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**Panel on Welfare Services**

**Subcommittee on Issues Relating to the Silver Age Card**

**Information note prepared by the Legislative Council Secretariat  
for the meeting on 28 June 2021**

**Consumption patterns of persons aged 60 to 64 in Hong Kong  
and business opportunity of the silver age market**

The proportion of older persons in Hong Kong's population is rising notably due to longer life expectancy and a declining birth rate. According to the Hong Kong Population Projections 2020-2069 released by the Census and Statistics Department in September 2020, the life expectancy at birth for males and females in 2019 was 82.2 years and 88.1 years respectively. In 2069, the expectation of life at birth for males and females is projected to increase to 88.4 years and 93.9 years respectively. By that time, the number of persons aged 60 and above is projected to rise from 1.89 million (or 26.5% of the total population) in mid-2019 to 3.05 million (or 45.6% of the total population) in mid-2069. With an ageing population, older persons are becoming a sizable consumer group.

2. The Administration has commissioned some years ago a study to explore the development of silver hair market in Hong Kong to cater for the needs of older persons aged 60 or above. The study has put forth a number of short and medium-term general recommendations and domain-specific recommendations.<sup>1</sup> The Administration has acknowledged that an ageing population may bring new business opportunities for some segments of the economy, such as financial services (e.g. health or medical insurance), tourism, care services, medical services, fitness and grooming, and health food products, and there is a need to

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<sup>1</sup> The report of the study (English version only) which was released in 2011 can be accessed at [https://www.pico.gov.hk/doc/en/research\\_reports/SHM%20Volume%201.pdf](https://www.pico.gov.hk/doc/en/research_reports/SHM%20Volume%201.pdf). The 11 domains covered in the recommendations are (a) financial services; (b) tourism; (c) trading and logistics (transportation); (d) professional service (personal care and health service); (e) education; (f) medical services; (g) testing and certification; (h) innovation and technology; (i) cultural and creative industries; (j) housing; and (k) others (funeral services).

proactively examine how best to explore these burgeoning business opportunities so as to benefit the whole community.<sup>2</sup> Through a public engagement exercise on the population policy consultation document released in 2013, the Administration has gauged public views on, among others, what sort of products and services tailored for older persons should be developed and how could the Government facilitate the development of the silver hair market.<sup>3</sup> Views collected in the exercise pointed to the need for promoting the development of a silver hair market to better serve the elderly of the next generations and to boost Hong Kong's economy.<sup>4</sup>

3. On the consumption patterns of ageing consumers, a study on building an age-friendly consumption environment released by the Consumer Council in 2018<sup>5</sup> revealed that persons aged 55 to 64, when comparing to the older cohort of the elderly, were more independent in their living arrangement; healthier and financially more capable to afford more in purchasing products and services in the sectors of entertainment, healthcare and finance; and have higher educational attainment and are more receptive to information and communications technology development. The consumption patterns of these ageing consumers showed that they had a more active and socialized lifestyle. The top three commonly consumed recurrent items were transportation (94.1%), dining out (82.9%) and telecommunications (including web surfing and use of mobile phone) (73.4%), whereas the top three commonly consumed non-recurrent items were entertainment/hobbies/leisure/refresher courses (51.7%), festive/birthday expenses (50.8%) and other gifts (45.9%). Separately, travel constituted the largest share (20.7%) of the ageing consumers' aggregate expenditure on the non-current consumption items. The study, however, revealed that majority (71.7%) of the ageing consumers found that there was insufficient choices of goods and services for them in the market.

4. To ensure that retired older persons have a stable stream of income or financial resources to better enjoy the rest of their lives, the Hong Kong Mortgage Corporation Limited ("HKMC") has launched three retirement products, namely, the Reverse Mortgage Programme, the Policy Reverse Mortgage Programme and the HKMC Annuity Plan. The Reverse Mortgage

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<sup>2</sup> See Chapter 5 of the Third Quarter Economic Report 2013 which can be accessed at [https://www.hkeconomy.gov.hk/en/pdf/er\\_13q3.pdf](https://www.hkeconomy.gov.hk/en/pdf/er_13q3.pdf).

<sup>3</sup> The consultation document can be accessed at [https://www.hkpopulation.gov.hk/public\\_engagement/pdf/721300328\\_eng\\_hires.pdf](https://www.hkpopulation.gov.hk/public_engagement/pdf/721300328_eng_hires.pdf).

<sup>4</sup> See the paper entitled "Population Policy Public Engagement Exercise" provided by the Administration for the special meeting of the House Committee on 7 February 2014 (LC Paper No. CB(2)801/13-14(01)).

<sup>5</sup> The report of the study can be accessed at the website of the Consumer Council at [https://www.consumer.org.hk/sites/consumer/files/Elderly\\_Report/A%20Study%20on%20Building%20an%20Age-friendly%20Consumption%20Environment%20-%20Full%20Report.pdf](https://www.consumer.org.hk/sites/consumer/files/Elderly_Report/A%20Study%20on%20Building%20an%20Age-friendly%20Consumption%20Environment%20-%20Full%20Report.pdf).

Programme enables people aged 55 or above to use their residential properties in Hong Kong as security to obtain reverse mortgage loans. The Policy Reverse Mortgage Programme enables people who are aged 60 or above to use their life insurance policy as collateral to borrow from a lender. Under both Programmes, borrowers can opt to receive monthly payouts over a fixed period of 10, 15 or 20 years or throughout the entire life, and lump-sum payouts for specific purposes when needed. The HKMC Annuity Plan provides persons aged 60 or above with a steady stream of guaranteed monthly annuity payments after paying a single premium ranging from a minimum of \$50,000 to a maximum of \$3 million. A written question on the HKMC Annuity Plan was raised at the Council meeting on 12 May 2021. The question and the Administration's reply are in the **Appendix**.

5. It was agreed at the meeting on 31 May 2021 that the Administration should brief the Subcommittee on the consumption patterns of persons aged 60 to 64 in Hong Kong and business opportunity of the silver age market.

Council Business Division 2  
Legislative Council Secretariat  
25 June 2021

## Press Releases

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LCQ8: HKMC Annuity Plan

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Following is a question by the Hon Martin Liao and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (May 12):

Question:

The Hong Kong Mortgage Corporation Limited, wholly-owned by the Government through the Exchange Fund, launched the HKMC Annuity Plan (the Plan) in July 2018. The maximum premium amount per person of this insurance product was increased from \$1 million to \$3 million in May 2019, and the minimum eligible age for subscription was lowered from 65 to 60 in February 2020. After making a lump-sum premium payment ranging from a minimum of \$50,000 to a maximum of \$3 million, an annuitant may receive a life-long stream of fixed amount of monthly annuity payments, and the cumulative amount of the monthly annuity payments received by the annuitant is guaranteed to be no less than 105 per cent of the premium paid (the guaranteed rate of return). Regarding the Plan, will the Government inform this Council:

(1) of the annual (i) aggregate amount of premiums collected and (ii) number of new annuitants since the launch of the Plan, and set out, in the table below, such figures and a breakdown of the latter by the premium groups as shown in the table;

Year	Number of new annuitants					
	Premium groups					
	(i)	(ii)	Below \$500,000	\$500,000 to below \$1 million	\$1 million to below \$2 million	\$2 million to \$3 million
2018 (from July to December)					-	-
2019						
2020						
2021 (up to March)						
Total:						

(2) of the average entry age of the annuitants at present, and the total amount of annuity payments received by them so far; the up-to-date number of annuitants who have surrendered their policies within the guaranteed period;

(3) as there are comments that when compared with the average annual inflation rate in Hong Kong in the past three years (i.e. about 2.3 per cent), the guaranteed rate of return of the Plan cannot be counted as attractive, how the authorities determined such rate of return in the first place, and whether they will

consider adjusting the guaranteed rate of return in the light of the actual inflation rate; and

(4) whether the authorities have compared the attractiveness of the Plan with that of the annuity products launched by private insurance institutions in recent years, and what measures are in place to assist retirees in comparing the expected returns of these two types of products so that they can make an informed choice?

Reply:

President,

Having consulted the HKMC Annuity Limited (HKMCA), my reply to the various parts of the question is as follows:

(1) The table below sets out the number of policies issued under the HKMC Annuity Plan (the Plan) by premium amount:

Year	(i) Total premium amount (HK\$ billion)	(ii) Number of policies issued	Number of policies issued under the Plan			
			Premium amount			
			Below HK\$0.5 million	HK\$0.5 million to below HK\$1 million	HK\$1 million to below HK\$2 million	HK\$2 million to HK\$3 million
2018 (July-December)	2.8	5 422	2 542	1 429	1 446	5
2019	1.6	2 188	726	552	747	163
2020	2.5	2 606	615	662	935	394
2021 (as of end-March)	0.9	895	187	232	347	129
Total	7.8	11 111	4 070	2 875	3 475	691

Note: As each policyholder can apply for more than one policy under the Plan, "number of policies issued" instead of "number of new annuitants" is provided in the table above.

(2) The table below sets out the average age at application, the total annuity payout and the number of surrendered cases of the Plan:

Year	Average age at application (years old)	Total annuity payout (HK\$ billion)	Number of surrendered cases
2018 (July-December)	69.7	0.03	0
2019	69.1	0.26	2
2020	65.2	0.39	3
2021 (as of end-March)	65.4	0.14	1
Average/Total	68.2	0.82	6

Note: As each policyholder can apply for more than one policy under the Plan, "number of surrendered cases" instead of "number of annuitants surrendering the policies" is provided in the table above.

(3) The Plan is a long-term insurance product. The level of monthly annuity payout is determined on the basis of actuarial calculation using objective statistical data such as life expectancy of different age and gender and long-term investment return etc.

The table below sets out the annuity payout rates of the Plan by age and gender:

Age at application (years old)	Annuity payout rate of the Plan	
	Male	Female
60	6.1%	5.6%
65	6.9%	6.3%
70	7.8%	7.0%
75	8.8%	7.7%
80	9.7%	8.4%

The HKMCA has conducted a study on inflation-linked annuity products. Considering that annuity payouts of such products during the early years would inevitably have to be reduced significantly, resulting in lower attractiveness of the products, the HKMCA has no plan to introduce inflation-linked annuity products at present.

(4) The local annuity market has registered rapid growth since 2018. In 2020, new premiums on annuity products reached HK\$13.3 billion, representing an increase of more than 70 per cent since 2017. Whereas the HKMCA provides immediate annuity products targeting at the retired market segment, private insurance companies mainly focus on the provision of deferred annuity products. Since the launch of the Plan, the HKMCA has quickly become the biggest player in the local immediate annuity market.

With a view to raising public awareness of annuity products, the HKMCA will continue to step up its education and outreach efforts in relation to life annuity, such as promoting the concept of life annuity and longevity risk management to the target segments through different channels, including promotional videos, roving exhibitions and public seminars.

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