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Legislative Council

LC Paper No. CB(1)585/12-13
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Panel on Financial Affairs

Minutes of meeting
held on Monday, 3 December 2012 at 9:30 am
in Conference Room 1 of the Legislative Council Complex

Members present :	Hon Starry LEE Wai-king, JP (Chairman) Hon CHAN Kin-por, BBS, JP (Deputy Chairman) Hon Albert HO Chun-yan Hon James TO Kun-sun Hon CHAN Kam-lam, SBS, JP Hon Abraham SHEK Lai-him, SBS, JP Hon Jeffrey LAM Kin-fung, GBS, JP Hon Andrew LEUNG Kwan-yuen, GBS, JP Hon WONG Ting-kwong, SBS, JP Hon Ronny TONG Ka-wah, SC Hon Mrs Regina IP LAU Suk-yee, GBS, JP Hon James TIEN Pei-chun, GBS, JP Hon NG Leung-sing, SBS, JP Hon Kenneth LEUNG Hon Dennis KWOK Hon Christopher CHEUNG Wah-fung, JP Hon SIN Chung-kai, SBS, JP
Members attending :	Hon LEE Cheuk-yan Hon WONG Kwok-hing, MH Dr Hon LAM Tai-fai, SBS, JP Ir Dr Hon LO Wai-kwok, BBS, MH, JP

Public officers attending	**:**	Agenda Items III and IV Mr John TSANG, GBM, JP Financial Secretary Mr Arthur AU Administrative Assistant to Financial Secretary Agenda Item III Mrs Helen CHAN, JP Government Economist Agenda Item IV Prof K C CHAN, GBS, JP Secretary for Financial Services and the Treasury Ms Elizabeth TSE, JP Permanent Secretary for Financial Services and the Treasury (Treasury) Agenda Item V Mr Patrick HO, JP Deputy Secretary for Financial Services and the Treasury (Financial Services) 3 Mr Arsene YIU Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 6
Clerk in attendance	**:**	Ms Connie SZETO Chief Council Secretary (1)4
Staff in attendance	**:**	Miss Winnie LO (Agenda Item V) Assistant Legal Adviser 7 Ms Angel SHEK Senior Council Secretary (1)4

Ms Sharon CHAN
Legislative Assistant (1)4

Action

I Information papers issued since the last meeting

(LC Paper No. CB(1)185/12-13(01) — Third Quarter Economic Report 2012 and the press release)

Members noted the information paper issued since the last regular meeting held on 5 November 2012.

II Date of next meeting and items for discussion

(LC Paper No. CB(1)207/12-13(01) — List of outstanding items for discussion
LC Paper No. CB(1)207/12-13(02) — List of follow-up actions)

2. Members agreed to discuss the following items proposed by the Administration at the next regular meeting scheduled for 7 January 2013:

(a) Subsidiary legislation for implementation of the new Companies Ordinance;

(b) Proposed retention of supernumerary directorate posts to deal with matters concerning companies- and bankruptcy-related legislation; and

(c) The 10th Replenishment of the Asian Development Fund.

(*Post-meeting note*: At the request of the Administration and with the concurrence of the Chairman, the regular meeting on 7 January 2013 was advanced to start at 10:00 am to include discussion of the item "Briefing on the results of Mandatory Provident Fund Schemes Authority's consultancy study on trustees' cost and reform directions to lower MPF fees". Members were informed of the matter vide LC Paper No. CB(1)285/12-13 issued on 11 December 2012.)

III Briefing by the Financial Secretary on Hong Kong's latest overall economic situation

(LC Paper No. CB(1)185/12-13(01) — Third Quarter Economic Report 2012 and the press release

LC Paper No. CB(1)207/12-13(03) — Administration's paper on Hong Kong's recent economic situation and near-term outlook)

Briefing by the Administration

3. At the invitation of the Chairman, the Financial Secretary ("FS") briefed members on the latest economic situation by highlighting the salient points as follows –

(a) The global economic outlook remained uncertain. Although the euro debt crisis had stabilized, the real economy of the eurozone was receding, making it difficult for the crisis states to repay or re-finance their rising government debts. The economy of the United States ("US") remained weak under a slow and unstable pace of recovery, and overcast by the looming of a "fiscal cliff" in end of 2012. While the fundamentals of the Asian economies remained sound, economic growth in the Asian markets, including Korea and Singapore, had seen signs of further slowdown in the third quarter of 2012.

(b) The Hong Kong economy grew modestly by 1.3% in the third quarter of 2012 over a year earlier. The lacklustre performance was dragged by deterioration in demand from the advanced economies, i.e. the US and the European Union, which had adversely affected the export activities in the Asian markets. While the total exports of goods from Hong Kong had notably rebounded in September 2012 from a relatively low base of comparison a year earlier, the growth in October 2012 had decelerated. Exports of services had declined in the third quarter of 2012 but the deceleration was cushioned by visible growth in exports of travel services.

(c) The domestic sector saw further growth in the third quarter of 2012, attributed by the still largely favourable employment and income conditions. Private consumption expenditure grew by

0.9% in real terms and overall investment spending recorded a strong 8.7% year-on-year growth in real terms on account of the surge in machinery and equipment acquisition, and expansion of building and construction activities in both public and private sectors.

(d) Having regard to the upbeat outlook of domestic-related sectors, across-the-board improvements in income which held up domestic demand well, thriving inbound tourism and the continued investment in infrastructure, the Gross Domestic Product ("GDP") was forecast to grow modestly by 1.2% for the whole of 2012.

(e) With the economy growing at a subpar rate for four quarters in a row, job creation had slowed down in recent months, thus putting pressure on the labour market. Hiring sentiment had turned cautious and total employment increased only modestly in August to October 2012, during which the seasonally adjusted unemployment rate edged up further to 3.4%, from 3.2% in the last quarter. Growth in earnings was moderate compared with that of the past year as the lifting effect of the statutory minimum wage gradually dissipated. The median employment earnings rose by 5.1% in real terms after discounting inflation whereas the year-on-year growth in average employment earnings of full-time employees in the lowest decile group was 5.2% in real terms.

(f) Local inflation sustained a downtrend in the third quarter of 2012. Easing of inflationary pressure was attributable to the earlier retreat in global food and commodity prices and the easing inflation in the Mainland and other import suppliers. Cost pressures had softened as a result of the relative stabilization in fresh-letting residential rentals in early 2012 and slower pace of rise in labour costs as a result of the slackening economic growth. Headline consumer price inflation went down from 5.2% in the first quarter to 3.8% in October 2012. Underlying consumer price inflation decelerated visibly from 5.9% in the first quarter to 3.8% in October 2012 after netting out the effects of Government's one-off relief measures. The forecast rates of headline and underlying consumer price inflation for 2012 as a whole were 3.9% and 4.5% respectively.

(g) Residential property market went up further during the third quarter of 2012 in the midst of liquidity glut and super-low interest rate environment, cumulating to some 23% surge in property prices in the first ten months of the year. The housing affordability ratio had risen to around 50% in the third quarter, staying close to the long-term average over the past 20 years. The Government had stayed alert to how volatilities in residential property prices might affect the overall macroeconomic and financial stability. Home-buyers were reminded to be cautious in assessing their ability to purchase flats. In August to October 2012, the Government rolled out several rounds of measures to forestall the further build-up of property bubble risk, including short, medium and long-term measures to increase land and flat supply, tightening of mortgage lending criteria, enhancing the Special Stamp Duty ("SSD") to curb speculative transactions and introducing a Buyer's Stamp Duty ("BSD") to accord priority to meeting the housing needs of Hong Kong permanent residents under a tight supply situation. Positive results had yielded from these efforts. Property transaction activities turned quieter in November 2012 and speculative activities were further dented.

(h) 2013 would still be a challenging year for Hong Kong. The extent of global economic growth hinged largely on whether the US economy could avert a "fiscal cliff", whether the euro debt crisis would avoid a wider contagion, and the impact of the prolonged fiscal austerity measures in the US and Europe. If the "fiscal cliff" in the US could not be averted, it might give rise to another wave of turbulences to the global economy and financial markets. On the other hand, the Mainland economy had seen a pick-up in growth momentum and the fundamentals of the Asian economies remained sound. Barring an abrupt deterioration in final demand of the advanced economies, Hong Kong's external trade was expected to remain relatively stable in 2013. The Government would closely monitor the developments on the external front and announced the economic forecast for 2013 along with the 2013-2014 Budget.

(*Post-meeting note*: The press release containing the speaking note of FS (Chinese version only) was issued to members vide LC Paper No. CB(1)267/12-13 on 5 December 2012.)

4. The Government Economist ("GE") gave a powerpoint presentation on the details of the latest development of the Hong Kong economy, the updated economic forecasts for 2012, and the latest situation of low-income households.

(*Post-meeting note*: The notes of the powerpoint presentation (LC Paper No. CB(1)252/12-13(01)) were issued to members vide Lotus Notes e-mail on 3 December 2012.)

Discussion

Property market

5. Mr WONG Kwok-hing expressed concern that in spite of the further measures introduced by the Government to address the overheated property market, residential property prices remained high and the housing affordability ratio had risen to around 50% in the third quarter of 2012, which was close to the average of 50.4% over the past 20 years. While the number of transactions appeared to have decreased in recent months, the exuberance was barely cooled down as the prevailing low interest rates and liquidity glut continued to fuel an overheated property market. Mr WONG remarked that the Administration should not be over-optimistic about the effects of the further measures. He also observed that there were visible signs that speculative activities were diverted to the non-residential property market (e.g. commercial premises) and other investment activities such as the trading of car parking spaces. He enquired about additional measures the Administration might take to forestall further build-up of the property bubble risk.

6. FS said that the Government had rolled out a series of measures to ensure a healthy and stable development of the property market since early 2010, including increasing flat supply and implementing demand management measures such as the SSD. These efforts had yielded positive results as reflected by the increase in total supply of flats, denting of speculative activities, and stabilization in property prices to some extent. On Mr WONG Kwok-hing's concern about the effectiveness of the further measures in cooling down the property market, FS said that it would take time for the full effects of the measures to be seen and the Government would continue to monitor the situation closely. He cautioned that the public should stay alert of a possible reversal of the low interest trend and home-buyers should be cautious not to overstretch themselves when obtaining mortgage loans. Whilst the current housing affordability ratio of around 50% was comparable to the figure of the past years, according to estimates, if interest rates were to rise by three percentage points, the ratio would soar to around 65% and substantially exceed the long-term average.

7. Mr Jeffrey LAM considered that compared to demand management measures, increasing land and flat supply would be more effective in tackling the housing problem at source. FS concurred that the fundamental issue of the

housing problem lay with land supply and the Government would continue with its efforts to increase land and flat supply in order to address the housing need of the community.

8. Mr SIN Chung-kai shared the concern about the appallingly high residential property prices. He referred to the development of the mortgage payment to income ratio over the years as provided in slide 18 of the powerpoint material and pointed out that whilst the information seemed to suggest a peaked-off in the housing affordability ratio and easing of the mortgage burden on home-buyers after 2000s, the situation was attributed by the different scenario of much higher interest rates in the 1990s vis-à-vis the low-interest rate environment at present. It was doubtful that the information had truly reflected the heavy burden of mortgage payment on home-buyers and erosion in the purchasing power of many local residents who could not afford to buy residential properties due to escalating prices in the recent years. In particular, he expressed concern whether the formulation of the housing affordability ratio, which was compiled based on mortgage payment for a flat with saleable area of 45 square metres to median income of households (excluding those living in public housing), had adequately and realistically taken into account the surge in residential property prices, especially situations in the primary residential market and household income trends.

9. GE explained that the housing affordability ratio was meant to be an indicator to track the changes in affordability of an average household in flat purchases over time. While an affordability ratio of about 50% in the third quarter of 2012 appeared to be far below the 1997 peak of over 90%, the current level was in fact very high taking into account the exceptionally low mortgage rate of 2.2% at present vis-à-vis that of nearly 9% in the second quarter of 1997. An upward adjustment in the mortgage rate by 3 percentage points, i.e. back to a more normal level before the 2008 global financial crisis, would drive up the housing affordability ratio to as much as 65%, which would well exceed the long-term average. The anomaly of a seemingly lower affordability ratio despite a continued surge in property prices at present was due to the unusual circumstances of extremely low interest rates.

10. Dr LAM Tai-fai commented that given that home-buyers should always be cautious in assessing their financial ability whenever making a decision to acquire flats, the warning given by the principal officials to the public that they should be prudent not to overstretch themselves in obtaining mortgage loans when the property market was volatile and exuberant did not amount to any useful advice at all. He opined that the Administration should provide scientific and quantifiable indicators to help home-buyers assess the market risks and the suitable timing of purchasing properties, such as a reference index of the level of residential property prices in different districts,

affordability ratios and mortgage interest rates. FS re-iterated that prospective home-buyers should be prudent to look beyond the present economic conditions and personal circumstances, and give due regard to the eventual reversal of the low interest rate, and their job and income stability over a longer time span when deciding to purchase residential properties.

11. Mr Ronny TONG expressed concern that the high rentals of commercial premises had put undue pressure on operating costs for businesses, and enquired about possible measures to address the equally exuberant commercial property market. Sharing the concern, the Chairman was worried that the high rentals would drive small and medium-sized enterprises ("SMEs") out of business and as a result, only the giant chain stores or corporations could survive. She suggested that the Government should make reference to overseas experience in expanding land resources for commercial development, for instance, by constructing "underground city" at existing or new property developments, and to accelerate the revitalization of old industrial and commercial buildings.

12. FS said that the Government was aware that the impact of high rentals on business costs had been a cause for concern. On this, FS said that the Government had stepped up efforts to provide land for commercial development. Along this line, seven and four commercial sites were selected from the Application List for sale by tender in 2011 and 2012 respectively. He further pointed out that the marked increases in commercial property prices and rentals were also underpinned by the surge in the retail business. Specifically, shop rentals had cumulatively risen by 32% along the growth in the retail business by nearly 60% since the third quarter of 2008. Office rentals, on the other hand, had decelerated in growth in recent quarters, in tandem with the economic slowdown. As such, commercial rentals in general had adjusted in response to economic cycles. The Chairman commented that the drastic leaps in shop rentals were out of line with the growth in the retail sector. She re-iterated that the Government should actively identify more land resources for commercial use, including the development of "underground city", so as to arrest the rise in shop rentals.

13. Mr Ronny TONG considered that the Administration should provide more data on the movements of commercial property prices at future briefings. The Chairman suggested that information on the ratio of rental payment to household income or business operating expenses should be provided for assessment of the rental level of residential/commercial properties. The Administration took note of the suggestions.

Admin

Labour market

14. Mr Ronny TONG pointed out that the wage and payroll indices had risen by 1.7% and 2.3% respectively in real terms over a year earlier but did not catch up with a forecast 4.5% in the underlying consumer price inflation for 2012. There were also unhealthy gaps between the growth in the retail sales value of 5.8% and shop rental cost which hiked by 14.3% year on year by mid 2012, and between the year-on-year growth of 1.3% in the real GDP and the office rental cost that climbed up by 8.9% in the same period. Mr TONG commented that despite the wide disparities in the above indices had persisted for a long period, the Government had not taken any effective fiscal measures over the years to narrow the gaps.

15. FS and GE clarified that the growth in wages and payrolls were expressed in real terms, and therefore had already discounted inflation over the same period. Specifically, the year-on-year growth in average employment earnings of full-time employees in the lowest decile group was 7.2% in nominal terms, and a still notable 5.2% in real terms in the third quarter, after netting off Consumer Price Index(A) inflation of 1.9%. The median employment earnings rose by 8.3% in nominal terms, representing an increase of as much as 5.1% in real terms after discounting inflation.

16. Mr CHAN Kam-lam remarked that maintaining a momentum of economic growth was difficult in face of the strong external headwinds. Nonetheless, Hong Kong's economy still managed to expand, albeit at modest rates, and its unemployment was under control at a rate of about 3.4% in the latest quarter. On enhancing the employability of the youth, Mr CHAN suggested providing suitable training targeting at those sectors with labour shortage, such as repair and maintenance of vehicles and aircrafts, airport and aviation services, and the driving profession, which were more skill-intensive but required workers of relatively less advanced education level. This would help address the manpower shortage in these sectors and support employment of the low-income group. Pointing out the much higher construction and labour costs in Hong Kong than those of the Mainland, Mr Jeffrey LAM suggested that the Government should consider relaxing the requirements for importation of labour so as to alleviate the cost pressure on manpower, and to meet growing labour demand in the construction sector for expediting various public works projects.

17. FS said that the overall seasonally adjusted employment rate at 3.4% in August to October 2012 had edged up by 0.2% from the last quarter. While the impact of implementation of the statutory minimum wage on the labour market was cushioned by the strength of local consumption and inbound tourism during most of the period, the pace of job creation had decelerated in recent

months, posing pressure on the unemployment rate in the period ahead. Nonetheless, the Government was also mindful of the labour shortage in certain sectors and the pressure of rising construction costs resulting from the surge in construction activities. He highlighted the Government's joint efforts with the Construction Industry Council to attract more workers, especially young workers, to join the construction industry through training and trade testing, as well as the collaboration with the Vocational Training Council in providing training in aircraft maintenance engineering to attract fresh blood to the industry.

Tax concessions for businesses and sectors

18. Mr Jeffrey LAM observed that exports of goods from Hong Kong to the US and Europe remained weak, although exports to the US had fared better than expected around the Thanksgiving Day. In the midst of a worrying outlook of the external sector, SMEs suffered from deterioration in exports demand and faced difficulties in obtaining loans; whereas inflation and increased labour cost continued to exert pressure on business costs. Mr LAM enquired measures to help SMEs, including whether the Administration would consider providing concessions on profits tax for SMEs.

19. FS agreed with the observation of a bleak outlook in the external sector in view of falling demand from the US and Europe which were Hong Kong's major export markets. The impact was felt not just in the exports of goods but exports of services which had decelerated visibly in the third quarter of 2012. The Government was mindful of the need to assist SMEs which were more vulnerable at times of economic downturn and their well-being would affect the workforce and job opportunities supported by these enterprises. FS pointed out that a number of relief measures for SMEs were implemented under the 2012-2013 Budget. These included enhancements in the SME Financing Guarantee Scheme administered by the Hong Kong Mortgage Corporation Limited and the insurance policy of the Hong Kong Export Credit Insurance Corporation ("HKECIC"), waiving of the business registration fees for 2012-2013 to benefit all business operators, reduction of profits tax for 2011-2012 and abolition of capital duty levied on local companies.

20. Ir Dr LO Wai-kwok commented that despite Government's initiative to promote innovation and technology as one of the six industries since 2009, public resources allocated for research and development ("R&D"), only at 0.76% of the GDP in 2012, had fallen short of expectation of the public, in particular when Hong Kong was moving towards a knowledge-based economy. As overseas experience had demonstrated the effectivness of providing tax concessions to enterprises in encouraging their investments in innovative technologies and R&D activities, Ir Dr LO suggested that the

Government should take on board the industry's views to offer enterprises double or triple tax concessions for expenses on innovative technologies and R&D activities. He noted that initiatives to encourage enterprises to undertake R&D activities, including tax concessions, had been included in the Chief Executive's election manifesto and enquired when the measures would be implemented.

21. FS said that currently, apart from the operating expenses of companies, the R&D expenditures of companies were offered full tax deductions. Nevertheless, the proportion of funds allocated to R&D by corporations remained on the low side. To encourage business organizations to increase their investments in R&D and strengthen their co-operation with R&D institutions, the "R&D Cash Rebate Scheme" was launched in 2010 providing a 10% cash rebate on the technological R&D investment by local companies. FS said that as nearly 90% of corporations (including SMEs) did not have to pay any tax in the year of assessment 2011-2012, the suggestion of granting more tax concessions on R&D expenses would not benefit these companies. The Government considered that the current arrangement of granting cash rebates was more appropriate and effective to stimulate efforts in R&D in the private sector.

22. Mr Kenneth LEUNG observed that the business of cross-boundary vessel and aircraft leasing appeared to have contracted because expenses on leased equipment for use outside Hong Kong were not eligible for tax deductions at present. He also expressed concern about enterprises' expenditure on the purchase of invisible assets such as trade marks and copyrights. Mr LEUNG enquired whether the Government would consider providing tax concessions for trading in intellectual property rights and modifying the tax laws to support the development of cross-boundary leasing of vessels and aircrafts. FS said that the Government was concerned about the well-being of the logistics industry which was an important pillar of the local economy and a source of job creation. As the next Budget was still under consultation, he would listen to the views of Legislative Council ("LegCo") Members and the public and relay the suggestions to the relevant policy bureaux for consideration.

Challenges from the external economic environment

23. Dr LAM Tai-fai considered that the Government should make known to the public the measures it would take in dealing with the potential challenges brought by the global economic volatilities, in particular if the euro debt crisis and the US economy would worsen. This would assure the public of the Government's preparation and ability to withstand adversities in the economy and facilitate assessment of the propriety of the measures. FS said that the

Government appreciated the public's concern about the ever-increasing downside risks and possible abrupt deterioration in the global economy. All along, the Government had been implementing macroeconomic measures to ensure financial and banking stability, including conducting stress tests on financial institutions by the Hong Kong Monetary Authority ("HKMA"), with a view to strengthening the resilience of the financial system. The increasing investment in the public works projects amounting to an average of over $70 billion annually in the next few years would also give impetus to economic growth. The Government would continue to gauge public views and suggestions on appropriate fiscal measures during the 2013-2014 Budget consultation.

24. Mr WONG Ting-kwong referred to FS's remarks that if the "fiscal cliff" in the US could not be averted, it might give rise to another wave of turbulences to the global economy and financial markets. He sought the Administration's view whether the US could avoid going off the "fiscal cliff". FS explained that a number of legislation to cut down taxes in the US would expire by end 2012 and the legislation to increase taxes and cut expenditure would automatically take effect as scheduled from January 2013. Unless the US Congress could agree on extending the current provisions involving tax reduction and postponing spending cuts, otherwise, there would be a sharp increase in tax revenue by US$450 billion and expenditure reduction by about US$50 billion, thereby reducing the deficit of the US by as much as US$490 billion for 2013. While the public debts of the US would be reduced from 73% to 59% in terms of the percentage of GDP, the abrupt expenditure cuts and tax increase would also lead to contraction of the US economy by 0.5% and escalation of its unemployment rate to 9%. The magnitude of impact would be felt in the Hong Kong economy too given the US was a major market of Hong Kong exports. Nonetheless, as assessed by the US Congressional Budget Office ("CBO"), it was likely that the Congress would ultimately come to an agreement on extending tax cuts to mitigate the "fiscal cliff" and avoid an economic recession in US. Nonetheless, this would be achieved at the expense of pushing the public debts of US further up to 90% of its GDP by 2022.

(The Chairman directed a three-minute break and the meeting was resumed at 11:00 am.)

IV 2013-2014 Budget consultation

(LC Paper No. CB(1)207/12-13(04) — Information pack for the Financial Secretary's consultations on the 2013-2014 Budget)

Briefing by the Administration

25. FS said that despite the modest growth of the Hong Kong economy in the third quarter of 2012, the global economic conditions remained uncertain. As an outward-oriented economy, Hong Kong could not be dispensed from the influence of a volatile external environment. When drawing up the 2013-2014 Budget, he would make available resources for the policy initiatives announced in the Chief Executive's Policy Address, as well as giving due regard to enhancing the competitiveness of Hong Kong with a view to sustaining economic growth. At the same time, the Government would continue to adhere to the principles of managing public finances prudently and committing resources as and when needed for the improvement of the well-being of the community. FS added that in the light of the deferral of the announcement of the Policy Address to mid-January 2013, the Policy Address and Budget consultations were conducted concurrently in order to improve the coordination and interaction between policy formulation and budgetary planning. The Government would carefully consider the views from LegCo Members and the public.

(*Post-meeting note*: The press release containing the speaking note of FS (Chinese version only) was issued to members vide LC Paper No. CB(1)267/12-13 on 5 December 2012.)

26. With the aid of a powerpoint presentation, the Permanent Secretary for Financial Services and the Treasury (Treasury) ("PS(Tsy)") briefed members on the economic situation and estimated government expenditures and revenue for 2012-2013, highlighting the changes in major areas since 1997-1998, and the situation on fiscal reserves.

Discussion

Revenue forecast

27. Mr Ronny TONG remarked that the Administration had frequently over-estimated the deficit or under-estimated the surplus in the past when preparing the Estimates. Sharing a similar view, Dr LAM Tai-fai stressed the importance of making accurate estimations on revenue and deficit/surplus to facilitate appropriate and effective deployment of public resources. He sought the Administration's views on whether it could come up with more precise estimations in the 2013-2014 Budget and avoid the great discrepancies in the deficit/surplus positions as in previous budgets. The Chairman asked whether the Administration had engaged consultants to identify areas for improvement in the preparation of the Estimates to arrive at more accurate forecasts.

Mr LEE Cheuk-yan considered that the Government should review the appropriateness of using the Medium Range Forecast ("MRF") as the basis for making estimates and queried whether this tool had reflected the real economic situations of Hong Kong. Mr Dennis KWOK pointed out the practice of some overseas jurisdictions to predict the fiscal situation in the medium to long term covering the next 10 to 30 years based on detailed analyses and setting out the optimistic and pessimistic scenarios. An example was the Bowles-Simpson Report of the US National Commission on Fiscal Responsibility and Reform and the budgetary analyses undertaken by the CBO of the US. Mr KWOK suggested that the Administration should conduct more comprehensive analysis for devising long-term fiscal policies, in particular, to make early planning for the increasing welfare- or health-related recurrent expenditures arising from an ageing population.

28. FS responded that "forecasting" could never be an absolute science and many changes that occurred during a financial year were very often neither controllable nor predictable. Taking into account the changing economic circumstances and susceptibility of the outward-oriented economy of Hong Kong, there would be deviations between the forecast fiscal surplus and the actual outturn. In particular, the key revenue items including land premium and stamp duties were susceptible to economic fluctuations, making it difficult to forecast revenue accurately when the external environment was uncertain and volatile. Nevertheless, the Government would draw on past experience and make assessments in the light of the prevailing social, economic and other relevant factors, with a view to making more accurate fiscal forecasts. FS emphasized that, as in past years, allocation of public resources was essentially based on the principle of "policy leads and financial resources follow". Apart from making available resources for implementation of the various initiatives in the Policy Address, the Budget would include measures to meet the needs of the society as and when necessary. In response to the suggestion of making a fiscal forecast for a longer term, FS said that it was doubtful whether a forecast of the fiscal situation in some 10 to 30 years ahead would be realistic given the ever-changing economic circumstances. The Administration would continue adopting MRF to project the fiscal situation for a medium term of about four to five years.

29. On the Chairman's question about the cash-based and accrual-based accounting methods, PS(Tsy) explained that cash-based accounting would facilitate better management and control of expenditures. It was the existing practice to also provide supplementary information to the MRF on the Government's contingent or unfunded liabilities on accrual basis for analysis of each year's Estimates.

Taxes and duties

30. Referring to slide 12 of the powerpoint material, Mr Ronny TONG noted that the estimated capital revenue from land premium in 2012-2013 had dropped by 4% and stamp duties revenue had increased by 27.2% as compared with 1997-1998. However, if the comparison was drawn against 2007-2008, the estimated revenue from stamp duties in 2012-2013 was visibly reduced while the land premium income remained stable. With implementation of the enhanced SSD and the new BSD, Mr TONG enquired about the implications of these measures on the revenue from stamp duties and land premium. FS said that the new BSD and the enhanced SSD were measures to combat speculative activities in the residential property market, and it was expected that the proposed measures would not have any major impact on public revenue. On the other hand, it was anticipated that the revenue from land premium would rise following the sale of additional sites from the Application List in the current year.

31. Mr CHAN Kin-por sought information on the changes in the revenue from profits tax and salaries tax since 1997. PS(Tsy) said that for the years of assessment 2002-2003, 2007-2008 and 2010-2011, the number of taxpayers of salaries tax amounted to 1.2 million, 1.4 million and 1.5 million respectively, corresponding to 36%, 41% and 44% of the prevailing working population. As for profits tax in the above years of assessment, the number of tax-paying corporations were 55 000, 80 000 and 91 000, or 14%, 14% and 12% of the prevailing registered corporations respectively.

32. Mr SIN Chung-kai noted from slide 14 of the powerpoint material that as many as nearly 700 000 or 88% of the registered corporations in Hong Kong did not have to pay corporate profits tax. He queried if these corporations were in fact shell companies without active operation which had been set up for engaging in speculative activities or for circumventing taxes. Mr SIN considered that the Administration should conduct random sampling checks of the non-tax-paying registered corporations, with a view to preventing tax avoidance and safeguarding revenue from profits tax. Mr CHAN Kam-lam held a different view. He opined that it was possible that the situation where the majority of the registered corporations did not have to pay profits tax was the result of the difficult operating environment so that their profits had not reached the payment threshold. Mr CHAN considered that the Government should provide relief measures to support SMEs, in particular in view of the heavy burden of high shop/office rentals on their operating costs. The Chairman shared a similar view. Mr James TIEN said that although only 91 000 or 12% of the registered corporations paid profits tax, taking into account the structure of present-day corporations and the relationship between

a corporation and its subsidiaries, the number of tax-paying corporations might in fact exceed 12%.

33. FS said that, while it could not be ruled out that some of the non-tax-paying corporations might be shell companies, he observed that many of the registered corporations were SMEs, the net assessable profits of which, after tax deductions, did not reach the threshold to attract any profits tax. As regards the support for SMEs, FS pointed out that financing was the greatest difficulty faced by SMEs, partly due to the credit crunch arising from fluctuations in the global economy. He highlighted that a number of relief measures were implemented under the 2012-2013 Budget to help SMEs tide over the difficult times. For instance, a total guarantee commitment of $100 billion was provided under the SME Financing Guarantee Scheme to offer financing guarantee services for SMEs, including new product with a higher loan guarantee ratio. The Scheme had attracted some 4 000 applications and around $20 billion of loans had been approved so far. In view that exporters might face a shrinking overseas market as well as increasing risks of default in payment by buyers, the HKECIC had introduced various premium discounts and special concessions for SMEs. Other measures include waiving of the business registration fees for 2012-2013 to benefit all business operators, reduction of profits tax for 2011-2012 and abolition of capital duty levied on local companies.

34. Dr LAM Tai-fai urged the Government to consider reducing the corporate profits tax to help corporations, SMEs in particular, to sustain their business amidst a weakening of demand from overseas markets and uncertainties in the external environment. He said that this would follow the same principle of allowing the public transport and utilities companies to adjust their fares/charges upward or downward according to the prevailing economic situation. Mr Kenneth LEUNG proposed that the Government should consider introducing a progressive profits tax with a new tax band for SMEs, whereby the profits tax on SMEs should be reduced to 10% together with a lower threshold of assessable profits, instead of applying the current standard rate of 16.5% across-the-board for all registered corporations. While some SMEs not paying profits tax before might be caught in the tax net under this proposal, he believed that a reduced profits tax rate for SMEs could render support to the SME sector as a whole. FS said that currently while 12% of the 776 000 registered corporations paid profits tax, only about 1 400 of them had contributed to as much as 69% of the profits tax revenue. As most of the registered corporations in Hong Kong were SMEs which did not have to pay any corporate profits tax, adjusting the corporate profits tax downward might not benefit the SMEs at large. Nevertheless, the Administration would take into account members' views when preparing the Budget.

35. Mr WONG Ting-kwong concurred with the principle to raise revenue and cut expenditure in order to maintain prudent management of public finances. However, given the relatively small tax revenue under the simple and low tax regime and narrow tax net of Hong Kong, he was concerned about the impact on revenue arising from the abolition or exemption of certain taxes/duties in recent years. For instance, the Estate Duty was abolished from February 2006 onwards and duties on wine, beer and other non-spirit alcoholic beverages were exempted since February 2008. Mr WONG sought information on the impact of the abolition/exemption of the said duties on Government's revenue, and the economic and other benefits, if any, directly or indirectly brought to Hong Kong since implementation of the measures. FS said that while the abolition of the Estate Duty had removed a source of government revenue, the measure had helped promote the development of asset management services and create more jobs. Professional services relating to financial and asset management had also benefited as a result. Similar indirect economic benefits were brought to the wine trading and distribution business following the exemption of duties on wine, beer and other non-spirit alcoholic beverages. The Administration undertook to provide further information in this regard at the request of Mr WONG.

(*Post-meeting note*: the Administration's response was circulated to members vide LC Paper No. CB(1)421/12-13(02) on 15 January 2013.)

36. The Chairman highlighted the recent initiative of the Community Care Fund to provide one-off subsidy for low-income persons who were inadequately housed to relieve their financial pressure, and suggested that rental expenses should also be tax-deductible in order to alleviate the burden on low-income individuals/families living in rented accommodation similar to tax deductions currently provided for home loan interest expenses. FS said that the Administration would consider the member's views.

Fiscal reserves

37. Noting that the commitments for outstanding capital works ($368.5 billion), unfunded pension liabilities ($533.8 billion) and guarantees given ($94.9 billion) amounted to nearly $1,000 billion in total as at 31 March 2012, and far exceeded the balance of $669 billion of fiscal reserves in the same period, Mr CHAN Kin-por expressed concern whether this might adversely affect the cash flow of the Government. Mr CHAN also enquired about the reasons for the substantial increase of liabilities for public officers' pensions at present value, i.e. from $470 billion as at 31 March 2010 to $533.8 billion as at 31 March 2011. Mr Kenneth LEUNG sought information on the assumptions behind the calculation of the unfunded pension liabilities. He also enquired how the reserves in the Civil Service Pension Reserve Fund

("CSPRF") could be deployed and whether the balance of some $24 billion in CSPRF as at 31 March 2012 was recorded on a cash-based accounting. Mr James TIEN queried why the public officer's pension obligations should be placed under the liabilities of the Government which he considered a rare practice in other jurisdictions. Mr SIN Chung-kai remarked that as the pension fund would be dispersed to eligible civil servants only in batches over a long time-span according to their years of retirement, this should not impact much on the Government's cash flow.

38. PS(Tsy) said that about 120 000 public officers were entitled to pension benefits, on top of the some 100 000 retired civil servants currently receiving monthly pension payments. Given that the public officer's pension scheme was a closed system, the number of pensionable public officers would not increase in the years ahead. Nevertheless, the long-term coverage for public pensions was re-assessed regularly by actuaries, based on a number of underlying factors and assumptions (e.g. inflation, length of pensionable service, pensionable emoluments and the specified pension factors for computation of pension benefits) for calculation of the present value of the future pension sum to be set aside. This had explained the increase in the unfunded pension liabilities. She stressed that the present value of pension liabilities of $533.8 billion would not require a one-off payment in a single fiscal year. For instance, the 2012-2013 pension expenditure was estimated at $23.1 billion, which would rise to some $50 billion by 2033, to be expended from the General Revenue Account ("GRA"). She added that only when there was a shortfall in GRA to meet the pension expenses would the reserves in CSPRF be utilized, and the current balance of CSPRF would be able to meet contingent payment of the pension expenditure in a fiscal year. FS supplemented that the anticipated amount of pension payments was presented as liabilities under the on accrual-based accounting for reference.

39. Mr James TIEN commented that the information on the total amount of commitments and liabilities at about $1,000 billion that exceeded the fiscal reserves conveyed the impression of a rather tight financial position of the Government. Nonetheless, he observed that it was not the case taking into account the high investment income of the Exchange Fund ("EF"), including the investment return from the fiscal reserves placed with EF, and the settlement of the total unfunded pension liabilities would stretch over a number of years. He took the view that the Government should review the arrangement with HKMA, with a view to deploying the total investment return from the fiscal reserves placed with EF for implementation of welfare measures to help the disadvantaged groups. FS said that the Administration would adhere to the principles of managing public finances prudently and committing resources as and when necessary.

Recurrent expenditures

40. Mr LEE Cheuk-yan urged the Government to increase resources on education, health and social welfare, and to make use of the Budget to re-distribute social wealth, narrow wealth disparity and relieve the hardship of low-income people. He expressed dissatisfaction that, in spite of his repeated calls over the years, the Government was unwilling to tackle the problems by increasing the recurrent expenditures, and instead only resort to "handing out candies" strategies by implementing one-off measures. He opined that the Government was increasingly conservative and excessively prudent but insufficiently progressive, as reflected by the perpetuation of an actual outturn of revenue that exceeded the recurrent expenditures year after year. Mr LEE pointed out that while the Government planned to introduce the Old Age Living Allowance at a cost of about $6.2 billion in 2012-2013, it could only be achieved at the expense of other welfare measures if the Administration did not substantially increase the overall recurrent expenditures. He said that Members belonging to the Labour Party strongly requested the Government to commit an additional provision of at least $20 billion for the recurrent expenditures, on top of the surplus estimated by MRF, so as to make available additional resources for education, health and social welfare initiatives. To take this forward, the Government might consider introducing new taxes, such as dividends tax, to increase public revenue.

41. FS said that the recurrent expenditures on education, health and social welfare altogether had already accounted for nearly 60% of the total recurrent expenditure for 2012-2013. Further increase in these expenditures might involve raising the rates of various taxes or introducing new taxes that might alter the simple and low tax regime of Hong Kong. The suggestion should require cautious and careful consideration having regard to government revenue, public concern and a balance of the relevant factors. Noting FS' response, Mr LEE queried that the Government was just paying lip service to its mission of helping the poor if it would not substantially increase the total recurrent expenditure. The Chairman asked the Administration to consider Mr Lee's views when preparing the Budget.

42. Mr James TIEN said that Members belonging to the Liberal Party advocated that recipients of the Comprehensive Social Security Assistance ("CSSA") who had the capacity to work but who were unemployed (with the exception of single parents and elderly persons), should only be allowed to receive CSSA payments on a fixed two-year term, after which they had to secure employment. They should be required to apply for CSSA again if their financial circumstances warranted. This would help prevent abuse of the CSSA Scheme and able-bodied CSSA recipients from receiving CSSA for an

unduly long and indefinite period. FS said that he would relay the member's view and suggestion to the Labour and Welfare Bureau.

Arrangement for budget consultation

43. Mr Ronny TONG commented that the current arrangement of combining consultations of the Policy Address and 2013-2014 Budget in one-go instead of separating the two consultation exercises as in previous years was undesirable. He pointed out that the two exercises had different focuses and the arrangement had in fact reduced the time available for LegCo Members to express views on the Budget. With the Chief Executive and his team of government officials taken up office only in mid 2012, Mr TONG considered that the new Government should conduct a further round of consultation with LegCo Members solely on the Budget. FS said that the Policy Address and Budget would be announced in mid-January 2013 and late February 2013 respectively. He considered that adequate time was allowed under the current arrangement for LegCo Members to give views. The Administration would also welcome written submissions from Members conveying views on the Budget.

V Proposed legislation on trust law reform

(LC Paper No. CB(1)207/12-13(05) — Administration's paper on proposed legislation on trust law reform

LC Paper No. CB(1)207/12-13(06) — Background brief on the proposed legislation on trust law reform prepared by the Legislative Council Secretariat)

44. The Chairman said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") supported the proposed legislation on trust law reform and urged the Administration to take forward the proposals as soon as possible.

(As the Chairman had to attend another meeting, Mr CHAN Kin-por, the Deputy Chairman, took over the chair.)

Briefing by the Administration

45. The Deputy Secretary for Financial Services and the Treasury (Financial Services)3 ("DS(FS)3") said that the proposed legislation aimed to modernize and clarify the trust law to facilitate more effective operation of present-day trusts. The trust law reform would help raise the competitiveness of the local trust industry, attract more settlors to set up trusts in Hong Kong, and bolster Hong Kong's status as an international asset management centre. Based on the feedback in the 2009 consultation exercise, the Administration had prepared detailed legislative proposals to amend Trustee Ordinance (Cap. 29) ("TO") and the Perpetuities and Accumulations Ordinance (Cap. 257); and on 22 March 2012, launched a two-month public consultation on the legislative proposals. The Legislative Council Panel on Financial Affairs was also briefed on the consultation in April 2012. Respondents to the consultation generally supported the reform proposals, and the Administration had considered the comments received during the consultation and refined the detailed legislative proposals as appropriate. DS(FS)3 then briefed members on the latest legislative proposals, i.e. the Trust Law (Amendment) Bill 2013 ("Amendment Bill"), by highlighting the salient points in the paper (LC Paper No. CB(1)207/12-13(05)). In relation to the new proposed default powers conferred on trustees, he said that same as many other provisions in TO, the proposed ' powers in the Amendment Bill were default powers which would not apply when a contrary intention was expressed in the trust instrument. In parallel to the proposal for giving new default powers to trustees, he said that a new default statutory duty of care for trustees and other checks and balances would be introduced to ensure that trustees would exercise their new powers properly. The Administration would finalize the Amendment Bill with a view to introducing the Bill into LegCo in the first half of 2013.

Discussion

Trustee's exemption clauses

46. Mr Dennis KWOK said that Members belonging to the Civic Party agreed that the Administration should take forward the trust law reform as soon as practicable as the standard of provisions in the existing trust law regime had lagged behind that of other comparable common law jurisdictions. However, Mr KWOK said that the Hong Kong Bar Association ("HKBA") had reservations about the threshold of the current proposal to control trustee's exemption clauses as it sought to prohibit trustees from excluding liability for "fraud, wilful misconduct or gross negligence" only. The current proposal might amount to a relaxation of the standard currently adopted by the industry and would reduce protection for the rights and interests of investors, especially

the small investors. He requested the Administration to take into account HKBA's views when finalizing the Amendment Bill.

47. DS(FS)3 said that the proposal would not relax the existing control imposed on trustee's exemption clauses, because under the common law, trustee's exemption clauses can validly exempt trustees from liability for all breaches of trust except fraud. The current proposal to prohibit trustees from excluding liability for "wilful misconduct" or "gross negligence" in addition to "fraud" would in fact expand the scope of and tighten the control on exemption clauses. The Administration had carefully considered all the comments received during the public consultation in 2012, including those from HKBA, The Law Society of Hong Kong ("LSHK") and the trust industry. The majority of views received supported the imposition of statutory control on trustee's exemption clauses as currently proposed, and on this basis, the Administration would proceed with the current proposal.

Regulation of trustees acting in a professional capacity

48. Mr SIN Chung-kai noted the proposal in the Amendment Bill to provide trustees acting in a professional capacity with remuneration out of the trust funds for services provided. There were also proposals under the Amendment Bill to clarify a trustee's default powers, such as the power of delegation and appointment of agents, nominees and custodians. While these legislative pursuits would provide a more robust legal framework and impetus for the development of trusts as a professional service in Hong Kong, he considered it equally important to strengthen the regulation over trustees acting in a professional capacity. Mr SIN enquired about the regulatory regime currently in place and new measures to be implemented to strengthen regulation of trustees acting in a professional capacity, including the availability of a licensing regime for undertaking trustee services and specification of their fiduciary duties. He also sought the comparison with the regulatory practices in other common law jurisdictions.

49. DS(FS)3 said that the Amendment Bill served to elucidate the default powers of trustees, which were often provided for in the instruments for present-day trusts. On the regulatory front, there was regulation for certain trusts which had more interface with the general public. For example, unit trusts were currently subject to authorization by the Securities and Futures Commission in accordance with the Code on Unit Trusts and Mutual Funds. As regards the regulatory approach in other common law jurisdictions, there was no uniform international practice. For instance, the United Kingdom ("UK") and New Zealand did not operate any licensing system to regulate trust companies although Australia did so. The Administration had no plan to introduce a new statutory regulatory framework for trustees acting in a

professional capacity. The Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)6 ("PAS(FS)6") added that a default provision on statutory duty of care for trustees exercising certain prescribed functions would be introduced under the Amendment Bill, whereby a trustee must exercise such care and skill as was reasonable in the circumstances, having regard to any special knowledge or experience that the trustee had or held himself out as having. In other words, the duty of care expected of a trustee acting in a professional capacity would be higher vis-à-vis other trustees.

Beneficiaries' rights to information and remove trustees

50. Mr Ronny TONG said that the absence of basic rules on disclosure of trust-related information to beneficiaries in Hong Kong had all along been a cause for concern and subject of criticism over the years. As he observed, a number of litigations in the past had revealed the limited scope of information provided by the trustees to beneficiaries due to various grounds or pretexts put forth by trustees. Indeed, the relevant courts had also ruled such instances to be unreasonable and unfair. Mr TONG expressed disappointment that in spite of such apparent concerns and members' request raised at past meetings, the Administration was still reluctant to take the opportunity of the present trust law reform to introduce legal provisions on beneficiaries' right to information, but only kept the matter under review. He considered the prolonged inaction of the Administration on the matter contrary to its objective to enhance beneficiaries' rights, such as the right to remove trustee. Given the limited trust-related information available to beneficiaries, he queried how the beneficiaries could exercise a proper and informed judgment in the removal of the trustees. Mr TONG said that if the Administration did not reconsider its position in the beneficiaries' right to information under the Amendment Bill, Members belonging to the Civic Party might reconsider its current stance on the proposed legislation.

51. DS(FS)3 advised that under the common law, a trustee had a duty, without demand, to inform a beneficiary who had attained majority and become entitled in possession under the settlement about the existence of the settlement and the beneficiary's interest under it. In major common law jurisdictions like the UK, there was no statute stipulating the beneficiary's right to information. In a previous court case, the Privy Council said that the beneficiary's right was best approached as one aspect of the court's inherent jurisdiction. The court had to balance the competing interests of beneficiaries, the trustees and third parties, and disclosure might have to be limited and safeguards might have to be in place. As the common law in this area was evolving and far from settled, the Administration considered it more appropriate to monitor the development of the common law and overseas

practices in this area and keep under review the need and appropriateness of introducing any pertinent statutory requirement before a consensus was reached in the community. In response to the further enquiry of Mr Ronny TONG, DS(FS)3 said that under the Amendment Bill, the consent of all the beneficiaries of full age and legal capacity would be required for exercising the power to remove trustees by a court-free process.

Non-charitable purpose trusts

52. Mr Ronny TONG said that during the Administration's previous consultation with the Panel, he had pointed out the merits of enabling non-charitable purpose trusts by statutes in Hong Kong as such trusts had its functions in society, for example, supporting the development of a political party. He considered that non-charitable purpose trusts could operate under similar principles and statutory framework for charitable trusts. Mr TONG asked why the Administration needed further time to study the subject matter and still hesitated to include a relevant proposal in the Amendment Bill.

53. DS(FS)3 responded that under the common law, trusts formed for non-charitable purposes were generally held to be void. Other major common law jurisdictions (e.g. the UK) had yet to take forward any legislation to enable the creation of this kind of trusts. The Administration considered it prudent to adopt a cautious approach in the matter, as there were concerns that such trusts could be subject to abuse, e.g. to conceal assets from crime prevention and taxation authorities which could put Hong Kong's status as an international financial centre at risk. Any proposals relating to non-charitable purpose trusts should better be dealt with separately in future in order not to delay introduction of the Amendment Bill.

Requirements of setting up a trust company

54. Mr WONG Ting-kwong said that Members belonging to DAB supported the Amendment Bill for bringing the trust law regime in line with the development in other comparable common law jurisdictions and attracting more investment to Hong Kong. He enquired about the statutory requirements for a company to be registered as a trust company. PAS(FS)6 said that as stipulated in TO, a company which made an application to the Registrar of Companies to be registered as a trust company was required, amongst other conditions, to have an issued share capital of $3 million and deposit with the Director of Accounting Services specified investments to the value of not less than $1.5 million, which would be held as security for the creditors of the company. In response to the further enquiry of Mr WONG, DS(FS)3 said that the total value of trust assets administered in Hong Kong amounted to approximately $2,600 billion as at the end of 2011.

Modernization of the trust law

55. The Deputy Chairman noted that other than revision in the range of authorized investments in Schedule 2 to TO, the current trust law reform exercise represented the only major review of TO since its enactment in 1934. He considered that the Administration should take the opportunity to modernize the trust law not just to keep up with the latest international developments, but to meet the foreseeable needs of the trust industry in the coming decade, in particular amidst competition from the regional counterparts such as Singapore. He stressed the need to adopt a forward-looking approach in the development of financial services including the trust services in order to enhance Hong Kong's competitiveness as an international financial centre. He requested the Administration to gauge the views of the trust industry and asked whether all suggestions from Joint Committee on Trust Law Reform ("JCTLR") had been adopted in the Amendment Bill.

56. DS(FS)3 concurred that it was imperative to keep abreast of the latest international developments in reinforcing Hong Kong's position as an international financial centre with high quality financial services. All along, the Administration had maintained close communication and collaborated with the trust industry to understand market needs and practices, including updated developments in the regional competitors. He pointed out that the proposals put forth in the Amendment Bill had incorporated many suggestions put forth by JCTLR and trust service providers during the 2009 and 2012 consultations. Some other suggestions, which required more detailed study, were not included in the Bill. For instance, the Administration would keep in view the idea of allowing non-charitable purpose trusts in Hong Kong, having regard to overseas experience in tackling possible loophole, such as tax avoidance. Regarding the proposal from the trust industry to expand the scope of authorized investments stipulated in the Second Schedule to TO, the Administration had taken on board some of the suggestions, i.e. to lower the market capitalization and dividend requirements for shares, but not the trust industry's suggestion to expand the scope of authorized investments to cover newly listed shares for the sake of prudence.

57. The Deputy Chairman concluded by requesting the Administration to keep the trust law under continuous review in light of market development and incorporate suggestions from the trust industry in the Amendment Bill, where appropriate and practicable, before introducing the Amendment Bill into LegCo.

VI Any other business

58. There being no other business, the meeting ended at 12:39 pm.

Council Business Division 1
Legislative Council Secretariat
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