

**Policy Address for the Fiscal Year 2012 of the Macao
Special Administrative Region (MSAR) of the
People's Republic of China**

Contents

Preface

I. Review of the MSAR Government's Work in 2011

II. Major Policies of the MSAR Government in 2012

**—— Promoting Adequate Diversification of the
Economy and Raising Overall Standard of Living**

- 1. Sharing the Fruits of Development to Foster Social Harmony**
- 2. Strengthening Unique Advantages to Implement
Development Blueprint**
- 3. Implementing Scientific Governance to Steer Political
Development**

III. Conclusion

Preface

President, members of the Legislative Assembly,

In accordance with the Basic Law of Macao, and on behalf of the Macao SAR Government, I now present the Policy Address for the Fiscal Year 2012 to the Legislative Assembly for debate and examination.

Looking back at the present Government's work over the last two years, we have been steadfast in fully implementing the fundamental principles of "One country, two systems", "Macao people governing Macao" and a high degree of autonomy. Building on the strong foundation we have laid during the years since reunification, we are pragmatically driving more dynamic and comprehensive development of Macao. With the full support of the central government and the concerted efforts of Macao people and the MSAR Government, Macao has successfully maintained steady economic growth, built a sound fiscal and financial foundation, defined a clear position for developing into a world tourism and leisure centre, taken action to maintain the balance between economic growth and wealth sharing, deepened regional interaction and cooperation, broadened the horizons of economic development, re-engineered economic structure, implemented scientific public administration, and upheld the rule of law to ensure harmony and stability in society. Facing both challenges and opportunities, we shall have the mettle to strive for the future today, and maintain strong progress to reach new milestones.

Looking ahead, the Government will continue tracking public needs. We shall uphold the "Putting people first" policy-making principle to continuously improve every policy and measure, actively optimise our economic model and comprehensively raise our standard of living. We attach high importance to coordinating development of humans and nature, and of residents' present and long-term interests. We will maximise the effect of regional cooperation by seeking multi-level integrated supplementary programmes and multi-faceted support to achieve sustainability of the Macao SAR's economy and society, and establish a more solid foundation. We will continue implementing scientific governance and enhancing administrative integrity, and building the legal system to improve the standards of governance. We will

extensively facilitate civic education, focusing particularly on creating a quality society for cultured life, and jointly develop Macao into a favourable city for living and working.

I. Review of the MSAR Government's Work in 2011

President, members of the Legislative Assembly,

I now report to the Legislative Assembly regarding the Government's work in 2011.

Over the past year, the Government put forward the administrative goal, "Adopting a Scientific Approach to Public Administration; Drawing a Blueprint for Future Development", with focuses on improvements in urban life, promotion of social development, implementation of sunshine government and reinforcement of the administrative and legal system, to gradually deliver the policy address pledges, according to actual public needs and long-term social benefits.

To improve people's livelihoods and social welfare, we shall have strong determination, sound financial foundation and vision for long-term development. Though the external economic environment is complex and ever-changing, our overall economy maintains steady growth. In the first half of the year, the Gross Domestic Product increased by 22.9 percent in real terms year-on-year. It is expected that our economy will maintain double-digit growth this year. The unemployment rate over the past year remained low, and was 2.6 percent for the third quarter of the year.

However, owing to strong domestic demand, imported factors and expectation of inflation, Macao's cumulative annual inflation rate was 5.11 percent for the third quarter ending in September 2011. Facing sustained inflationary pressure, the Government has passed certain by-laws to proactively launch a series of measures, with expenditure totalling over 10 billion patacas, for improving people's livelihoods and assistance to disadvantaged groups. Building on the foundation of integrating current social welfare policy, the measures will help more needy residents in our social security system and show the Government's care for different classes of people in society. Financially strong enterprises are also encouraged to increase employees' salaries, to ease the impact of inflation on residents' daily lives.

By amending two laws – the Urban Estate Tax Regulations and the Stamp Duty Regulations – and passing the by-law, Cancellation of the Charge for the Usage of Vessel Boarding and Disembarking Facilities, the

Government further expanded the scope of tax reduction and exemption.

Regarding housing policy, the construction of 19,000 public housing units has commenced. The Government will strive to reach the target by the end of 2012. As a result of the measures to deter short-term transactions of residential units – including the Special Duty on Transfer of Immovable Property for Residential Purpose, lower loan-to-value ratio for all off-plan residential properties and the new guidelines for off-plan residential property transactions – the number of real estate transactions in the third quarter of 2011 decreased by 76.4 percent from the second quarter.

The Law on Home-Ownership Scheme housing is in force, and has relaxed the requirements for the income floor and ceiling of applicants for Home-Ownership Scheme Housing, to allow 80 percent of Macao households to meet the conditions for income limits under the scheme. It also stipulates clear regulations and guidelines for the distribution system, pricing, queuing for pre-sale, ownership transfer, transition arrangement of existing waiting list for Home-Ownership Scheme housing units.

By amending the relevant schedules and annexes of the by-law on the Method of Calculating Land Premiums, the Government has modified the method for calculating government premiums, so they closely follow actual market conditions.

Education is the foundation for the development of people. The Government always attaches very high importance to education, and continuously increases resources to guarantee our educational quality. We will strive to facilitate the Framework for Private School Teaching Staff legislation, to foster a team of quality and stable teaching staff under a more clearly defined legal system. The Government also launched the Continuing Education Programme, with three-year subsidies to provide residents with more opportunities for education.

Following the rapid development of the economy and society, the Government proposed the “Public transport first” policy. For instance, we launch a new bus service this year, which is a new step towards enhancing the public transport system and service

To specifically respond to long-standing public demand, the Government has launched the sewer redevelopment project in urban

districts, to improve drainage capabilities and relieve flooding in affected areas. In future, we will continue good interactions and communications with residents, to meet the needs of the whole society for sustainability.

In regards to the reconstruction projects for the Sichuan earthquake, the Government has allocated the agreed funds for last year. The cumulative total of Macao's contribution is 5.5 billion patacas. At present, 105 aid and construction projects are ongoing, and set for completion on schedule. It is expected that the targets for project completion can be essentially met by the end of the year. The remaining projects will be completed next year.

In the first year of the 12th Five-Year Plan, the Government has already accelerated the pace of adequate economic diversification. This includes the implementation of the Outline Plan for the Reform and Development of the Pearl River Delta and the Hengqin Island Overall Development Plan. The Guangdong and Macao governments also jointly formulated and signed the Framework Agreement on Cooperation Between Guangdong and Macao, to promote cooperation concerning the economy, society and people's livelihoods, strengthen major infrastructure connections and set up a taskforce for follow-up work. The preparatory work for construction of the Guangdong-Macao Chinese Medicine Industrial Park has also commenced.

This policy year, the Government has for the first time announced the plan for legislation. The Government will enhance communications between the administrative authorities and the Legislative Assembly, and focus on the quality of legislative work.

To reinforce the legal foundation of the accountability system for officials, the Government will roll out relevant laws, regulations and by-laws. We have established the Committee on Ethics in Public Administration, and released the restrictions on the chief executive and principal officials engaging in private business after leaving office.

In reviewing our work over the past year, the Government strictly abides by and enforces the Basic Law and the current laws, and sets good examples for observing the related international conventions and laws applicable to the Macao SAR. Working in an active and orderly manner, the governance team has begun various tasks, and generally met the expected goals. However, we are clear that there is still room for

improvements in the process of administration. We will strongly uphold our beliefs, pay attention to social concerns, strengthen the scientific fundamentals of administration, and achieve good performances in every task for building a harmonious and healthy society.

II. Major Policies of the MSAR Government in 2012 ——

Promoting Adequate Diversification of the Economy and

Raising the Overall Standard of Living

President, members of the Legislative Assembly,

The following is an overview of the policy plan for the MSAR Government in 2012:

Expediting adequate economic diversification and perfecting the social welfare system for people's livelihoods are the highest priorities in the Government's policy plan. We will implement and further improve an array of policies that safeguard residents' employment, housing, education, medical and healthcare services, and retirement, in order to raise people's overall standard of living. The Government will adopt a scientific approach to facilitating development, and pragmatically promote the coordinated progress of society and the economy. We believe if we steadfastly adhere to people-oriented governance and, together with all Macao residents, pursue a common goal and purpose, we can achieve the objectives of long-lasting prosperity, stability and sustainable development for Macao.

1. Sharing the Fruits of Developments to Foster Social

Harmony

We will conduct a comprehensive study and integrated analysis of the data collected from the large-scale decennial population census. Through studying population policy, the Government will employ more scientific and objective methods to improve every policy and initiative for enhancing people's livelihoods; these will involve a combination of coordinated short-term, mid-term and long-term policies and initiatives.

The Government will strive to strike a balance between self-empowerment and sharing the fruits of growth, and between the immediate and long-term interests of society.

A. Fully Committed to Helping People in Need and Improving People's Livelihoods

Taking into account the local economic situation and the actual status of public finance, the Government will continue providing various financial subsidies, wealth sharing and tax exemption initiatives to improve people's livelihoods.

“Providing support and safeguarding decent living for the elderly” is one of the Government's objectives. We note that seniors represented 8 percent of Macao's total population in 2010, and anticipate that the proportion of elderly residents will increase to 12 percent in 2021, and 19 percent in 2031. To ensure that families and society provide adequate support to the elderly, we will promote the public consultation on the Framework Law on the Rights of the Elderly. “Respect for the elderly” is the great tradition of Chinese culture. We propose to raise the Old-age Allowance to 6,000 patacas for each eligible senior citizen. In addition, the Government has conducted a comprehensive study of medical and healthcare services, housing needs, and retirement protection for the elderly. We will gradually build a systematic retirement protection scheme, to cope with the ageing trend in society.

The Government is very concerned with the impacts of inflation on the living conditions of underprivileged groups. We will implement a range of measures to counter inflation. In particular, we will further explore more suppliers and increase pricing transparency.

After the Government conducted research on the minimum subsistence index, we propose to again raise the minimum subsistence index to 3,200 patacas, which will give the underprivileged better living protection; the income ceiling for the Short-term Food Assistance Programme can be raised to 1.7 times the minimum subsistence index. By so doing, we will ensure that low-income earners who are ineligible for the financial subsidy scheme under the Social Welfare Bureau can also benefit from the expansion of the financial support net.

The Government will further step up the existing assistance measures to underprivileged families and disadvantaged communities. These include provision of financial assistance to families with difficulties. We propose to disburse an extra one-month full subsidy to families receiving financial subsidies who are registered with the Social Welfare Bureau; provide special subsidies and special living allowances to three categories of disadvantaged families; provide rent waivers for public housing tenants for one year; and increase the temporary housing subsidies to eligible families on the waiting list for public housing. Each one to two-member family will receive a monthly housing subsidy of 1,250 patacas; each family of three or more members will receive a monthly subsidy of 1,900 patacas.

We will continue providing financial allowances to low-income, full-time employees. Local residents who are full-time employees and eligible for the scheme can apply for living allowances of up to 4,400 patacas per month.

The Government is actively facilitating employment by strengthening target-oriented, practical on-the-job or orientation training. We will continue the Positive Life Programme and the Community Employment Assistance Scheme.

According to existing laws and regulations, Macao permanent residents reaching 22 years old who meet the requirement of having resided in Macao continuously for at least 183 days during the year can automatically join the Central Provident Fund and receive a one-off injection of 10,000 patacas as start-up funds. Building on the foundation of further implementation of the two-tier social security system, and based on the fiscal status in 2011, the Government proposes a further injection of 6,000 patacas to each eligible Macao citizen's individual central savings account. Next year, each permanent resident will also receive 7,000 patacas, with each non-permanent resident receiving 4,200 patacas, under the Wealth Partaking Scheme.

We will also provide a study allowance of 2,000 patacas per academic year to each Macao citizen who is a registered student of a tertiary educational programme in a local or overseas institution, to ease their burden of expenditure for textbooks, reference works and stationery. This shows the Government's care for Macao residents who are studying

in tertiary educational programmes.

We will continue providing textbook allowances of 1,700 patacas per school year to each Macao secondary school student and primary school student, and 1,500 patacas per school year to each kindergarten pupil, to further ease the parents' burdens of expenditure for textbooks and exercise books. To encourage residents' participation in continuing education, we will continue the Continuing Education Programme for a period of three years, with a subsidy programme in which each local resident reaching 15 years old will receive a subsidy of up to 5,000 patacas.

The Government proposes to once again provide a 500-pataca health care voucher to each permanent resident; and provide the electricity fee subsidy of 180 patacas per month to each residential household.

It is estimated that the above-mentioned subsidies and wealth sharing will cost the Government 8.57 billion patacas.

In this new policy year, the Government will continue implementing the following tax cuts and waivers:

- 25 percent reduction in personal income tax for all Macao residents, with the basic allowance set at 144,000 patacas;
- Waivers of all business taxes, hawker licence fees, wet market stall rents, inspection and quarantine fees for live food, and stamp duties on life insurance, non life insurance and bank service charges;
- Waivers of signboard taxes for businesses;
- Exemption from tourism tax for restaurants;
- Waiver of the first 3,500 patacas of real estate tax;
- Extension of the increase in profit tax allowance from 32,000 patacas to 200,000 patacas;
- Waiver of stamp duties on entrance passes and tickets for cultural and arts performances, exhibitions and entertainment programmes;
- Waiver of the real estate stamp duty on the first three million patacas of a home's value, for Macao permanent residents purchasing residential properties for the first time.

It is estimated that the extension of these allowances and subsidies will cost the Government 1.47 billion patacas in tax revenues.

As the Social Security Fund now covers all Macao residents, the expenditure is increasing accordingly and building up great pressure on fiscal reserves. After taking account of the fund's actuary report, the Government will consider injecting capital to the Social Security Fund next year, to ensure its sound operation in future. In the meantime, the Government will launch a public consultation and study aimed at improving the social security system. The goals are to more clearly define the rights and responsibilities of each related party, to maintain sustainable operation of the fund.

The Government is highly concerned about Macao's food supplies. The live food wholesale market will be moved into the Macao zone in the Zhuhai-Macao Crossborder Industrial Zone. In addition to tighter control, we will expand the market and improve the business conditions; the number of stalls will be increased to 250 for wholesalers of vegetables, fruit, eggs and three kinds of poultry, thus introducing more competition.

The level of residents' health is a major component of people's quality of life. The Government proactively adopts the approach of "Prevention first for good medical services." We will continue allocating more resources to medical services, and implement the Plan for Perfecting the Medical and Healthcare System. We will continuously perfect and expand the network of medical services, improve medical services and enhance primary health care services. Furthermore, we will optimise preliminary checks under the triage system, to reduce the waiting time for specialist out-patient services.

The Government will step up medical services for the elderly and strengthen cooperation between the public authorities and private medical institutions, to improve community medical service networks. In line with the Prevention and Control of Smoking law coming into effect next year, we will strengthen no smoking promotions and law enforcement operations. Through cooperation with the World Health Organisation and other regional governments, we will enhance controls related to public hygiene.

Following the expansion of the public health care network, the Government will strengthen the functions of organisations for training

doctors, increase the student intake of the two nursing institutions, and improve the training quality of medical staff. The Traditional Medicine Training Centre, which is jointly established by the Macao SAR Government and the World Health Organisation in Macao, is expected to open next year, for raising the professional standard of Macao's traditional Chinese medicine.

To meet the needs of social development, the Government will increase child-care facilities and provide a wide range of child-care services; improve the overall effectiveness of the security system for disadvantaged groups and long-term care services – especially, the support to the handicapped, ex-mentally ill persons and their family members; actively cooperate with schools, parents and community groups to promote anti-drug education and strengthen community anti-drug programmes; encourage residents to participate in voluntary services and advocate the spirit of mutual care and support; and amend the related laws and regulations to prevent and combat domestic violence, particularly concerning protection of women and children.

The aims of sports development are to enhance residents' physical fitness and boost their health. Building on the foundation of three large-scale international sports events, Macao has fostered a number of sports talents and has built numerous modern sports facilities. The Government will fully capitalise on these valuable assets to optimise the current sports management mechanism and uphold the two-pronged strategy of competitive sports and sports for all. On the one hand, we will enhance the athletic training to foster elite athletes and raise the standards of competitive sports. On the other hand, we will facilitate the development of sports for all, encouraging the public to use various recreational facilities and cultivate the healthy lifestyle of lifelong fitness.

B. Homes for all in a contented society

In recent years, Macao's property market has encountered changes owing to domestic and foreign economic conditions. On the one hand, social development and population growth gave rise to increased demand for housing. On the other hand, with the low-interest environment and strong mobility of hot money, residents must consider complicated factors affecting home purchases. Given this new situation, the Government is actively improving the housing policy, to help residents satisfy basic

housing needs in this changing environment.

“Homes for all in a contented society” is fundamental to Macao’s housing policy. Through scientific assessment of the future needs for public housing units, the Government adheres to the principles of fairness, impartiality and openness to allocate housing resources that safeguard residents’ basic housing rights and maintain a healthy environment for the property market. The aim is to ensure society’s steady and strong progress. As Macao has limited land resources, the Government will continue the policy of “Public housing first, Home-Ownership Scheme housing second” and give priority to the housing needs of low-income families and the underprivileged. The Law on the Home-Ownership Scheme has provided a legal framework and related guidelines for implementation of the scheme. The Government will pledge to provide 19,000 public housing units next year, carry out orderly unit allocations and give priority to families who have long been in the queue for public housing. Also proceeding in this direction, work has commenced on the plan for building a reserve of 6,300 public housing units. Additionally, to support the long-term development of our city and population growth, the Government has reserved land for building public housing estates in future, in areas available for development in the urban and newly reclaimed areas.

C. Human Development Essential to Promoting Population Qualities

Education is the key driver for raising quality of the population and enhancing human development. Since the Handover, the Government has remained committed to comprehensively improving the education policy and gradually increasing education resources. In addition to the 15-year free education scheme and orderly increases to various education allowances, we have amended the Fundamental Law on Non-tertiary Education and its supplementary regulations, to lay a solid foundation for Macao’s education system. We also have the tireless efforts of our education workers striving to continuously improve the standard of education. Through safeguarding teachers’ working conditions and benefits in the education system, professional qualifications and funding, the Government wishes to build up a strong team of teaching staff and to continue the tradition of respecting teachers and revering established principles.

The Ten-year Plan for Non-tertiary Education (2011-2020) draws out

the blueprint of education with emphasis on scientific planning of educational development in the coming 10 years. The plan will help enhance the overall quality of education and foster talent for the sustainable development of Macao.

At present, there are both regional cooperation and regional competition. With this in mind, training programmes should also aim for international standards and quality assurance. The Government will continue increasing resources for tertiary education, perfecting the education system so it is suitable for development of educational institutions, and assisting these institutions with improving teaching and research conditions. The construction of the New Hengqin Campus of the University of Macau will be completed by the end of 2012, marking a new milestone in the development of Macao's tertiary education.

To meet the need for adequate diversification of Macao's economic development, the Government will coordinate with tertiary institutions to open a variety of flexible education programmes, particularly to meet residents' needs for continuing education. Additionally, we will further modify and improve the Tertiary Scholarship Scheme. For instance, we will relax the ceiling of family income for student loan applicants in the new academic year. This will enable young persons to have opportunities to receive tertiary education regardless of their family financial conditions. This measure can help foster talents of different fields, to meet society's needs.

In addition, the Government is actively establishing a comprehensive human resources database, to study the present situation and plan for the future. Initially, we will collect information on enrolments of local tertiary students, to assess talent in Macao; we have commissioned academic and research institutes to conduct studies and forecast future demands for talent. This will further sharpen the focus of academic programmes and talent fostering in local tertiary institutions. The database is especially important that it provides scientific support for the Government to formulate a human resources policy.

We will also create favourable conditions for cultivating a more competitive new generation. We will arrange for non-governmental organisations to promote human care by jointly organising volunteer activities for tertiary students; organising study tours for tertiary students

to receive national education, study Chinese language, increase knowledge of Chinese history and culture and, lastly, foster their patriotism.

"It takes 10 years to grow a tree but 100 years to cultivate a person." Education is the essential process in promoting a student's morality, knowledge, physical fitness, social relationships and sense of aesthetics. This requires favourable conditions in various circles, especially the parents. Parents should act as good examples for their children in words and manner, to instil in their young children virtues, kindness and respect for the law. Because of rapid development of society and widespread application of information technology, the growth environments and daily lives of young people have undergone profound changes. That is why they need more care and support from society. We are committed to building a good growth environment and advocating proper value judgments and moral standards, to provide youngsters with more opportunities to learn and reason. We will guide them to aim for healthy and positive lives, increase their competitiveness and become outstanding all-round citizens.

To further implement the ideal of scientific governance, the Government has identified population policy as one of its major tasks and begun a public consultation for analysing and studying the Framework of Macao Population Policy. We anticipate the new policy can support building a world tourism and leisure centre, promoting adequate diversification of economic development, and equipping Macao with the competence to participate in building the new Guangdong-Hong Kong-Macao world class economic zone and its quality living area, in order to strongly safeguard Macao's sustainability.

The Government will step up relevant studies of the middle class and further solicit the opinions of every sector including the middle class, in the process studying and formulating policy. Our objective is to build a quality living environment, in which our residents can deliver their expertise to promote social mobility for society's well-being.

Macao is a modern city, as well as a major port of the Maritime Silk Road in ancient times. The Historic Centre of Macao preserves the historic essence of the cultural exchanges between China and the West over 400 years, and demonstrates the priceless universal value of human

civilisation. The Government attaches high importance to the preservation of our world heritage. The Cultural Heritage Protection Law has already entered the legislative process, and will continue promoting the protection and continuity of Macao's intangible cultural heritage. We are actively establishing the Cultural and Creative Industry Fund, to boost efforts to foster Macao's cultural and creative industries. We will expedite the construction of cultural facilities and explore the key attributes of local culture, to develop Macao's cultural system and enrich the cultural life of Macao residents.

Macanese and Portuguese residents are members of Macao communities, who have long contributed to Macao society. We will continue advocating the fine tradition of ethnic harmony and work together to open a new chapter for Macao.

2. Strengthening Unique Advantages to Implement

Development Blueprint

In the near future, the Government will, together with the whole community, steadfastly sustain our unique advantages and seize the great unprecedented opportunities to implement the magnificent blueprint for a world tourism and leisure centre.

A. Promoting Adequate Economic Diversification to Coordinate Industries for Steady Development

One of the Government's top priorities is to maintain a prudent fiscal and financial policy in order to safeguard Macao's economic stability. Confronted with complex and uncertain external factors, the Government will remain alert at all times and follow closely future trends to strive for stable growth. Based on observations of this year's economic situation, the Government is cautiously optimistic about Macao's economic performance in the coming year.

The Government is determined to develop Macao as a world tourism and leisure centre and bolster its regional functionality as a platform for

commercial and trade services. Whilst strengthening the steady development of the tourism and gaming industry, we will adequately regulate the scale of gaming industry development, strengthen monitoring of the industry, and actively facilitate growth of and upgrades to associated integrated tourism industries, to drive adequate economic diversification. We will focus on boosting development of Macao's convention and exhibition industry, cultural and creative industries, Chinese medicine industry, and commercial and trade services. We will also continue to support restructuring of and upgrades to traditional industries. We strive to build an economic structure matching local needs for adequate diversification. We fully support and encourage all industries to develop new technologies and techniques, and raise management standards in order to increase competitiveness.

The Government has been taking multi-faceted measures to support the development of small and medium-sized enterprises (SME) and continuously improve financial initiatives to assist SMEs with organising overseas visits seeking more opportunities for development. In addition to the existing SME Credit Assurance Scheme, the SME Special Credit Assurance Programme, Interest Subsidy Scheme on Bank Loans to Enterprises, the Scheme to Assist Long-Established and Unique Small or Medium-Sized Restaurants and the Commercial Development Fund, we have resolved to once again increase the upper loan limit of the SME Assistance Scheme from 500,000 to 600,000 patacas, taking account of the new economic development. This is to help SMEs reduce operating costs and increase disposable capital, to enhance their competitiveness.

Developing a certification system for professional qualifications is an important path for increasing competitiveness of talent. With development opportunities, all sectors of society are required to improve professional abilities in order to seize the diverse employment opportunities. The Government will continue encouraging different industries to gradually perfect the professional certification system, to continuously improve the quality of various vocational training programmes. Through proper incentives, we can establish a systematic employment environment favourable to aligning regional standards to international standards. Consequently, people from all walks of life can be better assured of their professional development.

The Government will further step up action to crack down on illegal employment, to protect local residents' employment rights. We will

review the Labour Relations Law and its related laws and regulations from time to time. At the same time, we will extensively solicit views of every sector, to seek consensus as our foundation for gradually preparing for the introduction of the statutory minimum wage.

The Government will further improve the public financial system according to society's economic development. Through implementation of the Fiscal Reserve System next year, we will establish a more systematic and regulated public finance management model. We will also pay close attention to the implementation of the Budget Framework Law and its related laws and regulations, and conduct regular reviews to improve the laws.

B. Strengthening Regional Cooperation to Achieve Win-win Objectives

By capitalising on the great opportunities of the national Twelfth Five-year Plan and the Outline Plan for the Reform and Development of the Pearl River Delta, we shall further strengthen and leverage our advantages, to develop Macao into a world tourism and leisure centre and the commerce and trade service platform between China and Portuguese-speaking countries, in accordance with the actual needs of Macao's development. We will actively participate in regional cooperation, expedite progress with adequate economic diversification and facilitate the collaborated development of Macao and neighbouring countries.

The signing of the Framework Agreement on Cooperation Between Guangdong and Macao marks the new phase of all-round cooperation between Guangdong and Macao. In the new policy year, the Government will fully leverage the functions of follow-up mechanisms, and step up efforts to implement the joint projects. With the support of our state and the World Health Organisation, we will fully expedite construction of the Guangdong-Macao Chinese Medicine Industrial Park, and further promote the orderly development of other industries in the park. We are dedicated to the pilot project of construction of the Nansha integrated business zone, under CEPA, as a key platform of Guangdong-Macao cooperation. Through the new developments and the breakthroughs with key projects, Macao will deepen the close cooperation with Shenzhen and major cities in Pearl River Delta region.

With the full support of our state, Macao is doing everything possible to deliver the functions of the economic and trading service platform between China and Portuguese-speaking countries. We will bolster the effectiveness of the “Inviting In and Going Out” strategy in our trade policy, to ally with the provinces and cities in the Pan-Pearl River Delta Region and other regions in mainland China, to develop the markets of Portuguese-speaking countries, European Union member states and Romance language-speaking countries, through a range of actions including local brands’ economic and trade conferences and exhibitions; participation in important economic and trade events in eastern, central and western regions in mainland China; and organisation of joint study tours by Macao and mainland China enterprises to Portuguese-speaking countries.

In the course of regional cooperation, the Government is committed to creating favourable conditions for helping Macao’s SMEs to seize opportunities for development. Regarding Hengqin Island development, the Macao Trade and Investment Promotion Institute (IPIM) will be continually proactive in assisting Macao enterprises with understanding the updated investment policy and related laws of Hengqin Island. Also, the Government will establish the Assessment Committee for the Macao Projects for Hengqin Development, which will formulate fair assessment standards and organise major projects and events to support Macao enterprises with establishing operations in the Guangdong-Macao Industrial Park.

In August this year, our state provided an additional 36 measures to support the Hong Kong SAR. After analysis, many of those new measures or their modified forms can be applicable to Macao. Thus, the Government has officially submitted an application to the central government, and expects to roll out those initiatives next year. These initiatives span economy and trade, finance, people’s livelihoods and community services, tourism and other areas, and include:

- Liberalising more service sectors;
- Improving liberalisation of Macao’s financial institutions;
- Encouraging innovative development of Renminbi financial products;
- Supporting steady development as well as restructuring of local enterprises that invest in assembly and processing manufacturing

business in mainland China;

- Safeguarding supplies of materials;
- Strengthening business cooperation in technology industries;
- Enhancing tourism cooperation; and
- Further implementing work on the Framework Agreement on Cooperation Between Guangdong and Macao.

These initiatives will help Macao to deliver on its unique advantages, increase competitiveness, and gain new engines for development.

After the Government conducted an in-depth and objective study of the situation of the local employment market and considered various factors including “ageing in place” policy and employment of women, we have submitted an application to the central government for the import of mainland China domestic helpers, and formulated the law concerning these helpers. It is expected the legislation can be finalised and introduced next year.

Following the opening of the Macao Economic and Cultural Office in Taiwan at the end of this year, the Macao-Taiwan relationship will enter a new phase of development. The office aims to enhance Taiwan-Macao cooperation and exchanges in economy and trade, tourism, and culture. It also provides Macao residents in Taiwan with support and assistance related to work, study, travel, daily life and emergencies.

C. Building a Tourism and Leisure Centre and Improving Living Environment

The Government attaches high importance to tourism development, which is supported by the establishment of modern facilities. Our state also shows its ongoing support for the development of Macao tourism. In recent years, it has given full support to the positioning of Macao as a world tourism and leisure centre that maintains long-lasting prosperity and stability, to promote adequate economic diversification.

Combining the unique Southern European style of Macao with its strong cultural heritage, the Government is committed to building up an image as a leisure travel destination. Also, leisure elements will be integrated into the daily lives of all residents, to further enhance the quality of life in Macao.

To support the establishment of a world tourism and leisure centre, we will consolidate the existing sources of tourists while expanding into new overseas source markets; encourage construction of budget hotels and actively promote quality tourism, convention and exhibition activities and integrated tourism; and – through regional cooperation, develop multi-destination travel to promote the diversification of travel products.

To promote healthy development of the tourism industry, the Government will strictly implement the “Key Points in Contracts between Mainland China’s Tour Operators Organising Tours for Mainland Residents to Macao and Macao’s Ground Receiving Agents” agreed between the Government and the National Tourism Administration, which set further standards and guidelines for the market to safeguard the rights of visitors travelling to Macao, and promote goodwill and quality tourism. The Government will also continue to improve the laws and regulations related to the tourism industry, and strengthen the training of tourism-related professionals; as well as implement any necessary measures to ensure the effective implementation of the law on the Prohibition of Illegal Provision of Accommodation.

Enhancing food safety is an essential component in improving the living environment; therefore, the Government will continue to strengthen food safety monitoring. The Government will push forward the consultation on the draft Food Safety Law, which will enter the legislative process next year. Furthermore, in line with the establishment of the Centre for Food Safety, related laws and regulations will be amended and training will be provided to related professionals. Also, the Government will strive to ensure public safety by strengthening the supervision of fuel storage facilities and commercial establishments such as restaurants.

In the coming year, we will continue to perfect laws and regulations that facilitate urban development, and implement various infrastructure projects to build a low-carbon green city. We will also start consultations on the Urban Planning bill; it is planned that the bill will enter legislative procedures next year.

The Government will adhere to the principles of “scientific planning”, “rational layout” and “intensive utilisation” in studying how the planning of land reclamation can supplement the positioning of Macao as a world

tourism and leisure centre, raise integrated living standards in Macao, promote coordinated regional development, and reserve land for the development of Macao in the coming 20 to 30 years. We are planning to build an office tower for the administration and justice departments in the newly reclaimed areas; and establish a Government Integrated Service Centre to provide residents with convenient public services and solve the current problems with scattered locations of different government departments. After collecting views from different social sectors, more details will be added to the technical content of the consultation paper on the draft Master Plan for Macao's New Districts, which will be followed by expert discussions. A reclamation plan for Macao's new districts will be formulated next year, after which a public consultation will be initiated for the next phase. Moreover, the Government will listen to public opinion regarding the layout of major infrastructure, and work out with our people the blueprint for the future development of Macao.

Provided that public opinion has been widely sought, the Land Law and the General Regulations on Urban Construction are expected to enter legislative procedures in 2012. The Government will continue to perfect the related laws and regulations to strengthen the supervision of land grants and land use, as well as manage Macao's land resources in careful and systematic ways.

In the face of the increasing traffic volume, the Government will persist in the "Public transport first" policy, and increase its efforts to regulate Macao's traffic environment and improve public transport services. The construction of light rail transit will enter a new phase in 2012, and there will be enhancements to the system for introducing new bus services, while taxi services will also be improved in several ways. Moreover, the Government plans to issue a further 200 taxi licences through an open bidding process next year.

The provision of comfortable and convenient external transportation to visitors and residents is an essential component of a world tourism and leisure centre and a trade and economic development platform. The Government will continue to perfect the maritime passenger transportation services and facility management. We will also strengthen aviation safety and improve aviation services, as well as tackle the debts owed by Macau International Airport and formulate future development plans, in order to expand scope for development of Macao's aviation

industry.

The Government resolutely executes the Kyoto Protocol, which has been applicable to Macao since 2008. While aiming for the target set by our state regarding reduction of carbon emissions, we will also put forward related legislation and propose environmentally-friendly construction projects, and promote environmental protection in order to prevent pollution and ecological destruction causing adverse impacts on Macao's social and economic development. Next year, we will study the formulation of vehicle exhaust emission standards; enhance the strategy for controlling sources of noise pollution; and formulate emission standards for kitchen exhausts.

We will also continue to implement the plan for Environmental Protection in Macao (2010-2020), and safeguard sustainable economic, social and environmental development; formulate the Proposal for Establishing an Environmental Impact Assessment System and establish related technical standards to promote systematic environmental assessments. While introducing the strategy of public authorities being early adopters of eco-friendly cars, the Government will also prioritise the use of products meeting higher environmental protection standards. We plan to introduce a pilot electric bus scheme for selected routes, and urge public transport companies to gradually replace older buses in Macao with newer models that meet Euro IV exhaust emission standards, to alleviate air pollution. Moreover, we will boost the Environmental Protection and Conservation Fund, to improve environmental conditions, conserve energy and cut emissions, and assist and drive development of the environmental sector.

According to Macao's Water Conservation Plan, the Government will promote the use of recycled water. We are now amending the related technical standards and regulations, and will accelerate research on the Master Plan for Recycled Water in Macao. Currently, we are constructing recycled water pipelines at the new campus of the University of Macau and in the new residential district in Seac Pai Van, as well as the recycled water plant in the Coloane Sewage Treatment Plant; these are expected to be completed and commence operations in early 2014.

The Government will actively promote scientific development and popular science, and give greater support to the planning and

establishment of the State Key Laboratory of Microelectronics and the State Key Laboratory of Chinese Medicine in Macao. The Government will also continue to organise activities such as the Science and Technology Week, popular science study tours for teachers, and popular science summer camps for students.

The telecommunication market will be fully open next year, and licences will first be issued to operators of fixed public telecommunication networks, so that more diversified and better telecommunication services can be provided to the public.

Macao is peaceful and safe. In the face of the rapid social development and the need for building a world tourism and leisure centre, the Government will further strengthen the police force's human resources and technology, and enhance police work within the community, to combat newly emerged crimes and take on new challenges.

3. Implementing Scientific Governance to Steer Political

Development

Building up a clean, efficient, law-abiding and professional civil service is a significant way of guaranteeing that the Government will implement scientific governance and transparent administration. The civil service has continued its all-out efforts to perform duties and serve both Government and citizens with integrity, giving tireless support and making contributions for the development of Macao. Based on the laws and regulations for establishing accountability of governance, the Government will strengthen awareness of accountability amongst officials of all ranks.

We will intensify the reforms of public administration and focus on implementing the central recruitment policy and training programme for civil service promotions. Next year, with the aim of perfecting the civil service pay system, we will study the establishment of a Civil Service Pay Council, in order to set up a fair, independent and scientific pay adjustment mechanism for civil servants.

To reinforce and improve the current public administration system and enhance overall governance, the Policy Research Office and related

departments have launched a study on modifying the Government structure, which will help rationalise the overlapping functions, determine appropriate public resources and improve public services.

For implementation of the policy consultation mechanism, the Government will fully implement the Standard Guidelines for Public Policy Consultations, to solicit community views, improve consultations and value feedback.

The Government will continue to improve the spokesperson system by more quickly providing government news releases with more accurate content; strengthen communication with the press and solicit community views on amendments to the Press Law and the Broadcasting Law. We are fully committed to the protection of press freedom and freedom of publication.

To effectively respond to unexpected events and increase the capability for crisis and emergency management, the Government will establish a chief executive-led coordination mechanism for handling crises. This will be founded on the current four major crisis response systems: regional and international emergency cooperation, public health, civil defence, and tourism. Aiming to safeguard residents' safety and visitors' lives and properties, the new mechanism includes central commands and coordination to carry out emergency measures required in the event of crises. It can ensure that the Government can rapidly assess the situation should an unexpected event occur, decide the work required for news releases and information collection, deploy the necessary manpower and material resources, and coordinate the division of labour from every unit required for containing the critical situation.

The Government will intensify promotions and legal training concerning the Basic Law of Macao SAR, enhance publicity campaigns on legal knowledge and increase awareness, understanding, observation and protection of the law. We will also strengthen the development of our legal system by being fully committed to facilitating work on law repeals and adaptation, according to the scheduled plans for legislation. We will place priority on amending the bills on major codes and laws concerning economic development, home affairs and people's livelihoods. We will further improve coordination of plans for legislation, and fully support the Legislative Assembly's work on examining bills.

The Government will soon conduct a public consultation on the amendments to the Macao SAR Judicial Organisation Framework Law, which are aimed at improving the structure and system of judicial organisations, providing the desired legal talent, and further optimising the operation of judicial organisations.

The Commission Against Corruption (CCAC) will not only step up supervision of both the public and private sectors, but also steer the creation of a community anti-graft system. To promote integrity in the administration, CCAC will continue improving staff quality and law enforcement; deepen integrity education for civil servants to increase their awareness of observing laws, law-abiding practices and clean administration; step up publicity and cooperation with all sectors of society to advocate the concept of integrity and law-abiding practices.

The Commission of Audit will continuously strengthen the foundation of information technology in auditing, increase regional and international exchanges and co-operation, and intensify audit staff training to build up a professional and efficient audit team. The Government is committed to promoting an auditing culture with the concept of valuing public revenue and efficient use of public resources.

The Basic Law has already stipulated the political system of the Macao SAR. The successful development since the establishment of Macao SAR has proved that the system stipulated meets the actual needs of Macao society's development. The Government will continue to thoroughly implement the principle of "One country, two systems", "Macao people governing Macao" and a high degree of autonomy. According to the Basic Law, we will proactively but prudently handle development of Macao's political system.

As the fifth term of the Legislative Assembly Election, in 2013, and the fourth term of the Chief Executive Election are coming soon, the Government has resolved to prioritise the issue of modifying the method for selecting the fourth Chief Executive and the formation of the fifth Legislative Assembly – in Annex I and Annex II in the Basic Law of Macao – as our major work in the coming policy year.

Whether the two methods stipulated in the Annex I and Annex II in the Basic Law need modifications and – if so – how to modify them is a lasting concern of every sector in society. The Government listens to

community views and values public opinion. The community broadly recognises that the stability of Macao's political system is essential to Macao's long-term prosperity, stability and sustainability. On the other hand, there is agreement that it is appropriate to properly modify the two methods, in order to adapt to society's development and progress.

With steadfast adherence to the stipulations of the Basic Law, consideration of the actual situation of Macao, and the foundation of gathering broad community views and our previous work, the Government will submit a proposal on whether to modify and – if so – how to modify the methods for the formation of the fifth Legislative Assembly in 2013, and the selection of the fourth Chief Executive in 2014. During this process, we will conduct public consultations according to actual needs. In the meantime, we will further perfect the election laws, including the Chief Executive Election Law and Legislative Assembly Election Law. Through a sound election system, we can promote an election culture upholding fairness and justice, to drive development of Macao's political system in a steady and orderly manner.

Conclusion

President, members of the Legislative Assembly,

Today, Macao's economy is continually developing, our people's livelihoods are constantly improving and society remains stable. Thanks to the comprehensive implementation of the "One country, two systems" principle, full support from the central government, and concerted efforts and understanding of Macao residents, we have achieved these fruits of success. We can agree that Macao's future sustainability hinges on further promotion of the "Striving and Sharing Together" concept, to continue the spirit of self-empowerment.

"Put People First" is fundamental to the Government's administration. Facing a more complicated economic environment in the coming year, the Government has made continuous improvement of people's livelihoods its first priority: we will introduce an orderly series of relief policies and measures. We really share residents' feelings regarding the impact of inflation on daily life, and fully recognise the community's expectations for better quality of life. For the long-term well-being of the whole community, we continue improving social welfare and reinforcing our economic foundation, as the safeguards of people's living conditions. This is definitely a common goal of the Government and society. In this new policy year, we are dedicated to maintaining Macao's economic development, facilitating adequate economic diversification and providing strong support to the implementation of all relief measures and initiatives.

The central government supports Macao's development into a world tourism and leisure centre, and measures to facilitate adequate economic diversification. With such support, we shall also deliver our functions in the national development strategy and expedite co-operation with regional governments in mainland China, especially those in Guangdong and the Pan-Pearl River Delta region, in order to continuously increase real benefits from win-win relationships.

During the past year, with full support from the central government, the Government once again took a big stride forward in regional cooperation. The Framework Agreement on Cooperation Between Guangdong and Macao serves as a guide to promoting joint development

between mainland China regions and Macao under the principle of “One country, two systems”. New cooperative partnerships will provide Macao residents with diverse opportunities for development. We shall strengthen our present advantages as well as foster new engines for growth. We shall continue to develop economic and cultural links with mainland China and overseas countries, to create greater scope for development.

Macao’s prospects for development are promising. However, there are both opportunities and challenges. We shall pay considerable attention to the deep-rooted problems that have formed over the years, and seek to resolve the problems of human resources in the course of adequate diversification. We shall pursue the appropriate balance between social and economic development.

The Government will intensify scientific policy-making and strengthen work on policy modification and research, to improve every administrative mechanism. We will tirelessly strive to develop a systematic, transparent and fair administrative environment; enhance administrative integrity and demonstrate a spirit of accountability to raise the standards of governance; extensively solicit public opinions and absorb community wisdom to join forces in order to attain every policy objective.

The Government will continuously improve people’s livelihoods and living environment to promote healthy lifestyles; provide assistance to underprivileged groups and reduce cross-generation poverty through education, to narrow the gap between rich and poor; remain dedicated to human development by promoting the fine tradition of respect for the elderly, mutual help and ethnic harmony; strengthen patriotism in society and encourage the whole community to be open-minded, and mindful of the public interest, and to collaborate in contributing to society. Let us realise the blueprint for future development into the world tourism and leisure centre, and create a better future for Macao through wisdom and unrelenting efforts!

President, members of the Legislative Assembly,

We are taking great strides into a great age, while undertaking a historical mission. Looking ahead to a new year, we shall be fully

confident in seizing the great opportunities in history, and boldly face various challenges to explore new developments, unite to achieve common goals, and strictly adhere to the Basic Law. We shall fully demonstrate the vitality of “One country, two systems” to safeguard Macao’s long-term prosperity and stability.

Before concluding this address, I extend my heartfelt thanks to the Legislative Assembly, and all the civil servants and citizens of Macao for supporting our work. I also wish to express our sincere gratitude to the central government and all its representative offices in Macao for their long-term full support for Macao’s development.

This is the end of my report. And I hereby submit the report to the Legislative Assembly. Thank you, President and everyone.