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### Replies to supplementary questions raised by Finance Committee Members in examining the Estimates of Expenditure 2020-21

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 5

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**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)01**

**(Question Serial No. S0001)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Hermes Tang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding Reply Serial No. FSTB(Tsy)004, will the Government provide supplementary information on the respective quantities of conventional cigarettes and heat-not-burn (HNB) tobacco products seized in the locations listed in the reply? What were the staff establishment involved and resources used by the Customs and Excise Department (C&ED) in combating illicit cigarette activities in the past 3 years? It is learnt that C&ED is now collecting duty from incoming travellers for bringing in HNB tobacco products. In this regard, how many HNB tobacco products did C&ED collect duty from in the past 3 years?

Asked by: Hon NG Wing-ka, Jimmy

Reply:

The respective locations, quantities and values of duty-not-paid conventional cigarettes and heat-not-burn tobacco products (HNB products) seized locally by C&ED between 2017 and 2019 are tabulated below. Since the duty-not-paid cigarettes seized in 2015 and 2016 were all conventional cigarettes, the table below only shows the relevant breakdown in the past 3 years:

|   |                           | 2017                    |              | 2018                    |              | 2019                    |              |
|---|---------------------------|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|
|   |                           | Conventional cigarettes | HNB products | Conventional cigarettes | HNB products | Conventional cigarettes | HNB products |
| Hong Kong International Airport                       | Quantity (million sticks) | 0.28                    | 0.51         | 0.31                    | 4.5          | 0.25                    | 2.67         |
|   | Total value (\$ million)  | 0.73                    | 1.33         | 0.85                    | 12.16        | 0.7                     | 7.62         |
| Land boundary and railway control points              | Quantity (million sticks) | 33.54                   | 0.08         | 18.43                   | 0.44         | 21.64                   | 0.24         |
|   | Total value (\$ million)  | 90.56                   | 0.23         | 49.73                   | 1.18         | 58.81                   | 0.65         |
| Container terminals and ferry terminal control points | Quantity (million sticks) | 6.32                    | 0.02         | 2.73                    | 0.13         | 2.26                    | 0.01         |
|   | Total value (\$ million)  | 16.53                   | 0.06         | 7.37                    | 0.36         | 6.19                    | 0.02         |
| In-town area  | Quantity (million sticks) | 19.39                   | 0.12         | 23.73                   | 2.95         | 24.11                   | 3.01         |
|   | Total value (\$ million)  | 50.31                   | 0.34         | 61.88                   | 8.3          | 64.74                   | 8.58         |
| Total (Note)  | Quantity (million sticks) | 60                      | 0.74         | 45                      | 8            | 48                      | 6            |
|   | Total value (\$ million)  | 158                     | 2            | 120                     | 22           | 130                     | 17           |

Note: Figures may not add up to the total due to rounding.

Since the front-line officers stationed at various control points are tasked with other clearance duties in addition to combating illicit cigarette activities, C&ED cannot separately quantify the number of officers and the actual expenditures involved in combating illicit cigarette activities. Apart from intercepting illicit cigarettes at various control points, C&ED is also committed to combating the storage, distribution and peddling (including telephone ordering) of illicit cigarettes. In the past 3 financial years, C&ED deployed a total of 61 officers each year to specifically combat illicit cigarette activities. The salary expenditures involved each year are tabulated below:

| Financial Year | Salary expenditures involved (\$ million) |
|----------------|---|
| 2017-18        | 23.93                                     |
| 2018-19        | 24.98                                     |
| 2019-20        | 26.27                                     |

In the past 3 years, the amounts of duty collected from incoming travellers declaring HNB products in excess of the duty free concession and the quantities involved are as follows:

| <b>Excess quantity of HNB products declared by travellers</b>                                    | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|--|-------------|-------------|-------------|
| Quantity by stick (million sticks)   | 0.1         | 0.53        | 0.92        |
| Quantity by weight (gram)  | 6           | 565         | 45          |
| The total amount of duty involved in respect of the above two types of HNB products (\$ million) | 0.2         | 1.01        | 1.75        |

- End -

**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)02**

**(Question Serial No. S0122)**

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (3) Estate Utilisation

Controlling Officer: Government Property Administrator (Miss Leonia Tai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide, by using the table in the original question, the details of **each** of the more than 550 tenancies of premises mentioned in the reply that Government policy bureaux/departments and non-governmental organisations have entered into with the assistance of the Government Property Agency.

Asked by: Hon TAM Man-ho, Jeremy

Reply:

As answered in our reply under serial no. FSTB(Tsy)011, the Government Property Agency has leased out over 550 tenancies to non-governmental organisations. There is an extensive amount of information and is not compiled in the format as designated in the question. We have summarised the information in our reply. If there are further enquiries on specific issues, please contact the Agency.

- End -

**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)03**

**(Question Serial No. S0014)**

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (2) Supplies Management

Controlling Officer: Director of Government Logistics (Miss Mary CHOW)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

'To avoid undermining the bargaining power of the Government Logistics Department and other departments in the procurement of anti-epidemic items, the HKSAR Government considers that it is not appropriate at this stage to disclose specific information about the consumption of anti-epidemic items of individual departments.'

To avoid affecting the bargaining power in the procurement of anti-epidemic items by publishing excessive information, the Government is hereby requested to provide only the quantity of 'surgical mask', 'N95 mask', 'protective gown' and 'protective coverall suit' allocated to the Hong Kong Police Force since the beginning of this year.

Asked by: Hon CHU Hoi-dick

Reply:

Taking into account advice from experts and in consideration of the stock level, the Government has set priorities for the use of anti-epidemic items. At present, for anti-epidemic items procured by the Government Logistics Department (GLD), priority will be accorded to meeting the needs of frontline staff involved in quarantine-related work (including medical and port health staff of the Department of Health and staff implementing quarantine orders) and maintenance of essential public services. As the stock of masks kept by GLD is not sufficient to cover all Government staff, departments may take into account their operational needs and provide masks for their staff through direct purchases.

Currently, given the strong demand for anti-epidemic items worldwide, the procurement work of the HKSAR Government faces keen competition. To avoid undermining the bargaining power of the Government as a whole or individual departments in the procurement of anti-epidemic items, the HKSAR Government considers that it is not appropriate at this stage to disclose specific information about the consumption and stock level of anti-epidemic items of any department.

- End -

**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)04**

**(Question Serial No. S0005)**

Head: (162) Rating and Valuation Department

Subhead (No. & title): ()

Programme: (1) Statutory Valuation and Assessments

Controlling Officer: Commissioner of Rating and Valuation (CHOI Lap Yiu)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. For the 2021-22 General Revaluation, the Rating and Valuation Department (RVD) will issue Requisitions for Particulars of Tenements to rates/Government rent payers in August 2020 to collect relevant information and analyse such information starting from October. The General Revaluation exercise is expected to be completed in March 2021 and the entire process takes 8 months. Had the Government taken any measures, such as increasing manpower and resources, utilising information technology and outsourcing certain parts of the exercise, in the past 3 years to simplify the workflow so that the rateable values arrived at upon the revaluation would reflect more closely the prevailing market conditions?
2. There is usually a time lag of 2 to 3 months for the property statistics published regularly by the RVD when compared with the market. Will the Government consider increasing manpower and resources, utilising information technology and outsourcing certain parts of its work so that the statistics will reflect more closely the prevailing market conditions and that more information about the property market will be made available for reference by the public?

Asked by: Hon TSE Wai-chuen, Tony

Reply:

1. The Rating and Valuation Department (RVD) reassesses the rateable values of various types of properties regularly under the Rating Ordinance. The revaluation is based on the prevailing market rental level at the valuation reference date (which is usually fixed at 1 October in the year preceding the date on which the new rateable values take effect). The 2020-21 General Revaluation is expected to involve about 4.66 million tenements in the Valuation List and Government Rent Roll, encompassing multiple tasks including collection of rental information, data analysis, reassessment and updating of the rateable values. As each of these tasks is inter-related, strenuous and time-consuming, with confidential information involved, RVD has all along been redeploying its internal manpower resources to ensure a smooth completion of the revaluation work each year. Contractors have also been engaged to assist in the printing, posting and processing of the Requisitions for Particulars of Tenements forms. In addition, RVD has utilised information technology when reassessing rateable values, and also reviewed the procedures involved in the revaluation, with a view to streamlining the overall workflow.
2. RVD compiles and publishes monthly price and rental indices of various types of private properties. Relevant information comes from not only the rental data RVD collected under the Rating Ordinance and the Government Rent (Assessment and Collection) Ordinance and from landlords by way of their notifications of new lettings, but also from the transaction information provided by the Stamp Office of the Inland Revenue Department. In general, an agreement for sale and purchase or a tenancy agreement is signed 2 to 3 weeks after the provisional agreement has been reached. Stamp duty is then paid. As such, when RVD obtains relevant information from the Stamp Office, a time lag is inevitable.

To minimise the time required for compiling statistics, RVD processes huge amount of property sales and rental information through computer systems upon receipt. It normally takes about a month to collate and analyse the data, the result of which will be published within the first 6 working days of the following month. Take February this year as an example, the property price and rental indices that reflected the agreements signed during the month were compiled in March, and then uploaded to the RVD's website on 6 April for public inspection.

- End -



**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)05**

**(Question Serial No. S0018)**

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding part 2 of Reply Serial No. FSTB(Tsy)060, the offer of rewards to encourage the public to defer registration may result in the deferment of registration by some members of the public, and thus expedite the process of cash payout and enable those in need to get the cash at an earlier time. Please explain why the Government would not consider offering rewards to encourage the public to defer registration.

Regarding parts 3 & 4 of the reply, information has shown that the Government had to pay banks a fee of HK\$15 for each application form handled during the \$6,000 cash payout in 2011. How is the discussion with banks going and what would be the amount of the handling fee?

Asked by: Hon KWOK Wing-hang, Dennis

Reply:

1. The objectives of the cash payout scheme are to encourage and boost local consumption, as well as to relieve people's financial burden. The Government hopes that through a simple and convenient registration process, payment can be disbursed to the citizens as soon as possible. In this regard, the Government has no plan to offer rewards to encourage people to defer making registration.
2. The Government is discussing with banks on the service details. The service fee level can only be determined after the discussion has been completed.

- End -

**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)06**

**(Question Serial No. S0019)**

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control, (3) Service Departments

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In respect of part (1) of the reply, the Government indicated that “the Government aims to maintain adequate reserves in the long run”. What does it mean by “in the long run”? If it is measured in months, how many months does “in the long run” represent? And what does it mean by “adequate reserves”? If it is measured in terms of government expenditure, how many months of government expenditure does “adequate reserves” represent?

In respect of part (2) of the reply, the Government mentioned that it would strive to conclude the negotiations with 14 tax jurisdictions and sign the agreements. Please set out the respective anticipated year of signing and implementation.

Asked by: Hon KWOK Wing-hang, Dennis

Reply:

1. Since the financial year 1997-98, the Government has generally maintained its fiscal reserves at a level equivalent to 13 to 28 months of government expenditure. In preparing the Budget every year, the Government endeavours to strike a proper balance among the levels of its revenue, expenditure and fiscal reserves, taking into account the imminent and long-term needs of the society. With adequate fiscal reserves, the Government is able to introduce suitable measures to relieve people's burden during the economic downturn. Due to the continuous development of the economy and the society, it is inappropriate to set a rigid benchmark for the level of fiscal reserves. As set out in the Medium Range Forecast in the Appendices of the 2020-21 Budget, the Government's fiscal reserves would, throughout the forecast period up to 31 March 2025, stay at a level equivalent to 15 months or more of government expenditure.
2. The progress of negotiations for a Comprehensive Avoidance of Double Taxation Agreement (CDTA) is affected by various factors, including the expectations and negotiation strategies of both parties, the extent of disagreement with respect to certain provisions, the internal work priority and vetting procedures of our negotiation partner, etc. Further, since Hong Kong adopts the territorial source principle of taxation, some jurisdictions take the view that the double taxation issue between them and Hong Kong is not significant. With more jurisdictions participating in the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, jurisdictions no longer need to ride on CDTAs for exchanging tax information. This has also affected their incentives for negotiating a CDTA with Hong Kong.

Given the above factors, it is difficult for us to anticipate the years of signing CDTAs with those 14 jurisdictions with which negotiations are underway. Nevertheless, we will continue to expand Hong Kong's CDTA network with a view to bringing the total number of CDTAs from the existing 43 to 50 by the end of 2022. In the past five years, we signed CDTAs with 11 jurisdictions.

- End -

**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)07**

**(Question Serial No. S0004)**

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government said in its reply, "In view of the purpose of the cash payout scheme and the amount involved, we consider it reasonable to set the qualifying age at 18 or above".

1. The Government's cash payout scheme aims at "encouraging and boosting local consumption" and "relieving people's financial burden". Does the Government consider that persons aged below 18 and/or their families bear no financial burden and therefore exclude residents below that age from the cash payout scheme?
2. At present, a number of government subsidy schemes (such as the Working Family Allowance Scheme) covering persons aged below 18 are disbursing allowances through their parents' bank accounts. Why does the Government not consider disbursing \$10,000 to persons aged below 18 through similar mechanisms? Has the Government explored the technical difficulties arising from the disbursement of \$10,000 through such mechanisms?
3. In view of the serious epidemic outbreak, has the Government considered increasing the amount to be disbursed under the cash payout scheme? If yes, what are the details? If no, what are the reasons?

Asked by: Hon WU Chi-wai

Reply:

The Government has introduced several rounds of relief measures in the past few months to assist people of different groups or with different needs in the community. The Financial Secretary announced in the 2020-2021 Budget to disburse \$10,000 to each Hong Kong permanent resident aged 18 or above, which is expected to benefit about seven million people. With due consideration of all the relief measures and their financial implications, we are of the view that setting the disbursement amount and the qualifying age at \$10,000 and 18 or above respectively is an appropriate arrangement.

- End -

**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)08**

**(Question Serial No. S0011)**

Head: (188) Treasury

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Director of Accounting Services (Charlix Wong)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Further to Annexes I and II to Reply Serial No. FSTB(Tsy)103, please provide, in the tabular format of the Annexes, the civil service housing benefits processed by the Treasury in respect of each department in 2019, as well as the actual expenditure of such housing benefits. If a breakdown by calendar year is not available, please provide the actual expenditure in the 2019-20 financial year.

Asked by: Hon CHAN Tanya

Reply:

The actual expenditure of the civil service housing benefits schemes processed by the Treasury in 2019-20 is tabulated at Annex I.

**Actual expenditure of civil service housing benefits schemes  
processed by the Treasury in 2019-20**

| <b>Bureau/Department</b>  | <b>Actual<br/>Expenditure<br/>(\$'000)</b> |
|---|--|
| Chief Executive's Office  | 3,476                                      |
| Agriculture, Fisheries and Conservation Department  | 24,229                                     |
| Architectural Services Department   | 67,588                                     |
| Audit Commission  | 7,805                                      |
| Auxiliary Medical Service   | 477  |
| Buildings Department  | 85,583                                     |
| Census and Statistics Department  | 12,938                                     |
| Civil Aid Service   | 464  |
| Civil Aviation Department   | 39,469                                     |
| Civil Engineering and Development Department  | 83,405                                     |
| Companies Registry  | 4,899                                      |
| Correctional Services Department  | 83,622                                     |
| Customs and Excise Department   | 75,123                                     |
| Department of Health  | 129,932                                    |
| Department of Justice   | 57,129                                     |
| Drainage Services Department  | 38,362                                     |
| Electrical and Mechanical Services Department   | 68,323                                     |
| Environmental Protection Department   | 47,316                                     |
| Fire Services Department  | 115,816                                    |
| Food and Environmental Hygiene Department   | 82,750                                     |
| Government Flying Service   | 8,980                                      |
| Government Laboratory   | 17,704                                     |
| Government Logistics Department   | 6,474                                      |
| Government Property Agency  | 7,762                                      |
| Government Secretariat : Civil Service Bureau   | 22,647                                     |
| Government Secretariat : Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch) | 13,728                                     |
| Government Secretariat : Commerce and Economic Development Bureau (Communications and Technology Branch)  | 3,948                                      |
| Government Secretariat : Constitutional and Mainland Affairs Bureau                                       | 12,225                                     |
| Government Secretariat : Development Bureau (Planning and Lands Branch)                                   | 9,370                                      |
| Government Secretariat : Development Bureau (Works Branch)  | 18,611                                     |
| Government Secretariat : Education Bureau   | 137,740                                    |
| Government Secretariat : Environment Bureau   | 2,599                                      |
| Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)           | 5,703                                      |
| Government Secretariat : Financial Services and the Treasury Bureau (The Treasury Branch)                 | 7,586                                      |
| Government Secretariat : Food and Health Bureau (Food Branch)   | 3,662                                      |
| Government Secretariat : Food and Health Bureau (Health Branch)   | 6,139                                      |
| Government Secretariat : Home Affairs Bureau  | 11,057                                     |

**Actual expenditure of civil service housing benefits schemes  
processed by the Treasury in 2019-20**

| <b>Bureau/Department</b>   | <b>Actual<br/>Expenditure<br/>(\$'000)</b> |
|--|--|
| Government Secretariat : Innovation and Technology Bureau  | 5,015                                      |
| Government Secretariat : Innovation and Technology Commission  | 12,867                                     |
| Government Secretariat : Labour and Welfare Bureau   | 4,946                                      |
| Government Secretariat : Office of the Government Chief Information Officer                                | 12,718                                     |
| Government Secretariat : Offices of the Chief Secretary for Administration and the Financial Secretary     | 15,078                                     |
| Government Secretariat: Overseas Economic and Trade Offices  | 7,309                                      |
| Government Secretariat : Security Bureau   | 7,406                                      |
| Government Secretariat : Transport and Housing Bureau (Transport Branch)                                   | 12,158                                     |
| Highways Department  | 69,585                                     |
| Home Affairs Department  | 34,391                                     |
| Hong Kong Monetary Authority   | 116  |
| Hong Kong Observatory  | 5,992                                      |
| Hong Kong Police Force   | 354,822                                    |
| Hospital Authority   | 5,224                                      |
| Housing Department   | 188,524                                    |
| Immigration Department   | 114,518                                    |
| Independent Commission Against Corruption  | 66,464                                     |
| Information Services Department  | 14,664                                     |
| Inland Revenue Department  | 42,897                                     |
| Intellectual Property Department   | 6,579                                      |
| Invest Hong Kong   | 2,431                                      |
| Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions Of Service | 1,482                                      |
| Judiciary  | 28,529                                     |
| Labour Department  | 47,033                                     |
| Lands Department   | 70,603                                     |
| Land Registry  | 6,891                                      |
| Legal Aid Department   | 12,233                                     |
| Leisure and Cultural Services Department   | 66,692                                     |
| Marine Department  | 19,977                                     |
| Office for Film, Newspaper and Article Administration  | 1,725                                      |
| Office of the Communications Authority   | 10,028                                     |
| Official Receiver's Office   | 7,873                                      |
| Planning Department  | 23,975                                     |
| Post Office  | 32,736                                     |
| Public Service Commission Secretariat  | 858  |
| Radio Television Hong Kong   | 15,070                                     |
| Rating and Valuation Department  | 19,656                                     |



**Actual expenditure of civil service housing benefits schemes  
processed by the Treasury in 2019-20**

| <b>Bureau/Department</b>   | <b>Actual<br/>Expenditure<br/>(\$'000)</b> |
|--|--|
| Registration and Electoral Office  | 3,177                                      |
| Secretariat, Commissioner on Interception of Communications and Surveillance | 867  |
| Social Welfare Department  | 102,717                                    |
| Trade and Industry Department  | 10,538                                     |
| Transport Department   | 45,876                                     |
| Treasury   | 6,677                                      |
| University Grants Committee  | 1,955                                      |
| Water Supplies Department  | 50,681                                     |
| Working Family and Student Financial Assistance Agency                       | 9,209                                      |
| <b>Total</b>   | <b>2,905,403</b>                           |

The above includes the actual expenditure of Home Purchase Allowance, Accommodation Allowance, Home Financing Allowance, Private Tenancy Allowance, Rent Allowance and Non-accountable Cash Allowance.

- End -

**CONTROLLING OFFICER'S REPLY**

**S-FSTB(Tsy)09**

**(Question Serial No. S0020)**

Head: (188) Treasury

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Director of Accounting Services (Charlix Wong)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding part 9 of the reply, please advise this Committee the reason for adopting the Consumer Price Index B as the target.

Asked by: Hon KWOK Wing-hang, Dennis

Reply:

Adopting 2% above the Consumer Price Index B as the target investment return of the Grant and Subsidized Schools Provident Funds is to take into account the long term investment nature of the Funds, which aims to ensure preserving capital in real terms so as to maintain the purchasing power of the Funds' assets after including the impact of inflation.

- End -