

**Policy Address for the Fiscal Year 2006
of the Macao Special Administrative Region (MSAR)
of the People's Republic of China**

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Delivered by the Chief Executive, Edmund Hau Wah Ho

15 November 2005

Madam President, members of the Legislative Assembly,

I am pleased to attend today's plenary meeting of the Legislative Assembly of the Macao Special Administrative Region. First, I would like to greet all the members of the new-term Legislative Assembly. In accordance with the stipulations of the Basic Law and on behalf of the Macao SAR Government, I will now present the policy report for the fiscal year 2006 for your evaluation and discussion.

Introduction

With the strong support of the central people's government, each and every citizen has contributed to the overall enhancement of the Macao Special Administrative Region of the People's Republic of China by fulfilling his or her individual roles. We have responded proactively to changes in our environment. We have nurtured a peaceful and stable environment amid thriving growth. Despite our different interests, we have been able to unite in reaching a consensus. On this firm basis, we are now proudly entering the seventh year of implementing the principles of "One country, two systems", "Macao people governing Macao" and "A high degree of autonomy".

Our local structural economic reform has accelerated in recent years. Various new external factors have come into play, one after another. The markets for our industries have developed vigorously. We have adapted our values in response to rapid changes in the social environment, despite substantial contrasts between the new and old elements that exist side by side. Exciting developments inevitably bring surprises. Changes have come faster than we expected. All these factors were especially apparent during the past year.

In 2005, the first year of the administration of the second-term Macao Government,

we focused on assimilating the latest economic and social developments, rolling out several major infrastructure projects, coordinating the allocation of market resources, and taking further steps to improve the focus of our support for the disadvantaged in our society. Moreover, we also made initial preparations for long-term measures to improve the quality of life of Macao's citizens.

The fundamental orientation of the MSAR's future development has now become irreversible, certain and stable. However, during the coming years, all kinds of micro-variables will occur within the foreseeable framework for our macro-development; and we will have to manage these throughout the process of growth. The Government's main administrative philosophy during the coming year will therefore be to advance the progress of our existing work while maintaining a flexible approach in its implementation, so that we can adapt to emerging social trends. We will continue to exploit the favourable conditions that have been created by rapid economic development, in order to allow our citizens more space to develop their individual potential. At the same time, we will seek to reduce the various conflicts that arise as the result of imbalances in social development. Our ultimate aim will be to enable Macao's citizens to optimise and realise their potential for achieving success in life.

Part I Summary of the MSAR Government's Work in 2005

Intensified cross-departmental cooperation was the main feature of our reforms of public administration in 2005. The establishment and implementation of a central legal reform mechanism marked the elevation of our strategic adjustments to a new level, and it signified a major attempt to apply the principle of cross-departmental cooperation to the Government's legal work.

By strengthening coordination and synchronisation among our security forces, the Government set new standards for improved openness, while effectively maintaining social stability and enabling Macao to pass the initial challenges involved in hosting major events.

We continued to streamline civic and municipal administrative processes. New measures were adopted to increase the effectiveness and convenience to citizens of a number of those that directly affect their daily lives.

We continued to optimise the potential that exists in the business environment. As a result, more foreign capital flowed into Macao. Our flagship industry developed smoothly, with the number of visitor arrivals continuously growing and gaming income steadily high. Related industries also performed comparatively well. The retail market remained vibrant. The Government's revenue and surplus increased, and the financial and banking industry remained sound and robust. We also strengthened our overall ability to meet future challenges.

The implementation of the second phase of the Mainland and Macao Closer Economic Partnership Arrangement (CEPA) made substantial progress, thanks to collaboration between the Government and various business sectors. Exchanges in the business and cultural fields between Macao and the mainland, Portuguese-speaking countries and regions and the European Union became more frequent. The integration of Macao and the Pan-Pearl River Delta region accelerated. Macao's development as a regional trading and service platform progressed smoothly.

The Government continued to implement a number of new measures to foster the establishment of the Zhuhai-Macao Trans-border Industrial Park (TIP), and it increased support to SMEs in response to changes in the textile and garment quota system. The MSAR's employment level remained steady. On the other hand, the problems created by insufficient human resources grew more apparent.

The Government continued to implement infrastructure projects, improve transportation networks and enhance community facilities; thus forming stronger foundations for Macao's future development and creating favourable conditions for implementing the strategy of "reaching out and inviting in".

At the same time, the Government has been overseeing the formulation of a system of laws governing tertiary and elementary education, in order to increase the effectiveness of our schools. We also established a special mechanism to tackle the problem of young students dropping out of school. The new Science and Technology Development Fund encouraged innovation and the popularisation of scientific knowledge.

The success of our application for the "Historic Centre of Macao" to receive World Heritage List status strengthened the unique advantages of Macao's successful integration of Chinese and Western cultures; and it has also deepened awareness of our responsibility for the city's cultural development.

To give disadvantaged groups of citizens greater support, the Government invested more resources, strengthened collaboration between different services and optimised their effectiveness, and promoted mutual care within the community to a greater degree.

Staging the 4th East Asian Games gave the MSAR's Government and society a valuable test and training; and it also provided Macao's citizens with precious resources in terms of modern sports facilities. Hosting the Games provided Macao with worthwhile experience about organising a major event, and boosted its image around the world.

The development priorities of the MSAR have had an impact on the alignments and relationships that previously existed between different components of our society. As a result, some conflicts and tensions have arisen between them, and within individual elements. New social conflicts inevitably arise as the result of major changes, while old ones that had become dormant re-emerge. Social changes have altered the benefits enjoyed by different sectors of our community. Therefore, new demands have arisen alongside existing ones, and short-term demands have appeared alongside long-term ones. Macao has just begun to transform its old social model, and the new one has not yet matured. As a result, both old and more recent problems now exist simultaneously in our midst. All the above factors form the primary reality that now faces us, and the biggest obstacle that challenges our Government and society as we advance together.

After a few years of administrative experience, we must emphasise the need for our Government to overcome conservatism. A conservative administration relies entirely on old experience and methods to tackle new issues. It sometimes tackles problems at unnecessary political and social costs, or allows problems to develop by themselves, resulting in a continuous accumulation and intensification of conflicts that make the new challenges even more difficult to resolve.

The Macao community is generous and forbearing. That is an important reason for our society's stability. However, some Government departments only respond to the positive side of our citizens' forbearance, and they fail to repay this by constantly reviewing and improving their own hidden problems and deficiencies.

Following several years of hard work in the early period after reunification, the enthusiasm and fighting spirit of some Government officials and departments has begun to wane. They have become passive and less sensitive, and they are showing

signs of inertia and confusion. We must bear in mind that the MSAR has been established for just six years. We have not yet completely set aside our heavy historical burdens, and our experience in administering the city is still limited. Moreover, we have encountered rapid changes and new developments during that period. The MSAR Government will remain a young and inexperienced government for a fairly long time. Government officials at every level must rectify their old thinking, and reinforce their belief in the need for constant innovation and diligence.

Rapid economic development in the past couple of years has triggered a series of swift changes in different areas. However, society as a whole – particularly the Government – has reacted relatively slowly, and our contingency preparations have shown signs of inadequacy. This poor response actually reflects more deeply rooted problems, such as backwardness in our thinking and systems. Many people looked forward to the benefits of the new developments, yet they failed to modify their old values or improve their qualities and abilities in a timely fashion. Some people have passively waited for success to come. The limitations in our existing methods have affected our society's response to some of the favourable factors that have arisen, meaning that we have been unable to take full advantage of them. At the same time, the influences of market forces have meant our allocations of resources have not completely satisfied the wishes of some people. However, the pursuit of absolute equality is impractical, and it may easily impair our value judgments. We have noticed that, in the present social environment, doubt has been cast on certain worthwhile things, while other phenomena that ought to be condemned have been encouraged. Many individuals have focused only on conventions, and there have not been enough practical-minded people who can think innovatively. At the same time, as we enter a new era, psychological and ideological conflicts have appeared in our society. Actually, this is a common social phenomenon in any fast-growing society. However, if we turn a blind eye to them or let them develop unchecked, the overall progress of our society will probably be diminished. We must be aware that the development of the flagship industry, the streamlining of industrial structures and the overall improvement of the people's quality of life are all long-term processes. While these are underway, people's incomes will grow unevenly, and disparities between them will continue to exist for a long time. To achieve ultimate success, our entire society must advocate an objective, forward-looking and practical-thinking approach, and we must strive incessantly in a spirit of openness and patience. In appreciation of this fact, our administration will conduct a full appraisal, with the aim of adopting effective measures that will align with the development of our society and improve the quality of life of our community.

Part II Administrative Priorities of the MSAR Government in 2006

Madam President, members of the Legislative Assembly,

I would now like to explain the Government's administrative priorities for next year.

1. Strengthening Reform Strategy and Improving Key Administrative Mechanisms

In 2006, we will adjust our original strategy, which emphasised the reform of frontline services, and instead we will focus more on reforming our internal work and logistical support, in order to foster the integration of our reforms on different levels, as well as the integration of reforms in our service functions and departmental organisations. Regarding frontline services, we will consolidate our centralised services, while simultaneously developing greater coordination between our community services. We will also consolidate the one-stop services provided by individual departments, and, at the same time, develop one-stop integrated multi-departmental services. We will further institutionalise and standardise the monitoring of public services by citizens. Moreover, we will ensure that individuals and departments who perform well will receive the recognition due to them.

Cross-departmental cooperation will remain a major area of our administrative reform. We will consider implementing the transfer of functions between different departments, so that various interrelated services can be provided under the same roof and at the same time. In this way, we will eliminate the contrasts between the provision of good but partial services in an orderly way by one department, and the provision of mediocre, partial and poorly coordinated services divided between a number of different departments.

We will first implement cross-departmental services for individual items or in individual districts; we will then extend the application of this principle on the basis of the experience we gain during the process. We will filter out or eliminate processes that do nothing other than inconvenience citizens. We must also strengthen communication between different departments, in order to enable them to share experience about the provision of services.

In building our team of public servants, we will study various advanced overseas civil service systems, so that we can gradually reform the training and appointment

systems for our Government officials, and develop a larger group of civil servants who possess high standards of integrity and capability. We will enhance the creativity of our training methods, and develop new programmes in the areas of politics, public administration and ethics. Our training systems will strongly emphasise effectiveness and flexibility, and we will raise the standards of our teaching professionals. We will also encourage self-learning among civil servants, with a view to enhancing both their professional and general knowledge. In our recruitment, appraisal and promotion procedures, we will continue to strictly prohibit the making of decisions based on personal interests or relationships; and we will imbue the entire civil service environment with a spirit of honesty.

In the coming year, the Government will focus on the full realisation of the central legal mechanisms. In its operation, the mechanism must adhere to the judicial spirit of upholding justice, and it must fully centralise and make good use of the best legal resources. Legal reforms must be based on a strong foundation of consensus among our citizens; at the same, it is equally important to assimilate and summarise the opinions of our citizens in a professional way. We must make it a priority task to review and amend those laws that most concern society. We should also continue to invite respected judicial experts from outside the region to help us improve the slow development of our local judicial professionals.

Over the course of several years of reform, we have come to realise that we must be willing to change our entire existing legal and administrative culture, from the roots upwards, on the basis of the Basic Law. We must correct the tendencies of seeing only methods and not values, and only trees and not the forest. We must closely and scientifically integrate our political missions and management principles, our organisational structures and rights and duties, our staff capabilities and technical standards, our process designs and operational effectiveness, our service provision and citizens' needs. We must combine a stable and structural policy with the ever-changing social environment, and general administrative and legal concepts with our unique local way of life. In addition, we must boldly carry out philosophical, structural and functional reforms. Otherwise, our reform efforts will have only a very limited effect; and they may even create new problems or exacerbate existing ones.

The Government will revise its concepts about the purpose of reform, strengthen its central coordination and organisational role, and combine and integrate discrete experiences of reform at different levels and stages, in order to create a groundbreaking new reform platform within a reasonable period of time.

Considering that our citizens are now demanding improvements at both the neighbourhood and city-wide level, the Government will conduct a major strategic realignment of those service models that affect the people's wellbeing. We will gradually localise such services at community level, and establish community-focused service networks that benefit people's everyday lives. Every service network should have its own democratic opinion-collecting mechanism, relatively autonomous decision-making processes, and the ability to develop the services it provides. In this way, we will be able to handle the community's everyday problems in an even more timely and well-focused manner. The significance of localising services at the community level is that it will enable the Government to quickly recognise problems that concern the people's everyday lives through democratic mechanisms for collecting the community's feedback. It will also allow us to fully grasp the nature and implications of these problems and take timely action to lessen related social conflicts, thus making it possible for social harmony to be maintained.

Our anti-corruption and audit function plays an important role in monitoring the operations of Government departments, protecting social justice and safeguarding public resources. It must focus all its efforts on those issues that are unique to Macao, especially in areas that have a major influence on the community and greatly concern the public. It should take bold, decisive and clear-cut action when dealing with apparent illegalities. It should also pay special attention to the middle and upper supervisory echelons of Government departments, which enjoy major benefits and are relatively prone to improper activities, thus preventing any misbehaviour and damage to the public's interest by civil servants.

Since the establishment of the MSAR Government, the overall quality of our administrative reform has been relatively low. From now on, we must raise the degree of sophistication and level of quality of our reforms. We must improve the coordination and regulation of our more advanced services, in order to fully demonstrate their effectiveness and enable them to live up to their reputations. We must adopt a spirit of empathy with our citizens, and provide them with all necessary support, even when it means going outside our normal service procedures, so as to minimise inconvenience to them. We must also eliminate common mistakes that occur in the reform process, such as focusing on improving service attitudes rather than the effectiveness of services, improving particular parts of a service rather than the overall service flow, or improving the forms of services rather than their efficiency.

Speeding up the building of an accountability mechanism will be a major priority for the administration next year. The Government will complete the drafting of a series of laws and regulations relating to the accountability mechanism, including laws limiting the post-service business relationships of senior officials who retire or resign. Our objective will be to ensure that Government officials at all levels appropriately exercise their designated authority while fulfilling their respective responsibilities, whatever administrative issue they are handling, so that they can serve the community better.

Since reunification, our entire team of civil servants has worked harder to live up to its commitment to serve the public. Officials at all levels have to communicate closely with their subordinates, and give them empathy and support. They must maintain good conduct, act as role models, and uphold justice. Those who perform well should receive recognition and priority for promotion. Transparency is crucially important, and we must further increase this quality on an ongoing basis and in every detail of our Government's work. We must encourage the mass media and opinion-makers to act as mirrors for the Government, putting our public administration under even stronger and more effective scrutiny by our citizens and critics. That is the only way we can minimise the deficiencies in our policies and the errors in our administrative operations.

2. Growing the Economy and Improving Overall Development

Even more new challenges will appear in Macao during the coming year. However, our internal economic growth remains vigorous, and we are still cautiously optimistic about the external environment. Working on these assumptions, the MSAR Government will implement various pre-defined economic policies to promote economic development in an unswerving and practical way; and we will work to build even stronger foundations for our future progress. During the process, we will pay particular attention to enhancing the quality and sustainability of our economic development, as well as coordinating the development of the economy and society. We will strive to transform the fruits of development into improvements in the quality of life of the entire population.

We believe the gaming industry will maintain steady growth in terms of its financial performance next year. However, we should not become self-satisfied about temporary prosperity. We should, instead, maintain our alertness, so that we are ready to deal with any crisis that may occur, and keenly enhance the competitiveness of our

flagship industry, in order to ensure that it is sustainable and capable of meeting existing and future challenges. To this end, we must take this favourable opportunity to speed up the qualitative growth of Macao's gaming industry. To allow the industry to develop healthily, we must manage legal regulations, financial issues and gaming promoters better, and improve the management abilities of the Government and industry by the introduction and full implementation of advanced technology, and by enhancing our cooperation with relevant international organisations. In the course of this process, the Government will meet our citizens' expectations by enhancing the way in which we regulate the fulfilment by concession-holding gaming companies of their contracts, so that these companies invest and operate in accordance with their contracts, thus enabling them and Macao to progress together.

In view of our city's limited size, we should not be satisfied with merely increasing the number of visitor arrivals. We should be committed to enhancing our image as an outstanding tourist destination, and encouraging tourists to spend more. Since the service industry is Macao's core industry, the entire community must consider the importance of the basic virtues of excellence, such as service quality and trustworthiness, as fundamental requirements in our everyday work and business operations. At the same time, besides adding major tourism resources, the Government will keenly demonstrate and utilise Macao's uniqueness as a melting pot of Chinese and western cultures, so as to foster the organic integration of our internationally recognised heritage sites, culinary heritage and leisure facilities, as well as international major events. This will also create synergy between the tourist industry and the enhanced gaming industry, so as to build Macao's reputation as a city that is rich in culture and entertainment, highlight its uniqueness as a tourist destination, and explore new sources of visitors, with a view to attracting even more high-spending tourists.

In any city, the stable and healthy development of the financial system directly affects the wellbeing of the citizens, and it is also a cornerstone for sound economic development. The MSAR Government will continuously improve its management of the banking and finance industry by referring to scientific standards and advanced technology around the world, more closely auditing financial institutions, fully realising the roles of external audit and professional consultants, perfecting the legal system, and effectively combating money-laundering crimes. This will allow us to regulate the operations of the financial market, ensure it operates in an orderly fashion, and ultimately promote the development of the financial services industry.

For both subjective and objective reasons, imbalances in economic development have grown apparent in Macao. As the flagship industry develops rapidly, a substantial number of local small and medium-sized enterprises (SMEs) face challenges in many areas and have become less competitive. The Government will therefore make more effort to support the development of such enterprises, and it will be committed to creating a more favourable business environment for them. Riding on the more open market created by the third phase of the Mainland and Macao Closer Economic Partnership Arrangement (CEPA), the Government will encourage local entrepreneurs to design and manufacture products with greater potential, modify their marketing strategies, and enhance their export models, so as to emphasise the lucrative mainland market as one of their major export markets.

Thanks to our economic development, the employment level for local citizens is now relatively high. The single-digit unemployment rate, which has been maintained for some time, together with other relevant data, has highlighted the fact that structural unemployment remains a major problem. Since most unemployed people are in older age groups and their education levels are relatively low, the Government will adopt even more effective measures next year to improve their employment potential, including focused training in professional skills. Such training programmes need to adopt a new approach by shifting from a passive response to actively supporting the unemployed. We should also adopt a forward-looking vision, a practical approach and objective analysis to developing pre-occupational and on-the-job training that truly complements future developments in various industries. Our objective is to align the content of training with the appraisal of skills, to strengthen and promote the recognition of professional qualifications, and establish institutional frameworks and processes that will enhance the competitiveness of our local workforce.

At the same time, many industries on Macao already face serious problems due to insufficient human resources. A flexible framework to permit part-time employment for restricted groups should therefore be encouraged. Also, provided the employment prospects and reasonable salary levels of local citizens are safeguarded, the Government will work to introduce a larger number of overseas workers to Macao, especially professionally skilled workers.

To strengthen our comprehensive competitiveness and responsiveness, support the development of local SMEs, and promote the overall coordination and harmony of our society, the Government will continue to foster the diversification of local industries through the practical implementation of effective measures. By

diversification, we do not mean introducing every industry. We must follow prevailing trends and acknowledge our limitations. The major focus should be on true symbiosis between various industries. The Government will further promote the development of industries related to the industry, so that they can complement one another positively. At the same time – as CEPA continues to take root and in line with the building of a trade and commercial platform, the choices of markets and the initiatives of investors – the Government will encourage related research and technological support by tertiary institutions. Moreover, it will continue to provide strong support to new industries with high potential, such as Chinese medicine, air transport and logistics, and trade and commercial intermediary services, with a view to working hand-in-hand with the business sector to streamline the local industrial structure.

The good news is that many local enterprises have not become victims of the drastic changes that have occurred in recent years; and they have even gained renewed energy. There are unique reasons behind the success of every enterprise, yet there are also common factors, such as continuous self-improvement and the modification and optimisation of operating methods. Some companies have established a clear and well-defined corporate culture, giving their staff a stronger sense of unity and making them more enthusiastic. It is true that compensation is a key factor in maintaining the loyalty of employees, but it is not the only one. A sense of belonging, a good working environment and development opportunities are also important.

We do not want to hide the fact that imbalances in terms of levels of development and income have appeared in Macao during the course of economic and social development. Although such imbalances are inevitable in a free market, the MSAR Government is paying a high degree of attention to them. It is striving to increase its support for educational training, social welfare and many other areas, and it is keenly protecting the rights of consumers, so as to realise the more equitable allocation of society's common wealth. It should be emphasised that the Government can by no means guarantee that every individual will receive similar benefits or returns. However, it will strengthen the rule of law, improve administration, provide technical help and so on, to ensure comparatively fair development opportunities and business environments for our citizens and investors, so that everyone operates on a level playing field.

3. Reaching Out and Inviting In, Leveraging Macao's Strength as a Regional Platform

The economic and social development Macao has achieved in recent years has, of course, been the result of our own endeavours; but it has also been closely related to our interaction with external factors. Our persistence in pursuing the strategy of “reaching out and inviting in”, our participation in regional cooperation, and the fundamental integration of this strategy with CEPA have gradually evolved into another major driving force behind Macao's development. The MSAR Government will unswervingly continue to implement these policies.

The signing of the Second Supplementary Protocol to CEPA has elevated the close economic and trading partnerships between Macao and the mainland to new heights. The zero tariff policy that is now applied to all products of Macao origin, and the further opening up of the huge mainland market for our service industries and the trading environment have broadened the scope for local enterprises and professionals to develop their businesses there, and take full advantage of its enormous opportunities. These have become strong pillars that support our policy of diversifying local industries. Progress in the implementation of CEPA has also created favourable conditions for intensifying our cooperation with the region.

Cooperation within the region remains lively and energetic, encompassing the international community and the development of mainland China. We must emphasise that regional cooperation is not an impractical goal. In fact, as the globalisation process develops vigorously, individual efforts and successes are definitely not sufficient to cope with the various new challenges it creates. Cooperation brings success, while isolation brings failure. As a city that has the service industry at its mainstay and is highly dependant on external factors, Macao's development has already merged with that of other entities in the region; and the process has benefited every party in a number of ways. Next year, the Government's major emphasis in this area will be on better coordination, making practical advances, and enhancing the effectiveness of the process, in order to strive to attain new successes.

We will fully exploit and strengthen the advantages we have already built in the conference and exhibition industry. Riding on the image of the Macao International Trade and Investment Fair, which has become an accredited member of The Global Association of the Exhibition Industry, we will establish organisations dedicated to

studying the convention and exhibition industry and incentive travel. We will also cooperate closely with the industry as a whole, in order to organise convention and exhibition activities that emphasise effectiveness, uniqueness, professionalism and high quality, and which will ultimately attract even more international buyers and partners. At the same time, we will continue to support local entrepreneurs in exploiting opportunities provided by the third phase of CEPA, by enabling them to participate in various trade fairs and investment activities on the mainland or overseas. We will also encourage local entrepreneurs to build partnerships with small and medium-sized enterprises (SMEs) in the Pan-Pearl River Delta (PPRD), in order to explore external market opportunities to a greater degree.

Building up Macao's role as a trading and service platform is a major part of the Government's strategy to develop the service industry and implement plans for regional cooperation. We will establish business opportunities for Macao and our neighbours in the region by creating and enhancing various service platforms. With the committed support of the motherland, we have already made considerable progress in building a trading and service platform with Portuguese-speaking countries and regions. Riding on this success, we will continue to exploit our unique advantages, in terms of language skills, networks of contacts and historical heritage, in order to foster business cooperation between the mainland, Macao, Portuguese-speaking countries, and the worldwide Chinese business community. The MSAR Government will also make better use of and strengthen the networks that already exist between Macao and Southeast Asia, Japan, Korea and EU member countries, so as to form an even more attractive commercial and trading platform. At the same time, the MSAR Government will be committed to enhancing the central role local entrepreneurs and professionals play in building this business programme, thus helping them to make new progress during the process.

The public have recently become greatly concerned about avian influenza and food safety, and they have raised new demands for better regional coordination and a rapid response mechanism to meet the potential challenges these pose. We will definitely make the safety of citizens our top priority, and we will strive to constantly optimise the regional cooperation framework in this area, in order to enhance Macao's responsiveness by working together as a regional team.

Market integration is another integral part of regional cooperation. That means every participant should open up its own market and permit the free flow of people, goods and capital, so that foreign capital can compete and cooperate with local capital. Since

the further opening up of our local market, we have started to witness a high degree of activity by some powerful foreign investors. As foreign investment flows in, we must manage the following issues: How can we ‘dance’ together with foreign investors, instead of sitting passively on the sidelines? How can we upgrade ourselves through learning and interaction? How can we jointly expand our markets, to realise benefits all-round? The Government will of course adopt an enthusiastic approach and effective policies to manage these issues, while our entrepreneurs and the general public should contribute their efforts towards the process.

4. Focusing on Major Development Needs, Coordinating Infrastructure Development

The MSAR Government’s clearly defined policy is to maintain and improve the quality of life of our citizens, and to build a strong foundation for Macao’s sustainable development. To this end, we must devote ourselves to undertaking necessary and appropriate urban development and management, in order to make gradual progress and prepare in advance for any rainy days in the future.

The local real estate industry has developed fast in the past year or two, reflecting both present and future economic growth. However, at the same time, local citizens are facing new difficulties about the cost of buying and renting housing. The MSAR Government is paying a high degree of attention to this issue; and we will work to draft new housing policies as soon as possible, on the basis of swift, comprehensive and objective evaluation. We will also ensure that efforts are made at every level to meet the housing needs of our citizens. The Government will first focus on greater efforts to provide more public housing, and fully review the allocation system for home-ownership housing and public housing, so that public resources are effectively used to help families with real housing difficulties. Relevant Government departments will take new measures to improve housing management, in order to assist citizens in improving their living environment. The Government will, in the near future, establish a licensing system for real-estate intermediaries, in order to raise the professional standards of the entire industry and better protect the interests of investors. The Government will also continue to carry out our existing programme to beautify urban districts. We will establish new urban districts and draw up a blueprint for planning those new districts, with a view to gradually creating an even better living environment.

The Government will fulfil our commitment to redevelop old districts more speedily, thus accelerating the improvement of both their living and business environment, and we will promote the coordinated development of both old and new districts. To this end, the Government is drafting new laws and improving district plans more efficiently, and promoting cooperation and greater participation among public bodies, private enterprises and citizens. The establishment of a highly representative Consultative Committee on the Renewal of Old Districts will substantially facilitate efforts in this area.

In the area of transportation, we must adopt a systematic approach to its management. The Government will set up a department dedicated to coordinating and managing transport matters on a citywide basis. We will constantly improve road networks and related facilities, increase the number of car parks and parking places, encourage citizens to use mass transit services, and strive to minimise the number of vehicles on the roads. In addition, we will accelerate the preparation of detailed plans for a railway system. Our aim is to gradually improve the flow of traffic throughout the city by means of a comprehensive management system and by focusing on both the apparent and underlying problems that exist.

It is important that we grasp the opportunities presented by prevailing circumstances to strengthen the competitiveness of Macao's air and sea transport infrastructure. We will increase the airport's capacity by introducing new equipment and facilities for passengers and air cargo services. We will improve the service capabilities of Outer Harbour Ferry Terminal, and make progress in building a new passenger terminal. To cope with our geographical limitations and promote regional integration, the Government will study new arrangements for the transportation infrastructure, in order to provide conditions that are more favourable for the next stage of Macao's ongoing development.

We will further improve the organisational and coordinating functions of the Science and Technology Committee and the Science and Technology Development Fund. We will also work to integrate the region's technological capabilities and fully utilise the mainland's technological support, so as to adopt the right focus and an appropriate approach to the development of our technology industry. In addition, we will accelerate the building of the Macao Science Center and seek breakthroughs in promoting of development of popular science in both quantitative and qualitative terms. Through continuous efforts, we will aim to ensure that the next generation are appreciative and enthusiastic about science.

Macao's rapid economic development, especially the success of our flagship industry, is creating demand for more Government services. As a result, a number of Government departments need to expand their offices or improve their working environment. However, bearing in mind the present upswing in economic growth and the importance of coordinated development, the Government will control the pace of public construction work, in order to prevent overheating in the infrastructure development sector. We believe all our departments will make optimal use of their existing resources in consideration of the wellbeing of our society.

We must highly emphasise safety and environmental protection in both public and private construction work, because these are basic factors for sustainable development. We must admit that the simultaneous implementation of a number of major construction projects in the past few years has resulted in a higher degree of carelessness. There has been an excessive focus on completion of infrastructure developments, as well as considerable deficiencies and inadequacies in staff training, monitoring and management, and insufficient care for their impact on the urban environment. While completing construction projects on time and in accordance with the original contracts is an unshirkable responsibility of the parties concerned, this cannot be used as an excuse for damaging the environment or compromising on safety. To promote more coordinated and effective economic and social development, we will establish a department that has clearly defined powers and duties, improve relevant laws, conduct publicity programmes to promote awareness, and enhance our supervision of environmental protection.

5. Formulating Effective Strategies to Promote Human Development

In recent years, the community has become apprehensive that economic development may become divorced from basic human development. As a government that puts the people's interests first, we should address this concern in all areas of our work.

The Government will allocate greater resources for the all-round development of education. Following the implementation of free nursery education, it will continue to strive to realise the goal of free higher secondary education, and ultimately free education at all non-tertiary levels. During the transitional period before this goal is attained, we will eliminate all additional service charges, and implement an educational allowance system at higher secondary level education.

At the same time, we must deal with the problem of mediocre results in education, which is out of proportion to the large amount of resources we have put into it. We will improve teaching methods, enhance incentive mechanisms, and overcome the habitual laziness of some students. The Government will formulate an institutional framework for teaching professionals, improve allowances for teachers, and provide stronger support that will enable them to raise the quality of teaching. On the foundation of our reforms in basic education, we will go on to implement reforms at the tertiary level. We will raise the standards of teaching professionals and promote academic independence. We will further improve the balance between the teaching of humanities and natural science, as well as between the individuality of academic studies and their application in society. We will enhance the teaching of philosophy and general knowledge, and raise the comprehensiveness of the knowledge structure and academic systems of tertiary education. We will set up special scholarship schemes to support the tertiary education of well-performing school students who are experiencing financial difficulties.

The overall backwardness of our foreign language education has severely restricted the personal development of university and secondary school students. We must raise the quality of foreign language teaching at the basic education level, so that secondary school students entering university are proficient in foreign languages. We will also increase the number of adult education language courses, in order to promote the popularisation of foreign languages in everyday life.

The teaching of ethics is a hot issue nowadays. We will strongly encourage every individual school to make greater efforts in this area, on the basis of its own core values, so that they can contribute to our overall endeavours. The teaching of this subject should inspire and clearly explain the underlying principles of ethics, enabling young people to understand their nature and the reasons why they exist. Putting moral values into practice is the best way to increase moral awareness. We should allow young people to participate in various activities that have a moral significance, so that they can gain deeper feeling and knowledge about the various types of misfortunes that exist in the world, and gradually develop a sense of empathy and the initiative to strive for self-improvement.

We should put our words into action, in order to eliminate the problem of insufficient human resources. The keys to doing this are to enhance the competitiveness and incentives we provide to the workforce. We must also nurture the habit of identifying, appreciating and promoting talent. We should advocate fairness and competition in all

kinds of activities and affairs, such that the best people will stand out, and the average ones will be given a second chance to progress in the course of being tried and tested.

As society rapidly opens up, the risk of contagious diseases increases; and some previously hidden psychological problems also become apparent. We should integrate the areas of medicine, hygiene, sports and environmental protection to a high degree, so that each area contributes in a positive and complementary way to ultimately enhancing the health of our citizens. Building on the foundation of our experience in combating SARS, the Government will join hands with the people to strive for the success of every preventative measure against diseases.

In our promotion of culture and the arts, we must define our strategies in great detail, and correctly manage the relationships and overall coordination between various activities. As well as adopting major directions and approaches in this area, we should set ourselves clearly defined, specific and phased tasks. In this way, Macao's culture and arts will be able to achieve breakthroughs in key fields during diversified development.

Observing the present situation in the development of local arts, we find our artistic appreciation abilities are relatively low. As a result, it is difficult for us to inspire the public's aesthetic sense. In addition, our ability to evaluate the arts is also relatively poor, which limits the improvement of artistic standards. We must improve the teaching of art, and create the right conditions for enhancement of the public's aesthetic awareness. Besides the necessary imitation and adaptation of high-quality artistic models, we should encourage Macao's artists to reflect on their own feelings and experiences, and create works that embody elements of the lives and various aspects of our local community, in order to stimulate the public's enjoyment of art and its interest in the subject.

The success of our application for the "Historic Centre of Macao" to receive World Heritage List status has formed a power that now drives and guides our efforts to protect this valuable physical and spiritual heritage. To promote the ongoing protection of the cultural heritage that surround us, we should emphasise developing the entire human environment, rather than focusing on individual physical objects. As an extension of this effort, we will promote the collection, circulation, donation and appreciation of historical relics, to give the public a chance to see more private collections.

To meet the new demands of citizens for self-improvement, literary education and enriched leisure time, the Government has decided to build a large central library complex. We will reform our library service strategies, and enrich our library collections to include a greater diversity and degree of sophistication. Existing libraries will, in the near future, adopt more flexible measures to adapt their operations to suit the everyday lives of citizens, so that they can enjoy even more convenient access to library services.

We should fully exploit the material and spiritual resources we have inherited from the 4th East Asian Games, in order to promote the habit of participating in sports among young people and adults more widely, and we should develop more athletes of high potential by raising the quality of our coaches. In sports development, we aim to nurture a strong spirit of effort, fair competition and striving for success, on the basis of good knowledge and skills. Besides the modern sports stadiums that are currently in use, we should also renovate the simple and basic outdoor sports facilities according to their actual conditions and needs, to provide more choices for citizens who love sports.

As the economy develops and prospers, and our international reputation grows, we must focus more on building a positive image of Macao as a modern city by promoting social habits that value courtesy, hygiene and good order. We should encourage our citizens to act as role models for foreign visitors and friends. The development of our urban infrastructure, renovation of old districts and other improvement works must emphasise the organic integration of traditional and modern elements, in order to avoid aesthetically poor styles and to maintain harmony between different aesthetic styles within the city and within local communities. We should respect and follow internationally recognised best practices and norms in order to equip ourselves better to manage our external relations.

In 2006, the Government will strengthen the integration and management of social services, particularly focusing on improving weaker areas and the sustainable effectiveness of such services. We will increase our support for financially disadvantaged people, especially in terms of flexibly providing additional help to those with serious difficulties. We will also enhance our service mechanisms and measures to prevent social hardships from developing in the first place.

Part III A Practical Response to Change as We Build Our Future Together

Madam President, Members of the Legislative Assembly:

Macao now faces the biggest changes that have occurred at any point in its history over the last several centuries. Many things that seemed to be certainties in the past are now losing ground. Things that people once doubted are now becoming accepted realities. Things that were once unimaginable are now commonplace. The unfolding of these changes is gradually exposing both large and small problems. They are highlighting deficiencies in the overall quality and sustainability of our society, imbalances between our expectations and reality, and differences between our dreams and their practicality. At the same time, such changes provide many new opportunities for our community to understand the reality of our present situation, learn new things, abandon outdated practices and explore in a bold and practical way. Society as a whole has begun to realise that the challenges now facing Macao are no longer about how to deal with occasional rough times during the course of its steady development. Rather, they concern fundamental change, the dawn of a new era in our history.

To respond to these changes, we should identify a suitable way to make the reforms we need to make by conducting in-depth studies and reaching a consensus. We should adopt a strategy that will enable us to make gradual progress and take practical and flexible measures that will allow us to overcome the obstacles that exist in the path of Macao's development at reasonable cost. Then, we will be able to sail through the changes towards the shores of success.

The more complicated and volatile these changes are, the more solid our foundations should be. We must maintain and strengthen the MSAR's security force. By providing it with modern training and management methods, introducing advanced humanistic values, and fostering close communication and cooperation between it and its counterparts in other places, we will build an excellent security force that embodies Macao's best characteristics. In addition, we should enhance other security measures in various areas, including finance and health. The entire community's sense of security should become an integral part of our civic education.

In the process of enhancing the development of democracy with the right strategies and in well-planned phases, we should always adhere to the Basic Law. We should start by optimising the factors that are conducive to the development of democracy

under prevailing conditions, and promote democracy at an institutional level by introducing democratic mechanisms. Through the operation of such democratic mechanisms, we will try to develop a preliminary democratic environment, with a view to ultimately achieving full democracy at an institutional level. Next year, we will conduct a full review of the Government consultation system, with the aim of reforming and optimising the functions of existing consultative bodies. We will also establish a new authoritative consultation mechanism that is highly representative of the opinions of every industry, and people from all walks of life. This will be able to take in and digest public opinion, enabling the Government to formulate policies that accurately reflect social development and its realities, thus further improving the Government's administration. Even more important is the way the new mechanism will strengthen the Government's administrative powers, since it means the Government will interact more closely with all sectors of society. This will enable us to realise the principle of "Macao people governing Macao" to a greater degree. Only with this foundation can we attain a good balance between the various voices in society, so that people at different social levels can respect and monitor one another, and satisfy their respective needs. Then, we will be able to prevent any individual sector from accumulating an inequitable share of advantages, ensure the greatest degree of stability in our society, and minimise the negative impact of changes as much as possible. This is the only way to marshal disparate political resources, truly increase the Government's administrative ability, effectively realise the Government's accountability, and minimise the number of incorrect policies we adopt, and their consequences. Those who volunteer to participate in the political process may then do so on a level playing field, and gain the chance to become real, qualified politicians, thus helping us to find successors to the members of the core team that is now implementing the principle of "One country, two systems".

The dawn of a new era requires us to rethink the definition and ways to implement the principle of "putting the people's interests first". "Putting the people's interests first" does not mean the Government will take over all the community's affairs. In the MSAR, which is administration-led, the Government, non-governmental organisations and private enterprises should maintain interdependent and mutually cooperative relationships. At the same time, the Government and other members of the community are responsible for positioning themselves accurately, clarifying their obligations, and underlining their areas of expertise. Those tasks that are the MSAR Government's responsibility should be undertaken without hesitation. Those tasks that can be handled within the community should be performed by societies, organisations and enterprises within the community, with the Government's support

and complementary efforts. Theory and practice have shown that this is a desirable social model for using resources better, improved effectiveness and creating social cohesion.

Benign competition helps to improve the overall quality of Macao. We should bear in mind the importance of the proper distribution of social resources, while avoiding perfunctory egalitarianism. Fair competition and real effort are the prerequisites for sustainable harmony, stability and progress. As internal and external challenges emerge more rapidly, the Government will further consolidate the community's resources and build a knowledge-based society. In view of this, Government officials at every level, and leading members of society, should become role models for others.

Everybody knows that putting the people's interests first is not at all the same as populism. Every Government department will continue to take the initiative to listen to the people's voices, and incorporate reasonable elements of their wishes into our administration. In fact, the notion of a society that satisfies everybody all the time is both impractical and unreliable. It also lacks the power to make progress. On the other hand, a society that truly puts the people's interests first is based on the community consciousness, self-sufficiency and constant self-improvement of its entire citizenship. Only a society that upholds the principle of fair play, manages issues in a scientific way, never stops striving even during times of hardship, constantly improves itself, embraces both its local citizens and foreign friends, and cares for the benefits of this generation and those to come can maintain stability during constant change and realise social harmony through a system of checks and balances. This is the only way we can optimise personal development opportunities at reasonable cost, preserve our enduring historical values in a new era, maintain our traditional character, and advance and prosper in our own way.

Looking back on the six years that have passed since the MSAR's establishment, especially our administrative work during the last year, and envisioning the development trends during the coming few years, the MSAR Government has decided to gradually launch a number of well-focused policies in 2006:

(1) Continue to implement tax-reduction and tax-waiver measures, as well as other social welfare projects from the previous year

- Maintain the 25-percent reduction in personal income tax for all employees;

- Continue to waive all business taxes;
- Maintain the 500-pataca reduction in real-estate tax for industrial, commercial and residential units, and continue to waive real-estate tax of less than 500 patacas;
- Continue to waive signboard tax on all types of businesses;
- Continue to waive all tourism taxes on Chinese and western restaurants;
- Continue to waive licence fees for hawkers and street vendors;
- Continue to waive market-stall rents;
- Continue to waive stamp duty on non-life insurance;
- Continue to waive stamp duty on bank credit and associated commissions, and on other banking service commissions; and
- Continue to provide the old-age allowance.

Continue and strengthen initiatives that support local SMEs

Support for SMEs is a unified project that depends on additional human resources and regional cooperation. The Government has decided to:

- Strengthen the SMEs' financing scheme by appropriately increasing the amount of loans given to ease their financial problems;
- Speed up relevant administrative procedures, and provide SMEs with more comprehensive, effective and focused enquiry, training, information and technical services via various related organisations; and
- Following a period of approximately one year of studies and preparation, commence the redevelopment of older districts to provide a better business environment and more development opportunities for

SMEs.

(2) Increased investment in education

- Starting from this school year, extend free education to pre-school levels one and two. This will be implemented after the bill on non-tertiary education system has been amended and passed, and relevant school fees already paid by then will be refunded;
- Starting from the current school year, provide allowances for service surcharges for children from pre-school to junior secondary school level. Cancel service surcharges with effect from the 2006–2007 school year, in order to ease the burden on parents; and
- Starting from the 2006–2007 school year, introduce a general allowance system for senior secondary school students, and grant an allowance of 5,000 patacas to every senior secondary school student. Complete research and analysis and formulate a comprehensive plan during the coming two or three years for the realisation of free education at senior secondary school level not later than the 2009–2010 school year. This will enable us to realise our goal of 15 years of free education.

To implement the above plans and increase allowances for school students outside the subsidised school system, the Government will invest over 880 million patacas in education, 50 percent more than in 2005.

(3) Provide better medical services and safeguard the health of residents

- Combine and reorganise the departments of the public hospital in accordance with their present and future development needs;
- Greatly increase interdepartmental collaboration, shorten the queuing time for specialists, and improve the triage system of emergency services;
- Enhance the equipment and facilities of the public hospital, and expand

their emergency departments, which are subject to huge demand; and

- Establish strong communications mechanisms with the World Health Organization (WHO), the Ministry of Health and neighbouring government departments, to prevent the outbreak of serious infectious diseases such as avian flu. Follow the WHO's guidelines in adopting preventative measures and contingency plans. Arrange for the two main hospitals to set up an influenza-monitoring network and store sufficient anti-virus medicines. Be fully prepared and implement all practical measures for a worst-case scenario. Make the people's lives and health the top priority.

(4) Fully evaluate and facilitate the development of social welfare

- Consider adjusting the basic cost-of-living index in early 2006. Properly increase the living allowance on the basis of scientific evidence and analysis of the basic cost-of-living index. Thereafter, deploy and adjust social welfare resources in accordance with the new index figure; and
- Continue to improve care for the elderly and other underprivileged sectors. Use scientific methods to identify the service needs of the elderly, and strengthen the support given to homes for the elderly. Implement programmes such as "The Elderly Can Contribute" to help realise their potential and allow them to live with dignity. Link the elderly allowance to the living index. Increase the living subsidy to poor people with acute needs, and help them integrate into society.

(5) Helped underprivileged members of the community overcome their difficulties, and facilitate the healthy development of the property market

- Change the long-time passive linkage between the building of public housing estates and returns generated by land grants. Take the initiative to find land to build public housing estates;
- Build around 4,000 public housing flats within three years, and pursue the goal of building at least 6,000 flats within five years;

- Study the adoption of a graduated system for reducing or waiving stamp duty on property transfers in order to help ease the financial problems of first-time property buyers, on condition that residential property bought under this plan must not be reassigned within a certain term of years;
- Plan the launch of a reclamation plan designed for Macao's long-term development, in order to control land supply in a way that promotes the healthy and orderly development of the property market. Use land created by reclamation to help ease traffic congestion, extend leisure areas, improve living standards, and ensure the district's sustainable development; and
- Speed up amendment of real estate and property laws and gradually implement a series of regulations to solve long-term problems concerning real estate and property registration. This should aim to prevent illegal activities concerning transactions of uncompleted and completed flats, curb overheating caused by property speculation, reduce the bubble effect on the economy, protect the public's interest, and facilitate the healthy development of the property market.

(6) Strive to improve employment conditions and ease the pressures created by insufficient human resources

The Government will continue to do our utmost to improve the employment situation. We will adopt a “workfare policy” when handling the unemployment problems of underprivileged people; and we will commit ourselves to advocating the attitude that individuals should be responsible for earning their own living. We will introduce an assistance award scheme, and launch the “Service Scheme for a Dynamic Life.”

The acute shortage of human resources has expanded beyond certain industries to affect every sector of the community. The Government has decided to carry out more-effective measures to ease the pressure created by this problem, provided the employment of local residents is not prejudiced.

On the basis of studies conducted by the Human Resources Development Council and Standing Council on Social Concerted Action, and with the

coordination of these bodies, the Government will launch a surcharge scheme for overseas employees, starting from the first half of next year, and will require enterprises that have already imported overseas employees to hire local workers in the first instance.

The above surcharge will be used to:

1. Train unemployed residents, especially the middle-aged, and help them gain the confidence and skills they need to return to the labour market; and
2. Study possible ways to gradually allocate part of the surcharge, together with other Government resources, towards subsidising the payroll costs that local SMEs' incur when hiring local workers.

Conclusion

Madam President, members of the Legislative Assembly.

Although we have an optimistic outlook, we know we will encounter various unforeseen challenges, one after another, both now and in the future. So, our Government should adopt the motto of “Being prepared for rainy days”, and this should also be a fundamental consensus within our society. The different policies we have adopted to promote the coordinated development of our society are the result of collective thinking and in-depth analysis. We must emphasise that we will not disregard objective realities and future challenges by blindly adhering to the concept of welfarism, which may undermine our vigour and slow down the MSAR's development. At the same time, as a Government that puts the people's overall interests first, we will of course respond in a timely and appropriate way to social demands for more equitable sharing of the fruits of social development. We will strive for a greater degree of harmony and stability, and greater room for development, so that we can adapt ourselves to conditions during this critical transitional period in a faster and more fitting way, effectively control the impact of our rapid economic progress, and unite as one in promoting the realisation of “One country, two systems”. We also hope the measures we have outlined today will create a fairer society with a more caring spirit, and encourage people, especially the younger generation, to work hard to raise our quality of life and enhance Macao's all-round competitiveness.

In fact, there is no such thing as absolute, unconditional prosperity. Prosperity in some sectors can co-exist with a continuing need for reform in others for quite a long time. Growth goes hand-in-hand with sacrifice, and success goes hand-in-hand with failure. The Government has the responsibility to create fairer mechanisms and opportunities for people, yet the improvement and prosperity of an individual's life ultimately depends on his or her own decisions and actions.

During the lengthy period of social development that now lies ahead of us, the Government will undoubtedly make the realignment of the relationships between human development and economic development an integral part of our core strategy. The pursuit of self-interest always has a moral dimension, the attainment of self-interest inevitably involves a moral process, and the allocation of different benefits within a society always reflects that society's moral values. Therefore, economic development forms part of human development. At the same time, any system of moral values presupposes underlying social needs. In human society, whether or not a moral value can be widely upheld is subject to the influences of free competition and market discipline. Thus, human development forms part of economic development. While adhering to correct humanistic values in the course of our economic development, we must use proper market mechanisms to facilitate human development. A society can only enjoy a comprehensive and high degree of both material and spiritual prosperity when economic and human development advance side by side; and regrettable shortcomings can only be avoided by raising living standards. That is the only way we can implement our lofty vision of putting the people's interests first in a steadfast and sustainable manner.

We have full confidence in the outlook I have just described. That is because we believe the implementation of the principles of "One country, two systems", "Macao people governing Macao" and "a high degree of autonomy" inspires our citizens to be hardworking, energetic, willing to help one another, open-minded and generous. We have a variety of social traditions that can stand the test of time, as well as a heritage of innovation and values that we have imported from the outside world. We share the common task of contributing to Macao's stability and progress. We represent various communities, ethnic groups, religions, sectors and social levels. We are supported by a strong motherland. Even more importantly, we now find ourselves in an international environment that values peace, stability, renewal and development. We therefore believe we can overcome the various challenges that will arise during the present period of social adjustment, and we believe we have the ability to cope with the various challenges that will arise while we enjoy prosperity. We will not only be

able to build our own present and future; we will also be able to incorporate deep and profound values and meaning into them.

In the past six years, the Legislative Assembly and Government have fulfilled their responsibility of cooperating with and monitoring each other, in order to ensure Macao's smooth administration and avoid major political mistakes. The entire civil service team has made tremendous efforts in undertaking all its administrative tasks. As the focus of the Government's services, the public have given us valuable support and criticism as we carry out our everyday work. The central government and various Chinese organisations based in Macao provide continual and unreserved backing to the MSAR in every sphere of its activities. I would like to take this opportunity to express my deep gratitude and great respect to them.

That is the end of my report. Thank you, Madam President. Thank you, everyone.