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**Notes of the meeting of the Finance Committee  
for briefing members on the Estimates of Expenditure and budget proposals  
on Thursday, 26 February 2009, at 10:45 am  
in the Chamber of the Legislative Council Building**

**Members present:**

Hon Emily LAU Wai-hing, JP (Chairman)  
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)  
Hon Albert HO Chun-yan  
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP  
Hon LEE Cheuk-yan  
Dr Hon David LI Kwok-po, GBM, GBS, JP  
Hon Fred LI Wah-ming, JP  
Dr Hon Margaret NG  
Hon James TO Kun-sun  
Hon CHEUNG Man-kwong  
Hon CHAN Kam-lam, SBS, JP  
Hon LEUNG Yiu-chung  
Dr Hon Philip WONG Yu-hong, GBS  
Hon WONG Yung-kan, SBS, JP  
Hon LAU Kong-wah, JP  
Hon Miriam LAU Kin-yea, GBS, JP  
Hon Andrew CHENG Kar-foo  
Hon TAM Yiu-chung, GBS, JP  
Hon Abraham SHEK Lai-him, SBS, JP  
Hon Tommy CHEUNG Yu-yan, SBS, JP  
Hon Audrey EU Yuet-mee, SC, JP  
Hon Vincent FANG Kang, SBS, JP  
Hon WONG Kwok-hing, MH  
Hon LEE Wing-tat  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, SBS, JP  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung

Hon WONG Ting-kwong, BBS  
Hon Ronny TONG Ka-wah, SC  
Hon CHIM Pui-chung  
Hon KAM Nai-wai, MH  
Hon Cyd HO Sau-lan  
Hon Starry LEE Wai-king  
Dr Hon LAM Tai-fai, BBS, JP  
Hon CHAN Hak-kan  
Hon Paul CHAN Mo-po, MH, JP  
Hon CHAN Kin-por, JP  
Hon Tanya CHAN  
Dr Hon Priscilla LEUNG Mei-fun  
Hon CHEUNG Kwok-che  
Hon WONG Sing-chi  
Hon WONG Kwok-kin, BBS  
Hon WONG Yuk-man  
Hon IP Wai-ming, MH  
Hon IP Kwok-him, GBS, JP  
Hon Mrs Regina IP LAU Suk-ye, GBS, JP  
Dr Hon PAN Pey-chyou  
Hon Paul TSE Wai-chun  
Dr Hon Samson TAM Wai-ho, JP

**Members absent:**

Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP  
Hon LAU Wong-fat, GBM, GBS, JP  
Hon Timothy FOK Tsun-ting, GBS, JP  
Hon LI Fung-ying, BBS, JP  
Hon Albert CHAN Wai-yip  
Hon Frederick FUNG Kin-kee, SBS, JP  
Dr Hon Joseph LEE Kok-long, JP  
Hon CHEUNG Hok-ming, SBS, JP  
Dr Hon LEUNG Ka-lau

**Public officers attending:**

Mr John TSANG, JP	Financial Secretary
Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mrs Helen CHAN, JP	Government Economist
Ms Bernadette LINN, JP	Deputy Secretary for Financial Services

Ms Shirley LAU	and the Treasury (Treasury)1 Principal Assistant Secretary for Financial Services and the Treasury (Treasury)
Mr Freely CHENG	Administrative Assistant to Financial Secretary
Ms Jessie WONG	Administrative Assistant to Secretary for Financial Services and the Treasury

**Clerk in attendance:**

Mrs Constance LI	Assistant Secretary General 1
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**Staff in attendance:**

Ms Anita SIT	Chief Council Secretary (1)4
Mr Simon CHEUNG	Senior Council Secretary (1)5
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

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The Chairman welcomed Professor K C CHAN, Secretary for Financial Services and the Treasury (SFST) and his colleagues to the meeting, and informed members that Mr John TSANG, the Financial Secretary (FS), would come to the meeting at 11:30 am. (FS arrived at the meeting at 11:30 am.)

2. SFST gave a power-point presentation on the 2009-2010 Budget and briefed members on the following aspects of the Budget --
  - (a) revenue estimates for 2009-2010;
  - (b) budget revenue measures announced in the 2008-2009 Budget that would continue to take effect in 2009-2010, and new revenue measures announced in the 2009-2010 Budget;
  - (c) estimate of total government spending in 2009-2010 comprising operating expenditure (recurrent plus non-recurrent expenditure) and capital spending (capital works expenditure plus other capital spending);
  - (d) estimates of recurrent expenditure on various policy area groups in 2009-2010;

- (e) measures to provide jobs and internship opportunities; and
- (f) 2009 Medium Range Forecast.

3. To sum up, SFST said that the Administration had adopted a counter-cyclical fiscal strategy and would increase expenditure in various areas. In a bid to counter the financial crisis, preserve jobs and enhance the long-term competitiveness of Hong Kong, the Administration would continue to invest heavily on infrastructure development. The Administration's forecast was that there would be deficits in the Operating Account in the next three years, followed by a return to surplus in 2012-2013. By the end of March 2014, the fiscal reserves would be about \$390 billion, equivalent to 14 months' government expenditure.

### **Preserving jobs**

4. Mr WONG Kwok-hing said that while he supported the adoption of a counter-cyclical fiscal strategy amidst the current economic downturn, he found that the Administration had not made adequate efforts to address the unemployment problem. He was particularly concerned about the livelihood of over 10 000 non-civil service contract (NCSC) staff currently serving in government bureaux and departments, since a majority of them would face the expiry of their contracts within the next two years. He asked whether the Administration would extend their employment contracts. In response, SFST advised that individual bureau and department would follow the existing mechanism for handling NCSC staff matters.

5. Mr LEE Wing-tat, Mr WONG Sing-chi, Mr Fred LI, Mr KAM Nai-wai, Mr LEUNG Yiu-chung and Mr Ronny TONG criticized the Administration for boasting the number of jobs that would be created by the Government in the next three years. They noticed that out of the 62 000 jobs and internships pledged by FS, a majority of them were training posts rather than genuine jobs, while 44 000 jobs and internships were actually to be provided under the Youth Pre-employment Training Programme (YPTP) and Youth Work Experience and Training Scheme (YWETS), which were on-going employment programmes rather than new employment initiatives.

6. Mr LEE Wing-tat, Mr WONG Sing-chi, Mr KAM Nai-wai and Mr Fred LI opined that it was unrealistic for the Administration to expect a fruitful outcome with only a small budget of \$1.6 billion to create jobs. Most of the Administration's measures to preserve and create jobs were unable to address the needs of the unemployed white-collar workers as well as the middle-class. They said that the Democratic Party's main concern was to preserve jobs as far as possible, and they asked the Administration to seriously consider the Democratic Party's proposal of spending \$13 billion to create 60 000 genuine new jobs, and introduce measures to assist those middle-class citizens facing financial difficulties such as providing loans to them.

7. FS responded that preservation and creation of jobs was the Administration's primary goal under the current economic situation. In addition to the earlier pledge of the Chief Executive to create 60 000 jobs, the Administration would provide a further 62 000 jobs and internship opportunities to ease the aggravating unemployment problem. The move should render a substantial cushion to the rapidly deteriorating job market. However, FS pointed out that fundamental improvements in the labour market could not possibly come about without a solid economic recovery, because the Government could not replace the market in creating jobs for everyone. Indeed, it would be unrealistic to expect that the Administration could create jobs in the finance sector. On the categories of the jobs to be created, he explained that not all the jobs were blue-collar jobs. As regards the suggestion of providing loans to those middle-class citizens facing financial difficulties, FS said that he believed that many middle-class citizens were resourceful and they should be able to obtain bank credit easier than many others in the community.

8. Regarding the 44 000 jobs and internships to be created under the YPTP and YWETS, the Deputy Secretary for Financial Services and the Treasury (Treasury)1 (DS(Tsy)1) explained that these two programmes aimed to improve the employability of the young age group. Under these programmes, the Administration would offer pre-employment training opportunities to the participants, followed by on-the-job internships or job referrals. As an incentive, an employer would be provided with a monthly allowance of \$2,000 for a period of six to 12 months for engaging each participant. The Administration would further consolidate and strengthen the YPTP and YWETS to assist more young people.

9. Mr LEE Cheuk-yan expressed doubt on the sincerity of the Administration in addressing the unemployment problem faced by Hong Kong people. He said that notwithstanding the outbreak of the global financial crisis, the Administration chose to spend less in 2009-2010. While the Administration might not be able to create high or middle-ranking jobs in the finance and investment sectors, it should make efforts to create jobs for white-collar workers left unemployed by the down-turning economy. He considered that the Administration's plan to create 62 000 jobs and internships in the next three years was far from adequate. The Administration should also increase the \$2,000 monthly allowance for participants of the existing employment programmes and devise feasible incentives for employers to recruit additional staff. He warned that unless the Administration promised to increase public expenditure by \$20 billion to stimulate the economy and to provide more employment opportunities, he would not support the 2009-2010 Budget.

10. In response, FS said that the Administration's targeted efforts on creating and preserving jobs could be seen from the total of 122 000 employment and internship opportunities in the next three years. They would cover a wide range of positions such as clerks, renovation workers, publicity and promotional jobs, and managerial posts in different industries. He believed that these measures would help slow the rising trend in unemployment rate, and in this context, he considered the

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2009-2010 Budget appropriate in tackling the economic recession. He further pointed out the need for the Government to take a cautious stance, because the Government's fiscal reserves would run down by \$100 billion in the next few years. He called on that the community to work together in facing the deteriorating economy.

11. Mr LEUNG Yiu-chung enquired whether the Government could forecast the unemployment rate so as to quantify how these jobs creation measures could reduce the unemployment rate. FS advised that he had repeatedly clarified that the 122 000 positions were a combination of jobs and internship opportunities, of which a considerable number were white-collar clerical jobs. He hoped that the unemployed could treasure the opportunities to tide over the difficult time and were able to find jobs afterwards. As regards the unemployment rate, the Government Economist advised that the current unemployment rate was 4.6%, and the construction industry was the worst-hit sector. The economy would suffer recession this year and the unemployment rate would inevitably face upward pressure in the coming months.

Admin 12. In view of members' concern, the Chairman requested and FS agreed to provide more detailed information on the 122 000 jobs and internships to be created by the Administration in the next three years.

*(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. FC93/08-09 on 25 March 2009.)*

13. Ms Cyd HO criticized that the Administration's measures in tackling the unemployment problem failed to address the needs of the low-income groups. Moreover, the 122 000 jobs and internships would not benefit the low-ranking clerical staff in the finance sector. She was disappointed that the Administration had rejected the proposal to set up an unemployment relief fund. She opined that the Administration should set aside \$2.8 billion to create employment opportunities, and implement long-term strategies to diversify local industries. FS said that it was necessary for the Administration to balance the needs of different sectors of the community, while maintaining reasonable fiscal reserves.

14. Ms Starry LEE considered that even with various measures to create jobs, it was possible that some citizens would still be left out of employment no matter how hard they tried. In this regard, she enquired whether the Administration would consider setting up an unemployment relief fund as well as a special loan fund to assist those with genuine difficulties in finding a job during the economic downturn. FS considered the Administration's measures to create jobs and internships adequate and pragmatic for the time being. If the economic situation worsened more than expected, the Administration would consider implementing additional measures to help the economy.

15. Mr Tommy CHEUNG said that the Liberal Party did not find the 2009-2010 Budget effective in easing the hardship of the community. The Administration had been tight-fisted with SMEs, as reflected by its reluctance to seriously consider the

"consumption coupons" proposal. As most of the jobs to be created would be in the construction sector, the proposed measures would not address the needs of white-collar workers. He noted that while the Administration believed that its various measures would be able to increase employment opportunities, it had expressed concern that the launching of major infrastructure projects would generate undue pressure on the construction industry. He sought clarification from FS in this regard.

16. FS pointed out that the 122 000 jobs and internships to be created were not just confined to the construction industry alone but a wide range of sectors. To maximize the economic impact and to create more employment opportunities, a large number of infrastructure projects would be implemented within a short period of time. This might lead to bunching of projects causing tension in the supply of construction workers and surge in construction costs. The Administration had to act cautiously to minimize these possible adverse effects.

17. Mr Abraham SHEK commented that the 2009-2010 Budget was a pragmatic and viable budget. However, the Administration should inform the public how far the 122 000 jobs and internships to be created could reduce unemployment. He also opined that the Administration should endeavour to create wealth for the community in the long run. To this end, it should clear away unnecessary red tapes to facilitate local and overseas investors.

18. FS advised that the ultimate objective of the Administration was to provide the conditions to help economic recovery. Only when the economy moved back to a robust growth path could the problem of unemployment wane. He explained that it would be difficult to assess how a specific job creation measure could alleviate unemployment, because the unemployment rate was affected by a host of factors which were all moving at the same time. He agreed with Mr SHEK that the Administration should aim to create wealth for the community. To this end, the Administration would foster the economy's key strengths, streamline government's procedures, and provide an environment conducive to facilitating business investments and economic development in Hong Kong.

## **Revenue**

### Rental concession

19. Mr WONG Kwok-hing enquired about the types and number of tenants who would benefit from the budget pledge of 20% rental concession for government properties and short term tenancies of government land for three months. DS(Tsy)1 and the Principal Assistant Secretary for Financial Services and the Treasury (Treasury) advised that the 20% rental reduction would apply to various types of tenants, such as those of food markets managed by the Food and Environmental Hygiene Department, small shops operating within the premises/facilities of Leisure and Cultural Services

Department, and those operating on short term tenancies on government land. The concession would benefit more than 17 000 tenants.

### Promoting the use of electric vehicles

20. Acknowledging the need for the Administration to promote green economy, Mr Andrew LEUNG enquired about the progress of the work to promote the use of electric vehicles in Hong Kong. SFST advised that the exemption for electric vehicles from the First Registration Tax was part of the Administration's efforts in promoting the use of electric vehicles in Hong Kong. A steering committee led by FS would study relevant issues including the provision of vehicle battery charging facilities. The Administration would start the legislative work in due course.

### Tax exemption for insurance premiums

21. Mr CHAN Kin-por urged the Administration to consider granting tax exemption for the premiums of private insurance policies, since in the long run private insurance policies such as medical insurance might save a great deal of public funds. SFST agreed to consider Mr CHAN's views.

### Salaries Tax and Rates

22. Mr Ronny TONG commented that the tax concessions in respect of Salaries Tax and Rates as pledged by FS failed to address the needs of both the unemployed and those Salaries Tax payers suffering from the global financial crisis, and were hence missing the focus. In response, SFST said that the focus of the Budget was very clear; the many initiatives pledged in the Budget aimed to counter the financial crisis and to preserve and create jobs.

23. Noting that the one-off reduction of 50% of Salaries Tax would lead to a reduction of public revenue by \$4.1 billion, Mr James TO opined that it would be more helpful if the revenue forgone could be used to create more jobs. FS responded that the purpose of the salaries tax reduction was to provide financial relief to the taxpayers, and he believed that providing the tax concession was appropriate.

## **Expenditure**

### Overall government expenditure

24. Mr Ronny TONG said that total government spending in 2009-2010 would be reduced to \$301.6 billion, a reduction of \$16.2 billion as compared to the 2008-2009 revised estimate, and the economic relief measures to be implemented in 2009-2010 were less than those implemented in 2008-2009. Pointing out that most countries around the world were taking drastic measures to cope with the global



financial crisis, he commented that the 2009-2010 Budget could hardly be regarded as a counter-cyclical budget.

25. In response, FS explained that in 2008-2009, the Administration had made huge one-off payments for certain specific purposes such as the West Kowloon Cultural District project, Research Endowment Fund for providing research funding to the University Grants Committee-funded institutions and the reconstruction support work in Sichuan. Hence, direct comparison of government expenditure between 2008-2009 and 2009-2010 could be misleading. In comparison with 2007-2008, government operating expenditure in 2009-2010 would increase by some 20%. He further explained that with a huge surplus recorded in 2007-08, the Administration was able to share with the general public the fruit of prosperity in 2008-2009. On the other hand, the economy might deteriorate in 2009-2010 and years beyond. He added that the accumulative consolidated deficits for the coming five years amounts to \$100 billion. Therefore, the Administration had to exercise prudence in financial management to prepare for the worst time. The Permanent Secretary for Financial Services and the Treasury (Treasury) supplemented that the recurrent government expenditure and the capital works expenditure in 2009-2010 were expected to increase by 5.4% and 71% respectively compared to 2008-2009.

#### Expenditure on social welfare

26. Mr CHEUNG Kwok-che said that due to an abrupt economic downturn, a lot of social problems requiring active intervention of social workers had arisen. Yet, social workers could not do much to assist the jobless, in particular the secondary school leavers. He commented that employment programmes such as YPTP and YWETS could only offer temporary relief to this group of people. He was also very disappointed that government expenditure in social welfare in 2009-2010 would reduce by 6.4% as compared with 2008-2009. He queried the reasons for the reduction in this regard, and urged FS to increase the provision for social welfare.

27. FS thanked social workers for their commitment and good work at this difficult time, and advised that it would not be appropriate to compare government expenditure of 2009-2010 with that of 2008-2009, because the Administration had implemented a number of one-off relief initiatives in 2008-2009. Discarding these one-off initiatives, there was actually no reduction in the provision for social welfare. He added that of the 62 000 jobs and internships to be created by the Government, over 40 000 were targeted at young people. FS pointed out that in addition to the provision of a safety net through the Comprehensive Social Security Assistance (CSSA) scheme, the Administration would endeavour to render assistance to those in need through various support programmes.

#### Special Loan Guarantee Scheme

28. Mr Andrew LEUNG said that although the Government's guarantee ratio under the Special Loan Guarantee Scheme (SpGS) had been raised to 70%, the loans

approved under the Scheme so far accounted for only 6% of the \$100 billion financial commitment. SFST responded that the purpose of SpGS was to facilitate enterprises in obtaining immediate cashflow relief from the commercial lending market. As the Scheme had only been implemented for about two months, the response from enterprises and the banking sector so far should be regarded as acceptable.

29. Mr Jeffrey LAM said that he had received a lot of complaints from small and medium enterprises (SMEs) that they had great difficulties in securing loans from banks under SpGS. Since only a small number of loans had been granted so far and that most of the loans were offered by two to three banks, he hoped that the Administration would exert more efforts to encourage banks to provide loans to SMEs. Mr LAM enquired whether it was possible to permit SMEs to withhold payment of the Provisional Tax in order to ease their financial hardship. In response, SFST advised that SMEs facing financial difficulties in settling their tax bills should approach the Inland Revenue Department to apply for holding over of the Provisional Tax or payment of tax by instalments.

#### Tourism economy and technology-based economy

30. Mr CHAN Kam-lam enquired about the Administration's measures to promote tourism in Hong Kong in 2009-2010. He believed that apart from the promotional efforts in respect of the Individual Visit Scheme, wine and food, and also conventions and exhibitions, the Administration should identify and develop new tourist attractions. SFST thanked Mr CHAN for his views and pointed out that the Administration had, among other projects, made a vast investment on the construction of a cruise terminal at Kai Tak. He suggested that the subject of promoting tourism be further discussed by the relevant Legislative Council Panel.

31. Ir Dr Raymond HO considered that instead of focusing on the finance services industry, Hong Kong should invest more on the development of a technology-based economy and promotion of tourism. As regards the former, he enquired what further plans the Administration had apart from development plans for the Hong Kong Science Park (HKSP). Regarding the latter, he believed that the Administration could consider bringing in place underground or underwater shopping malls, in addition to its efforts in making Hong Kong an "events capital".

32. FS thanked Ir Dr HO for his views on tourism and promised to relay them to the concerned bureaus/departments for consideration. He said that Hong Kong had a lot of potential for developing a technology-based economy. The annual turnover of the HKSP had reached \$60 to \$70 billion. In 2008, the HKSAR Government and the Shenzhen Municipal Government had started working with DuPont, an enterprise based in the United States to set up a Solar Energy Thin Film Photovoltaic Research and Industrial Platform in HKSP and its manufacturing facilities in Shenzhen. Such a collaboration mode involving Hong Kong and the Mainland would continue. Ir Dr Raymond HO requested the Administration to join hands with the Mainland authorities in developing Hong Kong into a technology-based economy.

## **Other budget-related issues**

### Government bonds programme

33. Mr CHAN Kin-por welcomed the Administration's plan to implement a programme to issue government bonds. He believed that Hong Kong was at present short of adequate investment instruments for local investment firms to invest locally.

34. Mr CHAN Kam-lam commended the Administration for being far-sighted and forward-looking with its financial planning. While welcoming the Administration's plan to issue government bonds, he opined that the revenue thus generated should be used to support projects such as urban renewal and other infrastructure programmes which were meaningful and yet not profitable enough to attract private investment. He enquired about details of the government bonds programme.

35. FS advised that the aim of the government bonds programme was to promote further development of the local bond market. The initial thought was to set up a dedicated fund to hold the proceeds from the issue of government bonds. At this stage, the Administration had no specific plan on whether and how the proceeds less any costs to be incurred due to the programme should be put to particular uses.

### Fiscal reserves

36. Ms Starry LEE noted from the Administration's Medium Range Forecast from 2009-2010 to 2013-2014 that even for the worst time, the Administration would maintain the fiscal reserves equivalent to 14 months of government expenditure. She asked whether this was the Administration's baseline in maintaining the fiscal reserves. FS explained that the Administration did not have a baseline for the fiscal reserves as such. The Administration's projection was that the fiscal reserve would be trimmed down to \$391.1 billion in 2013-2014, which was equal to 14 months of government expenditure. With changes in the economic conditions, these projected figures would also change.

### Narrow tax base

37. Mrs Regina IP commented that Hong Kong was facing a pressing problem of a narrow tax base. Given this inherent handicap, as the population was growing and ageing fast, Hong Kong would encounter difficulties in placing sufficient funding in education and scientific researches. She pointed that research and development activities in Hong Kong only accounted for 0.8% of GDP, and this compared unfavourably with other places such as Japan and Norway where the percentage was more than 3%. She also called for a review of the CSSA scheme, and hoped that unemployment relief could be separated from CSSA so that in future the unemployed would be provided with a time-limited assistance. FS responded that the Administration was fully aware of the problem of narrow tax base and had done a

thorough review some time ago. The Administration acknowledged that the community was not in favour of the implementation of a sales tax. He would consider Mrs IP's views in detail.

### Tourism

38. Mr Paul TSE expressed grave concern about the difficulties presently faced by the tourism industry. He was disappointed that other than the plan to earmark \$100 million to host attractive events in the coming year, no other measures for promoting tourism were mentioned in the Budget. Of the 10 sites designated for hotel development in the Application List, none of them lived up to the expectation of the tourist sector. He commented that the situation was worse than that of SARS in 2003, as the Administration had done little to train up manpower required by the tourism sector, and few SMEs within the tourism industry were able to benefit from the newly-established SpGS. On infrastructure development, the only positive message he had got was that the Administration had eventually decided to embark on the Kai Tak cruise terminal project. Nevertheless, the talk on the expansion of the Hong Kong Disneyland was grounded. It seemed to him that the Administration had not devised necessary strategies nor allocated sufficient funding to promote tourism. He enquired whether the \$100 million to promote Hong Kong as an "events capital" of Asia would be allocated only to the Hong Kong Tourism Board and not other organizations, and whether the Administration would renovate the existing tourist spots and provide new ones to promote tourism. FS thanked Mr TSE for his views and said that these questions could be thoroughly discussed at the relevant session of the special meetings of the Finance Committee (FC).

### Optimizing the supervisory framework within the finance sector

39. Mr KAM Nai-wai enquired about the Administration's measures to improve the regulatory framework to enhance protection for investors, and whether the retirement of the incumbent Chief Executive of the Hong Kong Monetary Authority (CE, HKMA) later in the year should be regarded as one of these measures.

40. FS said that he was not prepared to respond to any hypothetical question relating to the incumbent CE, HKMA, and that the Administration would promulgate measures to improve the regulatory framework for the financial market in due course.

41. Mr CHEUNG Man-kwong said that, as rightly pointed out by Premier WEN Jiabao, a major cause of the global financial crisis was the lack of a sense of morality, and a blind pursuit for personal interests. He envisaged that the irresponsible acts of large enterprises such as the Lehman Brothers, the PCCW Limited and the CITIC Pacific Limited would prompt more Hong Kong people to take their grievances to street on 1 July 2009.

42. FS said that he had deep sympathy to those investors who sustained losses in the Lehman Brothers Minibonds Incident. Having considered the reports of the

Hong Kong Monetary Authority and the Securities and Futures Commission, the Administration had drawn up an action plan to strengthen the regulatory framework with particular regard to supervision and transparency.

Support for the Middle Class

43. Dr Priscilla LEUNG suggested that the Administration should set aside \$1 billion to assist the unemployed middle-class people to tide over this difficult time. FS responded that the Administration had implemented a host of measures to reduce the burden of the middle-class such as the Rates and Salaries Tax concessions. In drawing up the Budget, the Administration had to balance the interests of different sectors. With an anticipated deficit of \$40 billion, he believed the proposed relief measures for 2009-2010 were appropriate.

Development Opportunities Office and a dedicated office to co-ordinate the development of a creative economy

44. Mr Alan LEONG warned that the global financial crisis was taking its toll in Hong Kong, with more and more citizens losing their jobs. While he was delighted with the Administration's plans to develop technology-based economy, creative economy and green economy, he was disappointed that the resources earmarked for such purposes fell short of \$1 billion. He also enquired about details of the proposed Development Opportunities Office to be set up in the Development Bureau and also those of the designated office to co-ordinate work on the development of creative economy.

45. FS advised that the Administration had made a lot of investment in these areas, and phases 1 and 2 of the HKSP were some examples. On the proposed Development Opportunities Office, the Administration's intention was to provide a one-stop service point to assist enterprises or organizations in taking forward their development projects. Nevertheless, the new mechanism would not replace the existing statutory procedures, public consultation and the normal vetting and approval procedures of government departments. On the dedicated office to co-ordinate the development of creative economy, FS said that the office aimed to promote creative industries apart from film and design industries. Further information would be provided by the Secretary for Commerce and Economic Development at the relevant designated session of the FC special meetings.

46. The meeting ended at 12:59 pm.