest in their own future and to help build our home together, a home we proudly refer to as Asia's World City.

8. Madam President, I earnestly hope that Members will support the resolution.

I beg to move.