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Replies to initial questions raised by Legislative Council Members in examining the Estimates of Expenditure 2026-27

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 8

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CONTROLLING OFFICER'S REPLY

FSTB(Tsy)001

(Question Serial No. 0711)

Head: (25) Architectural Services Department

Subhead (No. & title): ()

Programme: (2) Facilities Upkeep

Controlling Officer: Director of Architectural Services (Michael LI Kiu-yin)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As regards the performance measures in respect of facilities upkeep, the targets of attending to emergency repairs within 1 hour of notification in Hong Kong, Kowloon and new towns in the New Territories as well as attending to urgent repairs within 1 day of notification remain unchanged (99%). Given that the establishment ceiling of the Architectural Services Department for 2026-27 is reduced from 1 952 to 1 901 non-directorate posts, which is a decrease of 51 posts, will the Government inform this Committee:

1. of the number of dedicated staff responsible for the following work and the total number of work hours involved, with a breakdown of the relevant expenditure in the past year (2025-26):
 - (i) completing minor repairs within the agreed time scale, completing major maintenance and refurbishment work within the agreed time scale, as well as carrying out scheduled maintenance inspections of all buildings;
 - (ii) attending to emergency repairs and urgent repairs (e.g. repairing a burst water pipe, a broken window); and
2. of the manpower and expenditure set aside for the above purposes in the provision for this year (2026-27), and whether the original targets for “the performance measures in respect of facilities upkeep” will continue to be met against the background of reduced manpower for this year?

Asked by: Hon LAU Man-kwan, Julia (LegCo internal reference no.: 15)

Reply:

1. and 2.

The Property Services Branch of the Architectural Services Department (ArchSD) provides efficient and cost-effective professional facilities upkeep and project management services for

government buildings and facilities maintained by the Branch. Its work involves maintenance and repair of buildings and facilities, as well as refurbishment, fitting-out, alteration, addition and improvements and emergency repairs to properties.

Regarding the minor repairs, emergency repairs and urgent repairs funded under Head 25 in 2026-27, the estimated expenditure is about \$801.7 million, an increase of about \$28.6 million as compared with the revised estimate for 2025-26. As for the major maintenance and refurbishment work as well as maintenance inspections carried out by the ArchSD, the expenditures will be funded under Subhead 3004GX of Head 703 within the block allocation under the Capital Works Reserve Fund for 2026-27. The estimated expenditure for 2026-27 under this subhead is \$1.92 billion.

There will be an estimated total of 737 posts in the ArchSD's establishment under Programme (2) "Facilities Upkeep" in 2026-27, a decrease of 18 posts against that in 2025-26. Despite the reduction in manpower, which aligns with the Government's efforts to reduce the establishment of the civil service, the ArchSD will maintain professionalism and, with the adoption of technology for enhancement of efficiency and management, continue to meet the targets for "the performance measures in respect of facilities upkeep" set out in the Controlling Officer's Report. As the maintenance and refurbishment work as well as emergency repairs mentioned in the question are part of the overall duties of the existing staff, we do not have a breakdown of the manpower resources (including the total number of work hours) and expenditures involved.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0712)

Head: (25) Architectural Services Department

Subhead (No. & title): ()

Programme: (2) Facilities Upkeep

Controlling Officer: Director of Architectural Services (Michael LI Kiu-yin)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated under Matters Requiring Special Attention in 2026-27, the Architectural Services Department (ArchSD) will enhance and promote preventive maintenance and best practices in facilities upkeep. It is learnt that the Government has earlier established the ArchSD Working Group for Smart Asset Maintenance, which deploys robots and drones for inspections, integrates Building Information Modelling with Internet of Things sensors for real-time monitoring, and applies artificial intelligence analytics to identify building defects, among others. In this connection, will the Government advise this Committee whether dedicated funding has been set aside for the further promotion of the aforementioned technology-assisted solutions (including equipment procurement, system upgrades and frontline staff training) in 2026-27? If so, what are the relevant estimates, and what are the projected savings in man-hours or improvements in inspection efficiency?

Asked by: Hon LAU Man-kwan, Julia (LegCo internal reference no.: 16)

Reply:

Established in July 2020 under the Property Services Branch of the Architectural Services Department (ArchSD), the Working Group for Smart Asset Maintenance (SAMWG) is primarily tasked with exploring and developing integrated smart solutions to enhance the ArchSD's efficacy in maintaining government facilities. It also formulates strategies and implementation programmes for the future development of maintenance of government building assets and facilities.

The SAMWG is committed to enhancing the resilience, safety, cost-effectiveness and resource efficiency of all buildings and facilities under the ArchSD's maintenance purview. Since its establishment, the SAMWG has completed about 40 projects. Among them, the utilisation of the Building Information Modelling – Asset Management Platform and the Internet of Things Asset Management System facilitates the browsing of various data by staff and their access to relevant information, thus enhancing the upkeep of facilities. The application of robots and drones for inspections, coupled with artificial intelligence (AI) analytics systems, helps improve

the safety, efficiency and accuracy of external wall inspections in general. Compared with the conventional methods of visual inspection, defect identification and report compilation, the use of drones and AI analytics systems under suitable circumstances can shorten inspection time and streamline work procedures, such as reducing the need for scaffolding or setting up mobile elevating work platforms. Furthermore, the SAMWG also strives to promote innovative construction technologies, such as adopting off-site prefabrication of building components and modular installation, to reduce on-site construction processes, thereby shortening the construction time, lessening material wastage and enhancing safety in construction.

The ArchSD has set aside about \$3.7 million for the maintenance and upgrades of the relevant systems, as well as the training of frontline staff. Since the personnel, trades of work, setups, inspection processes and site conditions involved in technology-assisted monitoring differ from those in manual inspections, the ArchSD currently does not maintain detailed comparative data on the savings in man-hours or improvements in inspection efficiency. However, as adoption of technology expands to more projects, we will devote more effort to this area of study.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)003

(Question Serial No. 1557)

Head: (25) Architectural Services Department

Subhead (No. & title): ()

Programme: Not specified

Controlling Officer: Director of Architectural Services (Michael LI Kiu-yin)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

There is a 2.5% increase in the provision for “Facilities Upkeep” and a 2.2% decrease in that for “Facilities Development” for the coming year.

1. Does it reveal a decrease in the number of new government construction projects, with the focus shifting to the maintenance and repair of ageing government buildings?
2. Of the \$34.9 million increase in the provision for “Facilities Upkeep”, what proportion will be dedicated to the preventive maintenance for older government facilities or those with potential risks?
3. Does the Department have any new measures or indicators for assessing the cost-effectiveness of this additional provision for maintenance and repair?

Asked by: Hon CHAN Han-pan (LegCo internal reference no.: 12)

Reply:

1. The Architectural Services Department (ArchSD) makes sustained efforts to review its resource allocation and work priorities, providing services with enhanced cost-effectiveness and achieving savings in expenditure through consolidating resources and leveraging technology. The rise in the estimated expenditure for 2026-27 under Programme (2) “Facilities Upkeep” is primarily due to the increased total number of buildings under the ArchSD’s maintenance purview this year following the completion of new government properties.

2. and 3.

The ArchSD does not set any expenditure ceilings for government properties according to building age or other factors. In reviewing the priorities of projects under Programme (2) “Facilities Upkeep”, the ArchSD gives consideration to actual building conditions and various factors, including the necessity and urgency for facilities upkeep, safety and statutory requirements. The ArchSD also takes reference from previous projects that are

similar in nature so that the scope, work schedule and cost estimate worked out for each project are reasonable and cost-effective.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)004

(Question Serial No. 0938)

Head: (28) Civil Aviation Department

Subhead (No. & title): ()

Programme: (6) Air Passenger Departure Tax Administration

Controlling Officer: Director-General of Civil Aviation (Victor LIU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in Programme (6) that applications for refund of the Air Passenger Departure Tax (APDT) have been centrally handled by the Airport Authority Hong Kong (AA) since 1 October 2025.

- a) Following this operational change, what are the specific responsibilities of the Civil Aviation Department (CAD) in monitoring APDT reporting by airlines or helicopter companies and vetting refund applications handled by AA? How will the CAD ensure that the efficiency and accuracy of AA's handling of refund meet the service target of processing 99% of applications within 29 working days?
- b) In view of the adjustment to APDT rate and the changes to the refund procedure, what corresponding adjustments are made to the CAD's estimated resources (including manpower and expenditure) for managing and monitoring the APDT-related work in 2026-27? Please explain how the relevant estimate is prepared to cope with the workload arising from the said operational change.

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 25)

Reply:

- a) Under the Air Passenger Departure Tax Ordinance (Cap. 140), airlines or helicopter companies are required to collect Air Passenger Departure Tax (APDT) from departing passengers on behalf of the Government. Passengers who are eligible for APDT exemption but have already paid the tax when purchasing air tickets are entitled to APDT refund. Since 1 October 2025, applications for APDT refund have been centrally handled by the Airport Authority Hong Kong (AA).

Under the AA's new APDT refund mechanism, the Civil Aviation Department (CAD) retains its role in monitoring APDT collection by airlines or helicopter companies. Airlines or helicopter companies carrying departing passengers will submit monthly APDT returns to the CAD and deposit the tax collected in a designated bank account. The CAD will verify the relevant returns to ensure the tax amount is accurate.

Regarding APDT refund, the AA is responsible for processing refund applications from air passengers and making refunds to them, while the CAD is responsible for reimbursing the AA for the amount refunded. The AA should submit to the CAD returns certified by qualified accountants, setting out in detail the information such as the number of refund applicants, the refund eligibility category, the actual amount of tax refunded, etc. The CAD will verify the relevant returns and conduct random checks on refund cases against the passenger records held by airlines to ensure accuracy of the amount refunded.

As applications for APDT refund have been centrally handled by the AA since 1 October 2025, the original service target of the CAD for “applications for refund received by post/through online submission processed within 29 working days” is no longer applicable and will be removed from 2026 onwards. The AA will normally complete processing of an APDT refund application within 3 weeks upon receiving the application and the required documents from an applicant.

- (b) The estimated provision for Programme (6) Air Passenger Departure Tax Administration is \$2.4 million in 2026-27. The CAD will continue to handle the relevant work using existing manpower and resources through internal redeployment and streamlining of procedures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)005

(Question Serial No. 0188)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the expenditure incurred by the Customs and Excise Department on enforcement actions against illicit cigarette activities, please inform this Committee of:

- (a) the Government expenditures on enforcement against illicit cigarettes in the past 3 years, with a breakdown by establishment, technological investment and informant reward.
- (b) whether additional resources will be allocated for stepping up enforcement efforts in the estimate for 2026-27 in the light of the ongoing illicit cigarette activities? If yes, what are the details and the estimated expenditure?

Asked by: Hon HO Chun-yin, Steven (LegCo internal reference no.: 8)

Reply:

(a) The Customs and Excise Department (C&ED) deployed 61 dedicated officers annually to combat illicit cigarette activities in 2023-24 and 2024-25. Starting from 2025-26, a total of 51 dedicated officers (Note) have been deployed to the relevant work. The expenditures on emoluments involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2023-24	30.23
2024-25	31.13
2025-26	25.94

Note: 10 time-limited posts were deleted in 2025-26 upon their expiry.

In addition, frontline Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarettes. Since they are tasked with other clearance duties at the same time, C&ED is unable to separately provide the expenditure involved in their work on interception of illicit cigarettes. The technological resources involved in combating illicit cigarette activities by C&ED have been included in the general operating expenditure. C&ED does not maintain a breakdown of such expenditures.

To effectively combat various illegal activities, including illicit cigarette activities, C&ED has put in place a “Reward Scheme” for registered individuals to provide relevant information, leading to arrests and seizures by C&ED. As disclosure of such information may undermine enforcement effectiveness, the details of the related expenditure will not be disclosed.

(b) C&ED will, having regard to actual circumstances, flexibly deploy existing resources to assist in anti-illicit cigarette work and mount targeted anti-illicit-cigarette operations in a timely manner. C&ED will apply for additional manpower and resources in accordance with the established mechanism when necessary.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)006

(Question Serial No. 0318)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement, (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Tobacco products are dutiable commodities under the Dutiable Commodities Ordinance. To protect government revenue, the Customs and Excise Department (C&ED) has been combating the smuggling and peddling of illicit cigarettes through different channels. In this connection, will the Government inform this Committee of the following:

1. What are the number of prosecutions instituted by C&ED for offences relating to duty-not-paid cigarettes at various control points in each of the past 3 years; of these, what are the respective number and proportion of Hong Kong residents and non-Hong Kong residents prosecuted; and which countries or regions did the prosecuted non-local residents mainly come from?
2. What are the number of persons under the age of 21 prosecuted for offences relating to duty-not-paid cigarettes, their age distribution and the nature of the cases involved in the past 3 years?
3. What are the number of large-scale special operations against illicit cigarettes conducted by C&ED, their district distribution, the manpower deployed and the number of persons prosecuted in each of the past 3 years; and what are the respective percentage of the illicit cigarettes seized during these operations over the total annual seizures?
4. Does C&ED have any future plans to extend the coverage of random checks or strengthen enforcement measures at various control points to intercept the inflow of illicit cigarettes at source more effectively?
5. Will C&ED introduce more advanced inspection equipment and smart innovative technologies in the future to enhance detection capabilities during inspections; if so, what are the details of the procurement items and the estimated expenditure involved?

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 21)

Reply:

1. The information on prosecutions of Hong Kong and non-Hong Kong residents instituted by the Customs and Excise Department (C&ED) for offences relating to duty-not-paid cigarettes at various control points in the past three years is as follows:

	2023	2024	2025
Number of persons prosecuted	359	599	749
Number and percentage of Hong Kong residents	190 (53%)	293 (49%)	401 (54%)
Number and percentage of non-Hong Kong residents	169 (47%)	306 (51%)	348 (46%)

Note: Cases with prosecution instituted during the year.

The non-Hong Kong residents prosecuted were mainly from the Chinese Mainland.

In addition, 9 838, 19 072 and 26 985 persons were compounded and fined by C&ED at boundary control points for bringing in cigarettes exceeding the duty-free concessions in 2023, 2024 and 2025 respectively.

2. The number and age distribution of persons under the age of 21 prosecuted for offences relating to duty-not-paid cigarettes in the past three years are as follows:

	2023	2024	2025
Number of persons prosecuted	42	26	18
Number of persons aged 16 to under 21	36	24	15
Number of persons aged under 16	6	2	3

Note: Cases with prosecution instituted during the year

The persons prosecuted were mainly involved in cases of possession of duty-not-paid cigarettes in contravention of the Dutiable Commodities Ordinance.

3. The information on large-scale special operations against illicit cigarettes conducted by C&ED at various districts and control points in Hong Kong in the past three years is as follows:

	2023	2024	2025
Number of operations	4	3	3
Quantity of illicit cigarettes seized in the operations (million sticks)	74	139	139
Percentage of total seizure	11%	23%	23%
Number of persons arrested	220	579	139

Frontline Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarettes in relevant operations against illicit cigarettes. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved. C&ED does not maintain statistics on the number of persons prosecuted in relevant operations.

4. C&ED will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities, i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with the Chinese Mainland and overseas law enforcement agencies while enhancing detection at boundary control points to combat cross-boundary cigarette smuggling activities at source.

5. C&ED will continue to spare no effort in taking forward the Smart Customs development to enhance its enforcement capabilities by leveraging artificial intelligence (AI) and big data analytics to facilitate risk management, and by deploying advanced inspection equipment, such as the Gantry Type X-Ray Vehicle Inspection Systems, Mobile X-Ray Vehicle Scanning Systems, Computed Tomography Scanners with AI functions, auto-detection devices for X-ray checkers, etc., to strengthen detection capabilities in combating illicit cigarette activities.

In 2026-27, C&ED's estimated expenditure under the Programme (1) "Control and Enforcement" is \$4.86 billion. As the prevention and detection of contraband including dutiable commodities at entry and exit points and within the territory of Hong Kong constitute part of the work of C&ED, it is difficult to quantify such expenditure separately.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)007

(Question Serial No. 1193)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2026-27, the Customs and Excise Department (C&ED) will continue to strengthen enforcement actions against illicit cigarette activities. In this connection, will the Government inform this Committee of:

1. the respective numbers of illicit cigarette cases detected, the quantities of illicit cigarettes seized, and the numbers of persons arrested by C&ED in each of the past 3 financial years; and
2. whether assessments have been made for the specific impact on illicit cigarette activities following the increase in tobacco duty, including whether changes have been observed in the selling prices, sales patterns (e.g. a shift to online ordering or delivery) or smuggling modus operandi of illicit cigarettes; if yes, what are the details?

Asked by: Hon FAN Hoi-kit, Alex (LegCo internal reference no.: 2)

Reply:

1. The information on the cases of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past three years is as follows:

	2023	2024	2025
Number of cases	11 659	21 191	28 995
Quantity seized (million sticks)	593	555	564
Number of persons arrested	10 991	20 581	28 575

2. C&ED has been closely monitoring illicit cigarette activities at various entry and exit points and in the market. While it was found that large-scale cigarette smuggling by sea still persisted in 2025, illicit cigarette syndicates have begun shifting to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches to minimise the financial

loss incurred due to seizure of illicit cigarettes by C&ED and to evade Customs detection. On the other hand, in view of the increasingly frequent flow of people between the Chinese Mainland and Hong Kong, C&ED has strengthened enforcement actions at various entry and exit points to intercept incoming persons illegally bringing in duty-not-paid cigarettes. This resulted in a substantial increase in the number of cases of “incoming persons bringing in excessive duty-free cigarettes and dealt with by compounding”.

C&ED will adjust its enforcement strategies in a timely manner and flexibly deploy internal resources to mount targeted anti-illicit cigarette operations in various districts over Hong Kong, and enhance the effectiveness of combating illicit cigarette activities at various entry and exit points.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)008

(Question Serial No. 1309)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement, (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The number of persons compounded for offences relating to illicit cigarettes increased by 7 913 from 19 072 in 2024 to 26 985 in 2025, representing a rise of over 40%. What are the numbers of compoundable offences relating to illicit cigarettes at various entry and exit points in the past year? Will the Department strengthen random checks at specific control points to combat illicit cigarettes activities in response to the data concerned? If yes, what are the details? If not, what are the reasons?

Asked by: Hon IP Ngo-tung, Chris (LegCo internal reference no.: 23)

Reply:

In view of the increasingly frequent flow of people between the Chinese Mainland and Hong Kong, the Customs and Excise Department (C&ED) strengthened enforcement actions at various entry and exit points in 2025 to intercept incoming persons illegally bringing in duty-not-paid cigarettes. This resulted in a substantial increase in the number of cases of “incoming persons bringing in excessive duty-free cigarettes and dealt with by compounding”, leading to a total of 26 985 persons compounded for offences relating to illicit cigarettes.

C&ED will continue to strengthen its risk assessment and intelligence analysis, and will, having regard to actual circumstances, flexibly deploy existing resources to enhance the effectiveness of combating illicit cigarette activities at various entry and exit points.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)009

(Question Serial No. 1310)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government implemented a three-month Pilot Run for the Duty Stamp System in October 2025. What are the specific effectiveness of the system and the breakdown of the expenditure involved? The Government will officially launch the Duty Stamp System in the fourth quarter of 2026, followed by its full implementation in the second quarter of 2027. What are the details of the specific expenditure involved? Has the Government set any key performance indicator (KPI) to assess the effectiveness of the system? If yes, what are the details of the KPI? If not, what are the reasons?

Asked by: Hon IP Ngo-tung, Chris (LegCo internal reference no.: 24)

Reply:

In 2024, the Customs and Excise Department (C&ED) commissioned a consultancy firm to conduct a study on the establishment of the Duty Stamp System in Hong Kong. Based on the recommendations of the consultancy study, C&ED engaged a technical consultancy firm to launch a three-month Pilot Run for the Duty Stamp System (Pilot Run) between October 2025 and January 2026. The Pilot Run simulated the workflow and related technologies of the Duty Stamp System in a real operational setting, monitored the delivery of cigarettes affixed with trial duty stamps from the manufacturing premises to the retail outlets throughout the entire supply chain, and collected views from various stakeholders.

During the Pilot Run, Customs officers affixed trial duty stamps to packets of cigarettes brought into Hong Kong by travellers or imported via small shipments after duty payment at six entry and exit points and the Hong Kong International Airport cargo terminals. Besides, local cigarette manufacturers also conducted several operations of affixing trial duty stamps under the supervision of Customs officers and a technical consultant. Overall, the affixing operations achieved a successful rate of 99 per cent. The cigarettes affixed with trial duty stamps were delivered to retail outlets in various districts over Hong Kong for sale after duty payment, including chain convenience stores, newspaper stalls and stores. C&ED also distributed promotional posters, information leaflets and questionnaires to the related retail outlets for facilitating a better understanding of the tobacco retail industry and the public on key features of the Pilot Run.

Regarding the Pilot Run, C&ED engaged three retired officers to provide support, involving a one-off expenditure of about \$2.05 million. To implement the Duty Stamp System, C&ED has restructured internal manpower resources, and has engaged eight retired officers to carry out the related work, involving an annual expenditure of about \$4 million.

The implementation of the Duty Stamp System aims to enhance the enforcement effectiveness of C&ED in combating “cheap whites” in the market more effectively (Note). The duty stamp affixed to a package of cigarettes for local sale is assigned a specific and unique identification code bound to the corresponding batch of duty-paid permit. This allows Customs officers to identify the duty-paid status of cigarettes with dedicated devices during routine enforcement. If the cigarettes are confirmed to be duty-not-paid, immediate enforcement actions can be taken. As the Duty Stamp System aims to enhance the enforcement effectiveness of C&ED, and the relevant enforcement figures are subject to various factors, it is difficult for C&ED to make projections and set practical key performance indicators in this regard.

Note: There is no legal definition of “cheap whites”. Their packaging is no different from ordinary duty-paid cigarettes, including the health warning markings, and they are sold in the market at low prices (even lower than the tobacco duty of \$66.12 per pack of cigarettes).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)010

(Question Serial No. 1422)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In view of the recent recruitment of teenagers as “runners” by criminal syndicates for distributing leaflets of illicit cigarettes or delivering illicit cigarettes, will the Government inform this Committee of the following:

(1) Please provide the number of persons arrested by the Customs and Excise Department (C&ED) for involvement in the peddling of illicit cigarettes by the following age groups (aged 17 or below, 18-24, 24-34, 35-44, and so forth) in the past 3 years.

(2) Do the above figures show an upward trend? What specific strategies does C&ED have to combat the involvement of minors in illicit cigarette peddling, and what are the respective manpower and expenditures involved?

(3) Given that lawbreakers have recruited teenagers through social media platforms or instant messaging applications to sell illicit cigarettes under the guise of “high-paying part-time jobs” or “lucrative job offers”, did C&ED set aside specific resources in the estimate for the new financial year for cyber patrols, so as to identify and remove those unlawful recruitment advertisements?

(4) Will C&ED allocate additional resources to collaborate with the Housing Department and property management companies in carrying out crime prevention publicity programmes targeting young people in public housing estates (black spots for the distribution of illicit cigarette leaflets)? If yes, what are the details? If not, what are the reasons?

Asked by: Hon TANG Fei (LegCo internal reference no.: 30)

Reply:

1. The number of persons arrested in cases involving duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) and their age information in the past three years are as follows:

Age	2023	2024	2025
Aged under 21	35	20	9
Aged 21 or above	683	795	770
Total	718	815	779

2. The number of persons arrested in 2025 decreased by 4% when compared with that in 2024, indicating that local illicit cigarette activities were not on an upward trend. C&ED will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities, i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED will also continue to step up publicity and education efforts. In addition to delivering talks at schools and youth organisations, promotional videos and promotional materials such as posters and banners will also be displayed in various districts to promote the anti-illicit cigarette message to the community and remind members of the public, especially young people, not to engage in illicit cigarette-related activities.

C&ED deployed a total of 51 dedicated officers to combat illicit cigarette activities in 2025-26, involving an expenditure on emoluments of \$25.94 million. In addition, frontline Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarettes. Since they are tasked with other clearance duties at the same time, C&ED is unable to separately provide the expenditure involved in their work on interception of illicit cigarettes.

3. C&ED has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow up, including blocking the accounts concerned.

Besides, according to the Smoking (Public Health) Ordinance (Cap. 371), no person shall display or cause to be displayed, or publish or distribute for the purpose of display, any smoking product advertisements in any form (including flyers or online advertisements). C&ED will refer complaints about websites promoting illicit cigarettes to the Tobacco and Alcohol Control Office (TACO) of the Department of Health (DH) for follow-up action.

4. In 2025, C&ED conducted inter-departmental anti-illicit cigarette publicity activities with the Legislative Council Members, District Council Members and relevant departments, including TACO of DH, the Hong Kong Police Force and the Housing Department, etc., at a total of 26 public housing estates in 11 districts, during which C&ED delivered the anti-illicit cigarette message to the public and encouraged them to report suspected illicit cigarette activities to C&ED. C&ED will continue to carry out inter-departmental anti-illicit cigarette publicity activities at public housing estates in various districts.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)011

(Question Serial No. 2430)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement, (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding actions against tobacco products in the past 3 years, will the Government inform this Committee of the following:

1. With regard to actions against illicit cigarettes, how many cases involving the smuggling of tobacco and illegal trade in duty-not-paid tobacco were detected by the Customs and Excise Department (C&ED) each year? What were the quantity of tobacco and the total value involved?
2. Further to the above, what were the number of persons arrested and the percentage of young people among them?
3. With regard to the total ban on the sale of alternative smoking products (ASPs) such as electronic cigarettes in Hong Kong, what is the total number of cases involving the illegal import of ASPs detected by C&ED so far; and what are the quantities and values of the products seized?
4. To step up actions against illicit cigarettes, it is noted that C&ED intends to affix anti-forgery labels to duty-paid cigarettes. What are the work progress and the expenditures involved?

Asked by: Hon CHAN Hak-kan (LegCo internal reference no.: 8)

Reply:

1. The relevant information on cases involving the smuggling of tobacco (including manufactured tobacco and cigars, excluding cigarettes) and illegal trade in duty-not-paid tobacco detected by the Customs and Excise Department (C&ED) in the past three years is as follows:

	2023	2024	2025
Number of cases	387	616	777
Quantity (kilogrammes)	9 475	59 303	70 879
Total value (\$ million)	49.75	279.60	477.69

2. The numbers of persons arrested in the aforesaid cases are as follows:

	2023	2024	2025
Number of persons arrested	308	549	669
Number of persons aged under 21 (%)	8 (2.6%)	6 (1.1%)	8 (1.2%)

3. In accordance with the Smoking (Public Health) Ordinance (Cap. 371) and the Import and Export Ordinance (Cap. 60), with effect from 30 April 2022, no person may import, promote, manufacture, sell, or possess for commercial purposes alternative smoking products (ASPs), including electronic smoking products, heated tobacco products and herbal cigarettes.

In the past three years (2023-2025), C&ED detected a total of 6 596 cases involving illegal import of ASPs and seized approximately 22 million items of ASPs, with a value of approximately \$120 million.

4. In 2024, C&ED commissioned a consultancy firm to conduct a study on the establishment of the Duty Stamp System in Hong Kong. Based on the recommendations of the consultancy study, C&ED engaged a technical consultancy firm to launch a three-month Pilot Run for the Duty Stamp System (Pilot Run) between October 2025 and January 2026. The Pilot Run simulated the workflow and related technologies of the Duty Stamp System in a real operational setting, monitored the delivery of cigarettes affixed with trial duty stamps from the manufacturing premises to the retail outlets throughout the entire supply chain, and collected views from various stakeholders.

During the Pilot Run, Customs officers affixed trial duty stamps to packets of cigarettes brought into Hong Kong by travellers or imported via small shipments after duty payment at six entry and exit points and the Hong Kong International Airport cargo terminals. Besides, local cigarette manufacturers also conducted several operations of affixing trial duty stamps under the supervision of Customs officers and a technical consultant. Overall, the affixing operations achieved a successful rate of 99 per cent. The cigarettes affixed with trial duty stamps were delivered to retail outlets in various districts over Hong Kong for sale after duty payment, including chain convenience stores, newspaper stalls and stores. C&ED also distributed promotional posters, information leaflets and questionnaires to the related retail outlets for facilitating a better understanding of the tobacco retail industry and the public on key features of the Pilot Run.

Regarding the Pilot Run, C&ED engaged three retired officers to provide support, involving a one-off expenditure of about \$2.05 million. To implement the Duty Stamp System, C&ED has restructured internal manpower resources, and has engaged eight retired officers to carry out the related work, involving an annual expenditure of about \$4 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)012

(Question Serial No. 2436)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the effectiveness of actions against illicit cigarettes, will the Government inform this Committee of the following:

(a) With regard to actions against illicit cigarette activities, how many cases involving the smuggling of tobacco and illegal trade in duty-not-paid tobacco were detected by the Customs and Excise Department in each of the past 3 years? What were the quantity of tobacco and the total value involved?

(b) Further to the above, what were the number of persons arrested, their average term of imprisonment and average amount of fines?

(c) Has any third party been commissioned to conduct a survey (such as empty cigarette pack survey) to measure the market share of duty-not-paid cigarettes in order to assess the effectiveness of actions against illicit cigarettes? If yes, what are the details? If not, what are the reasons?

(d) It is noted that the Government is developing a Duty Stamp System and has launched the Pilot Run in phases. What are the expenditures involved in the duty stamps by major expenditure item and the estimated effectiveness?

Asked by: Hon HO Chun-yin, Steven (LegCo internal reference no.: 21)

Reply:

(a) The relevant information on cases involving the smuggling of tobacco (including manufactured tobacco and cigars, excluding cigarettes) and illegal trade in duty-not-paid tobacco detected by the Customs and Excise Department (C&ED) in the past three years is as follows:

	2023	2024	2025
Number of cases	387	616	777
Quantity (kilogrammes)	9 475	59 303	70 879
Total value (\$ million)	49.75	279.6	477.69

(b) The information on the number of persons arrested and the relevant penalties in the aforesaid cases is as follows:

	2023	2024	2025
Number of persons arrested	308	549	669
Penalties[#]	A fine of \$500 to \$8,000 and an imprisonment of 7 months to 1 year	A fine of \$500 to \$18,000 and an imprisonment of 2 months to 14 months	A fine of \$1,000 to \$40,000 and an imprisonment of 10 days to 2 years

[#] Cases with trial concluded during the year.

(c) As making inferences about the market share of duty-not-paid cigarettes solely from empty cigarette packs cannot accurately reflect the actual situation, C&ED has not commissioned any third party to conduct such survey.

(d) In 2024, C&ED commissioned a consultancy firm to conduct a study on the establishment of the Duty Stamp System in Hong Kong. Based on the recommendations of the consultancy study, C&ED engaged a technical consultancy firm to launch a three-month Pilot Run for the Duty Stamp System (Pilot Run) between October 2025 and January 2026. The Pilot Run simulated the workflow and related technologies of the Duty Stamp System in a real operational setting, monitored the delivery of cigarettes affixed with trial duty stamps from the manufacturing premises to the retail outlets throughout the entire supply chain, and collected views from various stakeholders.

During the Pilot Run, Customs officers affixed trial duty stamps to packets of cigarettes brought into Hong Kong by travellers or imported via small shipments after duty payment at six entry and exit points and the Hong Kong International Airport cargo terminals. Besides, local cigarette manufacturers also conducted several operations of affixing trial duty stamps under the supervision of Customs officers and a technical consultant. Overall, the affixing operations achieved a successful rate of 99 per cent. The cigarettes affixed with trial duty stamps were delivered to retail outlets in various districts over Hong Kong for sale after duty payment, including chain convenience stores, newspaper stalls and stores. C&ED also distributed promotional posters, information leaflets and questionnaires to the related retail outlets for facilitating a better understanding of the tobacco retail industry and the public on key features of the Pilot Run.

Regarding the Pilot Run, C&ED engaged three retired officers to provide support, involving a one-off expenditure of about \$2.05 million. To implement the Duty Stamp System, C&ED has restructured internal manpower resources, and has currently engaged eight retired officers to carry out the related work, involving an annual expenditure of about \$4 million.

The implementation of the Duty Stamp System aims to enhance the enforcement effectiveness of C&ED in combating “cheap whites” in the market more effectively (Note). The duty stamp affixed to a package of cigarettes for local sale is assigned a specific and unique identification code bound to the corresponding batch of duty-paid permit. This allows Customs officers to identify the duty-paid status of cigarettes with dedicated devices during

routine enforcement. If the cigarettes are confirmed to be duty-not-paid, immediate enforcement actions can be taken.

Note: There is no legal definition of “cheap whites”. Their packaging is no different from ordinary duty-paid cigarettes, including the health warning markings, and they are sold in the market at low prices (even lower than the tobacco duty of \$66.12 per pack of cigarettes).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)013

(Question Serial No. 2448)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2026-27, the Customs and Excise Department will continue to strengthen enforcement actions against illicit cigarette activities, especially in respect of cross-boundary smuggling and telephone-order peddling. In this connection, will the Government inform this Committee of the following:

1. the quantity of illicit cigarettes seized, the number of persons prosecuted and convicted, and the details of their penalties in each of the past 5 years;
2. the staff establishment and expenditures involved in combating cross-boundary smuggling and telephone-order peddling in each of the past 5 years, and ways to strengthen the related enforcement actions.

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 13)

Reply:

1. The relevant information on duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past five years is as follows:

	2021	2022	2023	2024	2025
Quantity of seizure (million sticks)	371	688	593	555	564
Number of persons prosecuted[#]	934	698	1 065	1 359	1 482
Number of persons convicted[#]	910	699	1 055	1 335	1 413
Penalties[#]	A fine of \$100 to \$20,000 and an imprisonment of 1 day to 28 months	A fine of \$100 to \$24,000 and an imprisonment of 8 days to 20 months	A fine of \$100 to \$36,000 and an imprisonment of 2 days to 20 months	A fine of \$100 to \$68,000 and an imprisonment of 1 day to 28 months	A fine of \$50 to \$50,000 and an imprisonment of 1 day to 3 years

[#]Cases prosecuted/convicted/penalised during the year.

2. C&ED deployed 61 dedicated officers annually to combat illicit cigarette activities from 2021-22 to 2024-25. Starting from 2025-26, a total of 51 dedicated officers (Note) have been deployed to the relevant work. The expenditures on emoluments involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2021-22	28.27
2022-23	28.98
2023-24	30.23
2024-25	31.13
2025-26	25.94

Note: 10 time-limited posts were deleted in 2025-26 upon their expiry.

In addition, frontline Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarettes. Since they are tasked with other clearance duties at the same time, C&ED is unable to separately provide the expenditure involved in their work on interception of illicit cigarettes.

C&ED will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities, i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with the Chinese Mainland and overseas law enforcement agencies while enhancing detection at entry and exit points to combat cross-boundary cigarette smuggling activities at source. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)014

(Question Serial No. 2548)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2026-27, the Customs and Excise Department (C&ED) will continue to strengthen enforcement actions against illicit fuel activities. According to the figures announced by C&ED, 39 cases related to illicit fuel filling stations were detected in 2025, representing a 1.6-fold increase over 2024, and a total of 96 000 litres of illicit fuel was seized. In addition, 17 illicit fuel smuggling cases were detected in 2025, with an increase of 89%, and a total of 23 000 litres of illicit fuel was seized, representing a three-fold increase over 2024. In this connection, will the Government inform this Committee of the following:

1. the staff establishment and actual manpower deployed by C&ED for combating illicit fuel activities (including cases related to illicit fuel filling stations and smuggling of illicit fuel) in each of the past 3 financial years, including the number of staff in the dedicated task force and the man-hours of frontline enforcement officers;
2. the details of co-operation with the relevant authorities in the Chinese Mainland and Macao in combating cross-boundary illicit fuel activities; and
3. the specific enforcement strategies against emerging modi operandi, such as converting goods vehicles into mobile fuel filling stations; and whether there is any plan to deploy additional manpower in response to the increasing number of cases; if yes, what are the details and the work schedule?

Asked by: Hon FAN Hoi-kit, Alex (LegCo internal reference no.: 1)

Reply:

1. In the Customs and Excise Department (C&ED), both officers responsible for combating revenue crimes and frontline officers at various entry and exit points are involved in anti-illicit fuel work. Since they are tasked with other investigation and clearance duties at the same time, C&ED is unable to separately provide the manpower and expenditure involved in combating illicit fuel.

2. C&ED has maintained close contact and intelligence exchange with relevant law enforcement agencies in the Chinese Mainland and Macao, and regularly discusses co-operation in combating smuggling activities at meetings. C&ED will continue to strengthen

such co-operation in order to enhance the effectiveness of actions against cross-boundary illicit fuel smuggling.

3. C&ED will continue to closely monitor the situation of illicit fuel activities, deploy officers to conduct inspections in various districts over Hong Kong, step up enforcement efforts and adopt a multi-pronged approach in combating such activities. In addition, C&ED has all along been maintaining close co-operation with other government departments (such as the Fire Services Department) in mounting joint operations timely as circumstances require, in order to intercept the supply of illicit fuel and combat illicit fuelling activities.

C&ED will flexibly deploy existing resources to effectively combat illicit fuel activities and mount targeted enforcement operations in a timely manner as appropriate, and apply for additional manpower and resources in accordance with the established mechanism when necessary.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)015

(Question Serial No. 3270)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (CHAN Tsz-tat)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in Matters Requiring Special Attention in 2026-27 under Programme (4) that the Government will strengthen enforcement actions against illicit cigarette activities, especially in respect of cross-boundary smuggling and telephone-order peddling. In this connection, will the Government inform this Committee of the following:

1. the quantity of illicit cigarettes seized by the Customs and Excise Department (C&ED), the market value involved and the number of persons prosecuted in the past 3 years;
2. the expenditures incurred by C&ED for the introduction of the Duty Stamp System;
3. whether the Department will consider allocating additional resources to strengthen manpower for the prosecution of cases relating to illicit cigarette activities in 2026-27; if so, the estimated expenditures involved;
4. whether the Department will consider allocating additional resources to enhance publicity and public education, and to promote the anti-illicit cigarette message across different sectors of the community through organising talks for schools and youth organisations and displaying posters, banners, etc. in 2026-27; if so, the estimated expenditures involved.

Asked by: Hon KOON Ho-ming, Peter Douglas (LegCo internal reference no.: 42)

Reply:

1. The quantity and market value of duty-not-paid cigarettes seized locally and the number of persons prosecuted by the Customs and Excise Department (C&ED) in the past three years are tabulated as follows:

	2023	2024	2025
Quantity of seizure (million sticks)	593	555	564
Market value (\$ million)	2,049	2,466	2,516
Number of persons prosecuted #	1 065	1 359	1 482

Cases with prosecution instituted during the year.

In addition, 9 838, 19 072 and 26 985 persons were compounded and fined by C&ED at entry and exit points for bringing in cigarettes exceeding the duty-free concessions in 2023, 2024 and 2025 respectively.

2. To implement the Duty Stamp System, C&ED has restructured internal manpower resources, and has currently engaged eight retired officers to carry out the related work, involving an annual expenditure of about \$4 million.

3. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work and mount targeted anti-illicit cigarette operations in a timely manner as appropriate. C&ED will apply for additional manpower and resources in accordance with the established mechanism when necessary.

4. C&ED will continue to flexibly deploy existing resources to carry out publicity and public education, which include delivering talks at schools and youth organisations, conducting inter-departmental anti-illicit cigarette publicity activities in public housing estates in various districts and displaying posters, banners, etc. in order to promote the anti-illicit cigarette message across different sectors of the community.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)016

(Question Serial No. 0452)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation and (3) Estate Utilisation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The 2026-27 Budget has emphasised the need to continue strictly controlling government expenditure and enhancing public service efficiency. On reviving government assets and optimising the cost of office accommodation, will the Government inform this Committee of the following:

1. What were the total expenditures on leasing private premises for office accommodation by government bureaux and departments (B/Ds) in each of the past 3 years?
2. Further to the above, what measures have been taken by the Government Property Agency (GPA) to minimise the expenditure on leasing private premises by B/Ds?
3. As of end-2025, what were the number, gross floor area and average vacant period of idle government properties managed by the GPA?
4. What were the numbers of applications and approved applications under the Socially Caring Leasing Arrangements in each of the past 3 years?
5. Regarding government properties with more favourable conditions for marketisation and adequate infrastructure, such as vacant school premises or markets, will the Government suitably and flexibly relax the restrictions on their use to attract private participation or diversified commercial activities?

Asked by: Hon LEE Hoey Simon (LegCo internal reference no.: 14)

Reply:

1. The rental expenditures on office accommodation of the Government in leased premises in the past 3 years are as follows:

Year	Monthly rent, management fees and air-conditioning charges (if any)
2023	about \$150 million
2024	about \$140 million
2025	about \$130 million

Note: As bureaux and departments (B/Ds) may adjust the arrangements on leasing premises for office accommodation in accordance with their operational needs, the figures for each month may vary. The above table shows the figures in December of the relevant year.

- The Government's policy is to accommodate offices of B/Ds in government-owned premises as far as practicable to meet their long-term operational needs. Leasing premises for use by departments will only be considered if government-owned premises are unable to meet their locational requirements or operational needs. Through the annual accommodation review, and having regard to the operational needs of the departments concerned and cost-effectiveness, the Government Property Agency (GPA) will relocate leased offices to government-owned premises and relocate offices with higher rent to premises with lower rent to reduce rental expenses.
- Currently, the GPA mainly manages joint-user general office buildings, government quarters, the Passenger Clearance Building of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port and the Passenger Terminal Building of the Heung Yuen Wai Boundary Control Point. None of the properties under the management of GPA are left idle.
- The numbers of government-owned premises available for application and approved cases under the Socially Caring Leasing Arrangements in the past 3 years are as follows:

Year	Government-owned premises available for application	Approved cases
2023	3	2
2024	1	1
2025	3	3

- All government departments should make effective use of their properties. The GPA has kept reviewing whether its properties have potential for commercial uses, and has been collaborating with other departments with a view to optimising the utilisation of government properties/sites. Furthermore, vacant government sites (including vacant school premises) are generally managed by the Lands Department (LandsD). To optimise the utilisation of land resources, the LandsD will put up sites under its management which are pending long-term development or those with limited development potential into temporary or short-term gainful uses. For vacant school premises sites which are considered suitable for disposal by open tender for short-term tenancy for commercial uses, the LandsD will follow up in a timely manner. Details of those sites which are available for short-term tenancy by non-governmental organisations or social enterprises for community, institutional or non-profit-making uses are also uploaded onto the "GeoInfo

Map” website for application. The LandsD will consult the relevant B/Ds about the proposed uses, term of tenancy, etc. of such vacant school premises sites.

The Food and Environmental Hygiene Department (FEHD) is responsible for the management of public markets. With a view to optimising land use, the FEHD has been closely monitoring the utilisation of existing markets/cooked food markets and considering closing or consolidating under-utilised markets/cooked food markets, so as to ensure the effective use of public resources. The FEHD will, in accordance with the established procedures, seek views from the relevant departments to formulate proposals for putting the relevant premises or sites to gainful long-term uses.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)017

(Question Serial No. 0851)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Analysis of Financial and Staffing Provision under this Programme that "Provision for 2026-27 is \$23.4 million (3.9%) higher than the revised estimate for 2025-26. This is mainly due to the anticipated increase in administrative overheads, salaries and personnel related expenses and the rent and management charges for rented accommodation." Please inform this Committee of the respective amounts of the rent and management charges for rented accommodation by government departments in the past year, with a tabulated breakdown by department, district, size and monthly amount. What are the estimated expenditures on rent and management charges for 2026-27?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 9)

Reply:

Details of the office accommodation of bureaux and departments (B/Ds) in leased premises as at end-2025 are set out at **Annex**.

As the decisions on leasing premises are made by the relevant B/Ds, and the expenditures are mainly borne by the B/Ds concerned, the Government Property Agency does not have information on the estimated expenditures on the Government's office accommodation in leased premises for 2026-27.

**Office accommodation of bureaux and departments
in leased premises in the 18 districts in December 2025 (Note 1)**

District	Internal floor area (m ²) (approximate)	Monthly rent, management fees and air-conditioning charges (if any) (\$ million) (approximate)	Number of bureaux/ departments involved
Central & Western	5 400	5	8
Eastern	28 900	12	24
Southern	27 700	9	24
Wan Chai	16 800	10	16
Kowloon City	6 400	2	5
Kwun Tong	93 800	37	34
Sham Shui Po	33 500	5	18
Wong Tai Sin	14 400	4	9
Yau Tsim Mong	17 500	8	14
Islands	33 900	2	15
Kwai Tsing	31 600	8	18
North	10 400	4	8
Sai Kung	6 800	1	6
Sha Tin	22 900	6	15
Tai Po	1 000	0.3	3
Tsuen Wan	23 800	8	19
Tuen Mun	35 400	6	16
Yuen Long	12 500	3	10
Total (Note 2)	422 700	130	

Note 1: As bureaux and departments may adjust the arrangements on leasing premises for office accommodation in accordance with their operational needs, the figures for each month may vary. The above table shows the figures in December 2025.

Note 2: The figures may not add up to the total due to rounding.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)018

(Question Serial No. 0852)

Head: (51) Government Property Agency
Subhead (No. & title): ()
Programme: (3) Estate Utilisation
Controlling Officer: Government Property Administrator (Eugene FUNG)
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under this Programme, the Matters Requiring Special Attention of the Government Property Agency include assisting bureaux and departments in reviewing their under-utilised sites with a view to releasing the sites for alternative uses or disposal as appropriate, assisting government bureaux and departments in releasing surplus departmental properties to alternative uses or disposal as appropriate, and identifying government properties with commercialisation potential with a view to realising such potential. Please inform this Committee of the numbers of departmental sites and properties released to alternative uses and government properties with commercialisation potential identified, as well as the expenditures involved and costs saved in 2025-26. Please give an account of the relevant properties and the change of uses. For 2026-27, what are the specific plans, estimated expenditures involved and costs to be saved?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 10)

Reply:

In 2026-27, the Government Property Agency (GPA) plans to assist in releasing the following site for development:

Property	Site area (m²) (Approx.)	Planned use
Former Perowne Barracks, Area 48, Tuen Mun (portion)	35 500 (Note)	Residential use (Note)

Note: Mainly for private residential development. A portion of the site is reserved for other uses such as related road works.

In 2025-26, no site was released for alternative uses under the above arrangement.

The GPA has all along been assisting bureaux/departments (B/Ds) in handling and identifying suitable users for their surplus government properties. In 2025-26, the GPA assisted in identifying users among other government departments for 2 government properties which are no longer required by B/Ds. If it is confirmed that no other departments opt to use the properties concerned, the GPA will lease them by way of commercialisation, or lease them to non-governmental organisations.

In addition, in 2025, the GPA identified the following 6 government properties with commercialisation potential. The first 3 properties tabulated below have already been leased, and the remaining 3 properties will be open for lease within 2026:

Property	Proposed use
1. First Floor, Police Driving and Traffic Training Centre Complex, Hong Kong Police College Integrated Training Centre (Kong Nga Po), Sha Ling, North District, New Territories	Government canteen
2. Portions of South Tower, Tseung Kwan O Government Offices, New Territories	Fee-paying public car park
3. A portion of the Lower Ground Floor of the Chinese Medicine Hospital of Hong Kong, Tseung Kwan O, New Territories	
4. Public car park of the public housing development at Area 99, Tung Chung, New Territories	
5. A portion of the Ground Floor of South Tower, Tseung Kwan O Government Offices, New Territories	Retail business
6. A portion of the First Floor of North Tower, Tseung Kwan O Government Offices, New Territories	

In 2026, the GPA expects to explore the commercialisation potential of the following 4 government properties:

Property	Proposed use
1. Police Operational Base at the Eastern Support Area of the Hong Kong International Airport expansion, Chek Lap Kok, New Territories	Government canteen
2. A portion of the District Open Space, Sports Centre cum Public Vehicle Park project at Sze Mei Street, San Po Kong, Kowloon	Fee-paying public car park
3. A portion of the underground space beneath the open space at Yen Chow Street West, Sham Shui Po, Kowloon	
4. A portion of Yuen Long Stadium, New Territories	

The GPA will continue to identify government properties with commercialisation potential and introduce commercial elements to them. Having preliminarily identified individual government properties which may have commercialisation potential, the GPA will consult the departments concerned and examine the implications of the introduction of commercial activities on the image, appearance and pedestrian flow of the government properties, as well as the impact of the change of use on fire escapes, fire services and building installations, so as to determine whether it is feasible and appropriate to put the properties to commercial use. Hence, the number of government properties with commercialisation potential identified by the GPA each year may differ.

The GPA has been carrying out the above work with the existing manpower. As the staff concerned also undertake other duties, a breakdown of the expenditure and manpower is not available.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)019

(Question Serial No. 2097)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding office accommodation leased by the Government, please inform this Committee of the following:

1. the number of offices currently leased by the Government and, for each office, its district, floor area, user department, the amount of rent and other related expenses;
2. the number of leased offices for which leases were terminated in 2025 and are expected to be terminated in 2026 and, for each office, its district, floor area, user department, the amount of rent and other related expenses; and
3. the number of offices newly leased in 2025 and expected to be newly leased in 2026 and, for each office, its district, floor area, user department, the amount of rent and other related expenses.

Asked by: Hon WONG Ho-ming, Augustine (LegCo internal reference no.: 100)

Reply:

1. Details of the office accommodation of bureaux and departments (B/Ds) in leased premises assisted by the Government Property Agency (GPA) as at end-2025 are set out at **Annex 1**.
2. Details of the de-leasing premises of the office accommodation of B/Ds assisted and expected to be assisted by the GPA in 2025 and 2026 are set out at **Annex 2**.
3. Details of the new leasing premises of the office accommodation of B/Ds assisted and expected to be assisted by the GPA in 2025 and 2026 are set out at **Annex 3**.

**Office accommodation of bureaux and departments in leased premises
in December 2025 (Note)**

Region	Internal floor area (m²) (approximate)	Monthly rent, management fees and air-conditioning charges (if any) (\$ million) (approximate)	Number of bureaux/ departments involved
Hong Kong	78 800	36	41
Kowloon	165 600	56	39
New Territories	178 300	38	37
Total	422 700	130	

Note: As bureaux and departments may adjust the arrangements on leasing premises for office accommodation in accordance with their operational needs, the figures for each month may vary. The above table shows the figures in December 2025.

Deleasing premises for office accommodation of bureaux and departments

Region	Internal floor area (m²) (approximate)	Monthly rent, management fees and air-conditioning charges (if any) (\$'000) (approximate)	Number of bureaux/ departments involved
2025			
Hong Kong	20 600	10 000	9
Kowloon	5 500	2 500	7
New Territories	10 300	2 400	5
Total (Note 1)	36 400	15 000	
2026 (expected) (Note 2)			
Hong Kong	800	400	4
Kowloon	11 400	4 500	13
New Territories	8 500	2 700	10
Total (Note 1)	20 800	7 700	

Note 1: The figures may not add up to the total due to rounding.

Note 2: The figures for 2026 may be adjusted in accordance with the actual operational needs of the relevant bureaux and departments.

New leasing premises for office accommodation of bureaux and departments

Region	Internal floor area (m²) (approximate)	Monthly rent, management fees and air-conditioning charges (if any) (\$'000) (approximate)	Number of bureaux/ departments involved
2025			
Hong Kong	400	60	2
Kowloon	900	300	3
New Territories	1 500	220	2
Total (Note 1)	2 700	570	
2026 (expected) (Note 2)			
Hong Kong	1 200	800	3
New Territories	400	130	1
Total (Note 1)	1 500	930	

Note 1: The figures may not add up to the total due to rounding.

Note 2: The figures for 2026 may be adjusted in accordance with the actual operational needs of the relevant bureaux and departments.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)020

(Question Serial No. 2725)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in Matters Requiring Special Attention in 2026-27 under this Programme that the Government Property Agency will, among others, continue to take forward the initiative to relocate government offices being non-location-specific and without service boundary from high-value areas to lower-value areas or the Northern Metropolis as far as practicable. In this connection, please inform this Committee how many government offices were relocated from high-value areas to lower-value areas in 2025-26 under the above initiative? What is the amount of expenditure saved for the Government as a result? Please provide a breakdown by items and amounts. Are there any specific plans and targets to achieve further saving on Government's office expenses for the new year of 2026-27? If yes, what are the details and amounts involved?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 8)

Reply:

The Government's policy is to accommodate offices of bureaux and departments in government-owned premises as far as practicable to meet their long-term operational needs. Leasing premises for use by departments will only be considered if government-owned premises are unable to meet their locational requirements or operational needs. Through the annual accommodation review, the Government Property Agency (GPA) will relocate leased offices to government-owned premises and relocate offices with higher rent to premises with lower rent having regard to the operational needs of the departments concerned and cost-effectiveness so as to reduce rental expenses.

In 2025-26, the saving on rental expenses (including management fees and air-conditioning charges) achieved by the Government in relocating 54 leased offices to government-owned premises or leased premises with lower rent is about \$180 million per year. Having regard to the expiry dates of existing tenancies and the operational needs of departments, the Government plans to move out from 27 leased offices in 2026-27, and the saving on rental expenses (including management fees and air-conditioning charges) is estimated to be about \$50 million per year. The GPA will continue to review the rental levels and explore ways on controlling the rental expenses with bureaux and departments, including relocating offices

to suitable government-owned premises or leased premises with lower rent as far as possible to achieve saving on rental expenses.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)021

(Question Serial No. 2924)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to the “Matters Requiring Special Attention in 2026-27” under Programme (1), would the government advise on the following:

1. On “continu(ing) to take forward new government office building projects for the reprovisioning of the departments housed in Wan Chai Government Offices Compound”, given that the relevant work has been underway for some years, has the Government anticipated when it will be completed, so that the site concerned can be fully vacated, thereby expediting its development for purposes with better economic benefits such as convention and exhibition?
2. On “continu(ing) to pursue deleasing opportunities where appropriate”, in view of the subdued private non-residential property market, will the Government consider acquiring more existing or newly-completed private office premises for government and public organisations’ office accommodation, thereby minimising long-term expenditure on rentals and the need for the Government to identify sites for constructing new office buildings?
3. On “continu(ing) to take forward the initiative of relocating government offices being non-location-specific and without service boundary from high-value areas to lower-value areas or the Northern Metropolis as far as practicable”, what are the concrete examples and outcomes of such work over the past 5 years? What are the specific plans and indicators for the coming 5 years?

Asked by: Hon FOK Kai-kong, Kenneth (LegCo internal reference no.: 26)

Reply:

1. There are 9 projects for the reprovisioning of the Wan Chai Government Offices Compound (WCGOC). 7 projects have been completed and commissioned, while the building works of the remaining 2 projects (involving Water Supplies Department and Correctional Services Headquarters, as well as District Court respectively) are expected to be completed by end-2027.

2. The Government's policy is to accommodate offices of bureaux and departments (B/Ds) in government-owned premises as far as practicable to meet their long-term operational needs. The provision of government-owned premises includes construction of government buildings through the Public Works Programme, acquisition of private premises, or provision of premises by developers through lease conditions in private developments. Leasing premises for use by departments will only be considered if government-owned premises are unable to meet their locational requirements or operational needs. The Government Property Agency (GPA) regularly consults and reviews with B/Ds their long-term and short-term requirements for office accommodation, so as to meet their operational needs and ensure prudent use of public money.
3. By conducting an accommodation review annually, and having regard to the operational needs of the departments concerned and cost-effectiveness, the GPA will relocate leased offices to government-owned premises and relocate offices with higher rent to premises with lower rent to reduce rental expenses. The monthly rental expenditures on office accommodation of government departments in leased premises (including rents, management fees and air-conditioning charges) have decreased from around \$150 million in December 2021 to around \$130 million in December 2025.

To tie in with the development of the Northern Metropolis, the Government plans to construct a joint-user general office building at Area 29, Kwu Tung North, while relocating certain government offices in other districts with no specific locational requirements. The Government will seek funding approval from the Finance Committee of the Legislative Council in 2026-27 for the project to commence the works.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3175)

Head: (51) Government Property Agency
Subhead (No. & title): ()
Programme: (3) Estate Utilisation
Controlling Officer: Government Property Administrator (Eugene FUNG)
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government Property Agency is responsible for advising bureaux and departments on the planning and implementation of public car park projects within government premises from management, operation and maintenance (MOM) perspectives. In connection with the car parks open for public use managed and operated by the Government, will the Bureau inform this Committee of the following:

1. the opening hours of and the number of parking spaces provided in each car park, as well as the utilisation rates during peak/non-peak hours, the revenue from parking fees, the management expenses, and the government departments responsible for their management in the past 3 years for each car park;
2. the number of chargers (for fast, quick, medium and standard charging) for electric vehicles currently provided in each car park, their utilisation rates, as well as the revenue from and the expenditure on charging service;
3. the number of chargers (for fast, quick, medium and standard charging) installed in the past 3 years and their costs;
4. whether the Government has any plans to install more chargers in public car parks, with a view to meeting the target of ceasing the new registration of fuel-propelled and hybrid private cars in 2035 or earlier as set in the Hong Kong's Climate Action Plan 2050. If yes, what are the relevant plan and the estimated expenditure for the coming year? If no, what are the reasons?

Asked by: Hon TANG Fei (LegCo internal reference no.: 35)

Reply:

1-3. In the past few years, the Transport Department ("TD") has engaged the Government Property Agency to procure operators to manage its newly built public car parks by way of "management, operation and maintenance" commercial model under which rents are payable to the Government by the operators. Currently, 3 public car park projects are operating under this model. In the past 3 years, TD installed 623 chargers in the abovementioned 3 public car parks. Please refer to the Annex for information.

4. TD indicated that the Government would, where circumstances permit, provide more and higher-efficiency electric vehicle charging facilities in accordance with the relevant guidelines to facilitate drivers. In 2026, the Government will install 86 medium chargers in the public car park in Tung Chung Area 99, at a total installation cost of approximately \$1.2 million.

– End –

Utilisation of the newly built public car parks under Transport Department's purview

	Name of Car Park	Commissioning Date	Opening Hours	Number of Parking Spaces	Average Utilisation Rate of Parking Spaces in the past 3 years	Number of Medium Chargers (Note 1)	Installation Cost of Chargers (About)	Average Utilisation Rate of Chargers in the past 3 years
1.	Ka Fu Fong Public Car Park, Sheung Shui	13 November 2024	24 hours	326	54% (Note 2)	326	\$2.30 million	0.6% (Note 2)
2.	Pak Shing Kok Road Public Car Park, Tseung Kwan O	9 December 2025		146	Not Applicable (Note 3)	136	\$2.62 million (Note 4) (Note 5)	Not Applicable (Note 3)
3.	Tseung Kwan O Government Offices Public Car Park	29 December 2025		388	Not Applicable (Note 3)	161	\$9.93 million (Note 4) (Note 6)	Not Applicable (Note 3)

Note 1: Only medium chargers are provided in the 3 abovementioned carparks.

Note 2: The car park commenced operation in mid-November 2024. The operator can only provide information for 2025.

Note 3: The car parks commenced operation in December 2025. The annual utilisation information is currently not available.

Note 4: The estimated expenditures are provided by the works department. As the project is recently completed, the actual expenditures are yet to be worked out.

Note 5: The installation cost includes chargers, central management system and 1 self-serviced kiosk.

Note 6: The installation cost includes chargers, central management system and 13 self-serviced kiosks.

Note 7: Since the abovementioned public car parks are managed and operated by operators under tenancy agreements, the Government Property Agency only collects rent from the operators and does not possess the commercial information such as parking revenue, management expenses, utilisation rates during peak/non-peak hours and charging revenue/expenditure.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)023

(Question Serial No. 0273)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics (Mrs Vicki KWOK)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to Programme (1), the Government Logistics Department will continue to adopt a strategic and pro-innovation approach of purchasing in the coming year. To assist local enterprises in adapting to market structure adjustments, will the Government introduce incentive measures to attract more small and medium enterprises and startups to participate in government procurement? Will the Government consider giving priority to Hong Kong brands in procurement policies of the public sector, further reducing suppliers' weighting of score of bidding with the lowest price? If so, what are the details? If not, what are the reasons?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 516)

Reply:

Hong Kong is an international city and one of the signatories to the Agreement on Government Procurement of the World Trade Organization. When conducting government procurement, the Government is committed to ensuring that local and non-local suppliers and contractors, regardless of their scale, can participate in bidding through fair, open and competitive procedures so as to obtain goods and services at the best value for money. Bureaux/departments (B/Ds) always welcome local enterprises (including small and medium enterprises (SMEs) and startups) to participate in bidding.

We have been facilitating participation of enterprises (including SMEs and startups) in government procurement. To encourage competition and minimise entry barriers in non-works procurement, procuring B/Ds would generally not set the bidders' experience as an essential requirement. Procuring B/Ds are also encouraged to split large contracts into smaller ones as far as possible so as to enable more SMEs to participate in government procurement.

B/Ds are also requested to simplify tender documents as far as possible, and where applicable, adopt milestone payments, to ease contractors' cash flow.

The government always places quality as the top priority for government procurement, ensuring that the goods and services are obtained at the best value for money and public funds are well spent. Bidder must first meet the essential requirements set by the procuring B/Ds regarding the technical, functional and quality aspects of the goods/services being procured before their bids can be considered further. Otherwise, even if a bidder offers the lowest price, it will not be awarded the contract. Hence, government procurement does not simply buy at the lowest price.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)024

(Question Serial No. 0758)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics (Mrs Vicki KWOK)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Programme (1)

1. There will be a decrease of 4 posts in 2026-27. What are the duties of the posts concerned?
2. In 2025, the actual number of contracts handled was 116, which is a substantial decrease of over 30% compared to that in 2024. What are the reasons? Among the contracts, how many were awarded based on the selection criterion of “awarding contracts to the lowest priced bids”? How many were not? What were the reasons for accepting bids that were not the lowest price?
3. In 2026, the number of contracts handled further decreased to 82. Although it is explained that the estimated number is worked out based on the forecasts submitted by other bureaux/departments (B/Ds), what are the reasons for the decrease? Moreover, among overall government procurement, what is the proportion of contracts the Government Logistics Department is currently responsible for? Will the authority of procurement be further devolved to various B/Ds?

Asked by: Hon LAM Ming-fung, Lothair (LegCo internal reference no.: 38)

Reply:

1. In 2026-27, there will be a decrease of 4 posts under Programme (1) Procurement of the Government Logistics Department (GLD). The main duties of the post holders concerned include procurement, supplies and related work for the department, including management of e-procurement system and drafting of tender documents.
2. The number of contracts handled by GLD in 2024 was larger than that in 2025, was mainly attributed to the renewal of 54 standing offer agreements (SOAs) for the supply of personal protective equipment items (e.g. anti-epidemic items) in 2024. These SOAs are of a standby nature, which aim to ensure that the Government can procure the relevant items promptly when necessary. The number of contracts handled by GLD in 2025 was similar to that in 2023.

Among the 116 contracts handled by GLD in 2025, 34 were awarded to bidders offering the lowest price and meeting all the essential requirements. For the other 65 contracts, marking schemes were adopted in the tender exercises (i.e. bidders with the highest combined score were awarded the contracts after considering the technical requirements and prices). Among these 65 contracts, 33 were awarded to bidders with the lowest price. The remaining 17 were contract variations, with prices remaining the same as the existing contracts.

3. It is estimated that GLD is going to handle 82 contracts in 2026, which are worked out based on the forecasts submitted by bureaux/departments (B/Ds) and the expiry dates of existing GLD contracts. The number of contracts handled by GLD in a year is affected by multiple factors, including the operational needs of B/Ds, and the renewal cycles of term contracts, etc.

In general, GLD, as the central procurement agent of the Government, supplies the required common-user items to various B/Ds, and procures goods with a value exceeding HK\$10 million for B/Ds, while B/Ds are responsible for procuring services as well as goods of lower value on their own. Based on the non-works contracts awarded through tendering in the past 3 years, the contracts handled by GLD account for an annual average of 16% of the total number, and 12% of the total value, of goods and general services contracts awarded by the Government.

We consider the aforesaid arrangements and division of duties clear and precise, and will continue to review the related work and look into room for enhancement.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)025

(Question Serial No. 0759)

Head: (59) Government Logistics Department

Subhead (No. & title): (691) General purpose vehicles (block vote)

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics (Mrs Vicki KWOK)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding Programme (3) Land Transport:

1. Under Subhead 691 on P.277: The revised estimate for block vote for general purpose vehicles is \$186 million in 2025-26. How many vehicles were procured and what types were they? How many of these vehicles benefited from the Government's exemption of the first registration tax for private cars and the "One-for-One Replacement" Scheme?
2. The block vote for general purpose vehicles is HK\$101 million in 2026-27, which is a substantial decrease of \$85 million against the revised estimate for the previous year. As explained on P.275, this is mainly due to the decreased provision for procurement of general purpose vehicles. What are the reasons for this sudden substantial decrease?
3. As mentioned in paragraph 12 under Aim, to contribute to the Government's policy on environmental protection, the department will continue to explore the feasibility of using more environment-friendly vehicles in the government fleet, and encourage the use of electric vehicles to replace the retiring ones. What is the proportion of new energy vehicles in the government fleet at present?

Asked by: Hon LAM Ming-fung, Lothair (LegCo internal reference no.: 39)

Reply:

1. In 2025-26, the Government Logistics Department (GLD) procured a total of 398 General Purpose Vehicles for bureaux and departments (B/Ds) under the block vote, with total expenditure of around \$186 million. The types and number of vehicles are listed as follows:

Vehicle type	Number of vehicles
Private car (including saloon car and multi-purpose car)	272
Van	3
Bus	93
Motorcycle	30
Total	398

Government vehicles are not required to pay the first registration tax.

2. GLD expects to procure about 265 General Purpose Vehicles for B/Ds in 2026-27 with total expenditure of around \$100 million. Vehicle types mainly include electric private cars and light buses, etc. Each year, when determining the types and number of vehicles to be procured for B/Ds, GLD considers multiple factors, including the operational needs of B/Ds, accumulated maintenance costs, conditions, age, mileage run, replacement costs of existing vehicles, and the availability of suitable models in the market. GLD's expenditure for procuring General Purpose Vehicles each year is also subject to the number, types, and prices of new vehicles that can be delivered by vehicle suppliers that year.
3. As at the end of December 2025, the total establishment of government vehicle fleet was 7 326, of which 331 were electric vehicles (including 5 electric motorcycles, 308 electric private cars, 17 electric vans, and 1 electric specialised vehicle). Electric vehicles accounted for about 4.5% of the establishment of government fleet.

With the growing number of electric vehicle makes and models available on the market as well as the increasing need for replacing government vehicles, GLD has been progressively procuring more electric vehicles. As a result, there is a steady increase in the number and proportion of electric vehicles in the Government fleet. Among the 219 private cars GLD ordered for B/Ds in 2025, about 98% (i.e. 214 cars) were electric vehicles.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)026

(Question Serial No. 0850)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics (Mrs Vicki KWOK)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under this program, the matters requiring special attention by the Government Logistics Department in 2025-26 include: monitoring the transport needs of government departments with a view to containing the size of the government fleet and identifying saving opportunities; and giving priority to environment-friendly and electric vehicles when procuring vehicles for the government fleet subject to the availability of suitable models in the market as well as operational and resources considerations. In relation to the financial and staffing provision, the provision under Programme (3) for 2026-27 is \$82.5 million (30.4%) lower than the revised estimate for 2025-26, mainly due to the decreased provision for procurement of General Purpose Vehicles. Please inform this Committee of the following: What was the expenditure on procuring government vehicles in the past year? Please provide a breakdown by the number, makes and types of vehicles used by departments and senior officials. What were the number of drivers employed by senior officials and the respective expenditure? In 2026-27, what are the details of such expenditure? Please provide a breakdown, including the number of additional vehicles, the purposes and the departments to which they belong, etc. Does the Government have any plan to reduce the size of the government fleet and related expenditure?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 7)

Reply:

In 2025-26, the total expenditure of GLD on procurement of 398 General Purpose Vehicles (GPVs) for bureaux and departments (B/Ds) under the block vote was around \$186 million. Please see the Annex for details.

In 2026-27, the total expenditure of GLD on procurement of around 265 GPVs for B/Ds is estimated to be around \$100 million. The vehicle types involved include electric private cars, light buses, etc. These vehicles will mainly serve the transport needs of B/Ds (e.g. conveying officers for discharge of duties, inspections or on-site visits, attending meetings or events, law enforcement and handling emergencies, etc.). As some of the vehicle procurement exercises are still in progress (including conducting market research and preparation of tender documents), the vehicle types and number of vehicles to be procured

will be subject to actual circumstances. Therefore, no such concrete information can be provided at this stage.

The future size and expenditure of the government vehicle fleet will depend on whether B/Ds will replace existing vehicles or seek additional ones based on their operational needs and resource utilisation plans, as well as price changes of suitable vehicle models available in the market. When vetting and approving B/Ds' requests for procurement of GPVs, GLD will take into account the justifications provided by such B/Ds, the utilisation of their existing vehicles (including accumulated maintenance cost, vehicle age, mileage run, etc.), and the feasibility of meeting new demand through redeployment of existing vehicles, or hiring instead of procuring vehicles for meeting ad hoc/short-term transport demand, with a view to meeting the operational needs of B/Ds in a cost-effective manner.

The total establishment of the government driver grades as at end March 2026 was 2 405, of which the establishment of the chauffeur grade was 100. Chauffeurs are mainly responsible for conveying Principal Officials and Permanent Secretaries, etc. The expenditure on employment of drivers is borne by the respective B/Ds. GLD does not keep the relevant information.

Details of the procurement of GPVs under the block vote in 2025-26(Note)

Vehicle type	Number of vehicles	Vehicle make	Bureau/department allocated with vehicles (No. of vehicles allocated)
Electric large saloon car	2	BMW	Administration Wing (1) Judiciary (1)
Electric private car	25	Nissan	Administration Wing (1) Agriculture, Fisheries and Conservation Department (5) Digital Policy Office (1) Electrical and Mechanical Services Department (3) Food and Environmental Hygiene Department (6) Innovation, Technology and Industry Bureau (1) Lands Department (2) Radio Television Hong Kong (1) Social Welfare Department (5)
Medium private car	207	Toyota	Home Affairs Department (3) Hong Kong Police Force (204)
Electric multi-purpose car	38	Denza	Administration Wing (2) Audit Commission (1) Chief Executive's Office (1) Civil Service Bureau (2) Commerce and Economic Development Bureau (2) Constitutional and Mainland Affairs Bureau (1) Culture, Sports and Tourism Bureau (2) Development Bureau (3) Education Bureau (1) Environment and Ecology Bureau (1) Financial Services and the Treasury Bureau (2) Government Logistics Department (4) Health Bureau (2) Home and Youth Affairs Bureau (2) Hong Kong Police Force (1) Independent Commission Against Corruption (1) Innovation, Technology and Industry Bureau (2) Judiciary (1) Labour and Welfare Bureau (2) Public Service Commission (1)

Vehicle type	Number of vehicles	Vehicle make	Bureau/department allocated with vehicles (No. of vehicles allocated)
			Registration and Electoral Office (1) Security Bureau (2) Transport and Logistics Bureau (1)
Medium truck	3	MAN	Food and Environmental Hygiene Department (3)
Light bus	54	Mitsubishi Fuso	Civil Aid Service (1) Civil Engineering and Development Department (1) Customs and Excise Department (3) Food and Environmental Hygiene Department (33) Government Flying Service (1) Government Logistics Department (2) Hong Kong Observatory (1) Immigration Department (3) Labour Department (1) Lands Department (1) Leisure and Cultural Services Department (2) Water Supplies Department (5)
Medium bus	39	MAN, Mitsubishi Fuso	Customs and Excise Department (3) Hong Kong Police Force (36)
Electric small motorcycle	5	Ninebot	Agriculture, Fisheries and Conservation Department (1) Transport Department (4)
Small motorcycle	25	Honda	Civil Aid Service (19) Transport Department (6)
Total	398		

Note: In 2025-26, the 398 GPVs purchased by the GLD through block vote for various B/Ds were procured through open tendering or by quotations during the years from 2021 to 2024.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)027

(Question Serial No. 1306)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics (Mrs Vicki KWOK)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government Logistics Department is responsible for the management of the vehicle fleets of government bureaux and departments. Will the Government inform this Committee of the following:

1. Please list the number of electric vehicles and non-electric vehicles procured by departments in the past 3 years;
2. Please provide the current number of electric vehicles and non-electric vehicles by government departments;
3. For departments with higher adoption rates of electric vehicles, has the Government assessed the difference in daily operating expenses between electric vehicles and traditional fuel-propelled vehicles?
4. The Environmental Protection Department updated the green procurement practice for government vehicles in July 2021, setting out the use of electric vehicles as the standard when procuring or replacing small and medium government private cars, unless circumstances such as operational needs that render the use of electric vehicles infeasible. With the update of the practice, has the Government also increased the number of corresponding electric vehicle charging facilities in the car parks of various government departments, so as to encourage the use of electric vehicles? Please provide the number of charging facilities (listing separately the number of medium and quick chargers) in government department car parks in the past three years.

Asked by: Hon IP Ngo-tung, Chris (LegCo internal reference no.: 9)

Reply:

1. The breakdown of numbers of electric and non-electric vehicles ordered by bureaux/departments (B/Ds) in the past 3 years is set out in Annex 1.
2. The breakdown of numbers of electric and non-electric vehicles by B/Ds as at the end of 2025 is set out in Annex 2.

3. Since B/Ds are responsible for the daily expenses of vehicles under their purview, including maintenance cost, fuel cost, charging fees of electric vehicles, etc., the Government Logistics Department (GLD) does not have the relevant information. However, based on the data collected by GLD on its own vehicle fleet during daily operations, the charging and maintenance costs of electric vehicles are generally lower than the fuel and maintenance costs of fuel-propelled vehicles.

4. To encourage B/Ds to adopt electric vehicles, currently, GLD procures 1 medium charger for each new electric private car acquired. GLD has no record of the number of electric vehicle chargers in government car parks that are solely for use by government vehicles in the past 3 years. However, when government vehicles carry out operations, they may also use public charging facilities in government car parks. According to the information provided by the Environmental Protection Department, the breakdown of number of public electric vehicle chargers in government car parks in the past 3 years is as follows:

Year/No. of charging stations	Standard	Medium	Quick	Fast	Total
As at end of 2023	560	1 986	4	0	2 550
As at end of 2024	539	1 956	4	0	2 499
As at end of 2025	421	3 017	14	5	3 457

**The numbers of electric vehicles
and non-electric vehicles ordered by B/Ds (2023-2025)**

Bureau/Department	2023		2024		2025	
	Electric vehicles	Non-electric vehicles	Electric vehicles	Non-electric vehicles	Electric vehicles	Non-electric vehicles
Administration Wing	0	1	8	0	5	0
Agriculture, Fisheries and Conservation Department	0	6	6	0	3	0
Architectural Services Department	2	0	0	0	0	0
Audit Commission	0	0	0	0	1	0
Buildings Department	6	2	0	5	12	0
Chief Executive's Office	0	0	0	1	2	0
Census and Statistics Department	1	0	0	0	0	0
Civil Aid Service	0	1	0	19	1	0
Civil Aviation Department	0	2	0	0	0	0
Civil Engineering and Development Department	3	1	0	1	5	0
Civil Service Bureau	0	0	0	0	2	0
Commerce and Economic Development Bureau	0	0	0	0	2	0
Constitutional and Mainland Affairs Bureau	0	0	0	0	2	0
Correctional Services Department	0	4	2	2	3	0
Culture, Sports and Tourism Bureau	0	0	1	0	2	0
Customs and Excise Department	6	7	0	6	20	0
Department of Health	2	0	0	1	0	0
Department of Justice	0	0	0	3	0	0
Development Bureau	0	0	2	0	3	0
Digital Policy Office	0	0	1	0	1	0
Drainage Services Department	0	1	0	0	0	0
Education Bureau	1	0	0	0	5	0
Electrical and Mechanical Services Department	1	17	7	1	5	0
Environment and Ecology Bureau	3	0	1	0	1	0
Environmental Protection Department	0	1	0	1	0	0

Bureau/Department	2023		2024		2025	
	Electric vehicles	Non-electric vehicles	Electric vehicles	Non-electric vehicles	Electric vehicles	Non-electric vehicles
Financial Services and the Treasury Bureau	1	0	0	0	2	0
Fire Services Department	0	28	0	2	59	0
Food and Environmental Hygiene Department	0	37	6	9	5	131
Government Flying Service	0	0	0	2	0	0
Government Laboratory	0	0	0	1	0	0
Government Logistics Department	3	6	1	3	4	0
Government Property Agency	0	0	0	1	0	0
Health Bureau	0	0	1	0	2	0
Highways Department	0	0	0	0	1	0
Home Affairs Department	1	0	0	5	7	0
Home and Youth Affairs Bureau	0	0	2	0	3	0
Hong Kong Monetary Authority	0	0	1	0	0	0
Hong Kong Observatory	0	1	0	0	0	0
Hong Kong Police Force	11	219	0	209	1	5
Housing Department	0	5	0	0	1	0
Immigration Department	0	4	4	0	3	1
Independent Commission Against Corruption	5	0	0	2	9	0
Information Services Department	0	0	0	0	2	1
Inland Revenue Department	1	0	0	0	0	0
Innovation, Technology and Industry Bureau	0	0	1	0	2	0
Judiciary	0	0	0	2	2	0
Labour and Welfare Bureau	0	0	1	0	2	0
Labour Department	8	2	1	0	7	0
Lands Department	0	4	2	12	2	0
Leisure and Cultural Services Department	0	6	0	1	0	1
Office of the Communications Authority	0	3	0	0	0	0
Planning Department	0	0	1	0	1	0
Post Office	0	0	10	0	0	0
Public Service Commission	0	0	0	0	1	0
Radio Television Hong Kong	0	0	1	0	2	0
Rating and Valuation Department	2	0	0	0	1	0

Bureau/Department	2023		2024		2025	
	Electric vehicles	Non-electric vehicles	Electric vehicles	Non-electric vehicles	Electric vehicles	Non-electric vehicles
Registration and Electoral Office	0	0	0	0	1	0
Security Bureau	0	0	0	0	2	0
Social Welfare Department	1	0	5	1	7	0
Transport and Logistics Bureau	0	0	0	0	1	0
Transport Department	0	3	5	6	0	0
Water Supplies Department	1	5	16	7	9	0
Working Family and Student Financial Assistance Agency	1	0	0	0	0	0
Total	60	366	86	303	214	139

Note: The numbers of electric vehicles and non-electric vehicles in the table reflect the number of General Purpose Vehicles ordered for B/Ds by GLD in the years concerned.

**The numbers of electric and non-electric vehicles by B/Ds
(As at 31 December 2025)**

Bureau/Department	Number of electric vehicles	Number of non-electric vehicles	Total number of vehicles
Administration Wing	13	16	29
Agriculture, Fisheries and Conservation Department	14	198	212
Architectural Services Department	3	6	9
Audit Commission	1	1	2
Auxiliary Medical Service	0	19	19
Buildings Department	12	28	40
Census and Statistics Department	1	2	3
Chief Executive's Office	2	8	10
Civil Aid Service	0	42	42
Civil Aviation Department	5	9	14
Civil Engineering and Development Department	4	37	41
Civil Service Bureau	2	1	3
Commerce and Economic Development Bureau	3	1	4
Companies Registry	0	1	1
Constitutional and Mainland Affairs Bureau	1	2	3
Correctional Services Department	3	132	135
Culture, Sports and Tourism Bureau	3	2	5
Customs and Excise Department	20	205	225
Department of Health	3	53	56
Department of Justice	0	11	11
Development Bureau	5	1	6
Digital Policy Office	1	3	4
Drainage Services Department	5	39	44
Education Bureau	2	4	6
Electrical and Mechanical Services Department	17	183	200
Environment and Ecology Bureau	6	2	8
Environmental Protection Department	1	46	47
Financial Services and the Treasury Bureau	3	0	3
Fire Services Department	4	853	857
Food and Environmental Hygiene Department	10	718	728
Government Flying Service	0	4	4

Bureau/Department	Number of electric vehicles	Number of non-electric vehicles	Total number of vehicles
Government Laboratory	0	1	1
Government Logistics Department	10	53	63
Government Property Agency	0	2	2
Health Bureau	3	1	4
Highways Department	2	46	48
Home Affairs Department	1	28	29
Home and Youth Affairs Bureau	4	2	6
Hong Kong Monetary Authority	1	4	5
Hong Kong Observatory	0	9	9
Hong Kong Police Force	51	2 975	3 026
Housing Bureau	0	0	0
Housing Department	4	44	48
Immigration Department	5	31	36
Independent Commission Against Corruption	8	30	38
Information Services Department	0	8	8
Inland Revenue Department	1	3	4
Innovation and Technology Commission	0	3	3
Innovation, Technology and Industry Bureau	3	0	3
Intellectual Property Department	0	1	1
Invest Hong Kong	0	1	1
Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	0	1	1
Judiciary	2	22	24
Labour and Welfare Bureau	3	0	3
Labour Department	11	16	27
Land Registry	0	1	1
Lands Department	4	168	172
Legal Aid Department	0	2	2
Leisure and Cultural Services Department	2	144	146
Marine Department	0	5	5
Office of the Communications Authority	2	19	21
Official Receiver's Office	0	1	1
Planning Department	1	11	12
Post Office	17	214	231
Public Service Commission	1	0	1
Radio Television Hong Kong	2	22	24
Rating and Valuation Department	2	5	7

Bureau/Department	Number of electric vehicles	Number of non-electric vehicles	Total number of vehicles
Registration and Electoral Office	1	0	1
Secretariat, Commissioner on Interception of Communications and Surveillance	0	1	1
Security Bureau	2	1	3
Social Welfare Department	11	19	30
Trade and Industry Department	0	2	2
Transport and Logistics Bureau	1	1	2
Transport Department	7	248	255
Treasury	0	1	1
University Grants Committee Secretariat	0	1	1
Water Supplies Department	23	221	244
Working Family and Student Financial Assistance Agency	2	0	2
Total	331	6 995	7 326

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CONTROLLING OFFICER'S REPLY

FSTB(Tsy)028

(Question Serial No. 1450)

Head: (59) Government Logistics Department

Subhead (No. & title): (000) Operational Expenses

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics (Mrs Vicki KWOK)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Environmental Protection Department updated the green procurement practice for government vehicles in July 2021, setting electric vehicles as standard for government private cars with 5 seats or less to be procured or replaced. Regarding the electric vehicles to be replaced or procured for government departments, will the Government inform this Committee of the following:

- (a) In the past year, what were the (i) total number of vehicles, (ii) number of electric vehicles (and their proportion in the total establishment of government vehicles) and (iii) number of hybrid vehicles (and their proportion in the total establishment of government vehicles) of bureaux/departments (B/Ds) (please set out in tabular form)?
- (b) In the past year, what were the (i) make, (ii) model, (iii) expenditure, (iv) quantity procured and (v) driving range of the vehicles involved in each round of procurement of electric vehicles by B/Ds (please set out in tabular form)?
- (c) Have government departments set up procurement standards requiring electric or new energy vehicles to be procured to meet a minimum driving range, so as to ensure they can sustain long operational hours?

Asked by: Hon TANG Ka-piu (LegCo internal reference no.: 38)

Reply:

- (a) Details of the (i) total number of vehicles, (ii) number and proportion of electric vehicles and (iii) number and proportion of hybrid vehicles of bureaux/departments (B/Ds) as at end of December 2025 are set out in Annex 1.
- (b) Details of (i) type/make, (ii) model, (iii) expenditure, (iv) number of vehicles and (v) driving range of the electric vehicles ordered by B/Ds in 2025 are set out in Annex 2.
- (c) The Government Logistics Department (GLD) consults the Electrical and Mechanical Services Department in drawing up the technical specifications (including the minimum requirement for driving range) for the vehicles to be procured, having regard to the operational requirements of B/Ds and information on suitable vehicle models in the market, etc., with a view to ensuring that the technical specifications meet B/Ds' operational needs.

**The (i) total number of vehicles, (ii) number and proportion of electric vehicles,
and (iii) number and proportion of hybrid vehicles of B/Ds**

Bureau/ Department	2025 (Note)				
	Total number of vehicles	Number of electric vehicles	Number of hybrid vehicles	Proportion of electric vehicles	Proportion of hybrid vehicles
Administration Wing	29	13	2	44.8%	6.9%
Agriculture, Fisheries and Conservation Department	212	14	0	6.6%	0.0%
Architectural Services Department	9	3	0	33.3%	0.0%
Audit Commission	2	1	0	50.0%	0.0%
Auxiliary Medical Service	19	0	0	0.0%	0.0%
Buildings Department	40	12	5	30.0%	12.5%
Census and Statistics Department	3	1	0	33.3%	0.0%
Chief Executive's Office	10	2	1	20.0%	10.0%
Civil Aid Service	42	0	2	0.0%	4.8%
Civil Aviation Department	14	5	0	35.7%	0.0%
Civil Engineering and Development Department	41	4	0	9.8%	0.0%
Civil Service Bureau	3	2	0	66.7%	0.0%
Commerce and Economic Development Bureau	4	3	0	75.0%	0.0%
Companies Registry	1	0	0	0.0%	0.0%
Constitutional and Mainland Affairs Bureau	3	1	1	33.3%	33.3%
Correctional Services Department	135	3	0	2.2%	0.0%
Culture, Sports and Tourism Bureau	5	3	1	60.0%	20.0%
Customs and Excise Department	225	20	0	8.9%	0.0%
Department of Health	56	3	0	5.4%	0.0%
Department of Justice	11	0	1	0.0%	9.1%
Development Bureau	6	5	0	83.3%	0.0%
Digital Policy Office	4	1	0	25.0%	0.0%
Drainage Services Department	44	5	0	11.4%	0.0%
Education Bureau	6	2	1	33.3%	16.7%
Electrical and Mechanical Services Department	200	17	1	8.5%	0.5%

Bureau/ Department	2025 (Note)				
	Total number of vehicles	Number of electric vehicles	Number of hybrid vehicles	Proportion of electric vehicles	Proportion of hybrid vehicles
Environment and Ecology Bureau	8	6	0	75.0%	0.0%
Environmental Protection Department	47	1	0	2.1%	0.0%
Financial Services and the Treasury Bureau	3	3	0	100.0%	0.0%
Fire Services Department	857	4	1	0.5%	0.1%
Food and Environmental Hygiene Department	728	10	0	1.4%	0.0%
Government Flying Service	4	0	0	0.0%	0.0%
Government Laboratory	1	0	0	0.0%	0.0%
Government Logistics Department	63	10	1	15.9%	1.6%
Government Property Agency	2	0	0	0.0%	0.0%
Health Bureau	4	3	0	75.0%	0.0%
Highways Department	48	2	0	4.2%	0.0%
Home Affairs Department	29	1	4	3.4%	13.8%
Home and Youth Affairs Bureau	6	4	0	66.7%	0.0%
Hong Kong Monetary Authority	5	1	0	20.0%	0.0%
Hong Kong Observatory	9	0	0	0.0%	0.0%
Hong Kong Police Force	3 026	51	206	1.7%	6.8%
Housing Bureau	0	0	0	0.0%	0.0%
Housing Department	48	4	0	8.3%	0.0%
Immigration Department	36	5	0	13.9%	0.0%
Independent Commission Against Corruption	38	8	0	21.1%	0.0%
Information Services Department	8	0	0	0.0%	0.0%
Inland Revenue Department	4	1	0	25.0%	0.0%
Innovation and Technology Commission	3	0	0	0.0%	0.0%
Innovation, Technology and Industry Bureau	3	3	0	100.0%	0.0%
Intellectual Property Department	1	0	0	0.0%	0.0%
Invest Hong Kong	1	0	0	0.0%	0.0%
Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	1	0	0	0.0%	0.0%

Bureau/ Department	2025 (Note)				
	Total number of vehicles	Number of electric vehicles	Number of hybrid vehicles	Proportion of electric vehicles	Proportion of hybrid vehicles
Judiciary	24	2	5	8.3%	20.8%
Labour and Welfare Bureau	3	3	0	100.0%	0.0%
Labour Department	27	11	0	40.7%	0.0%
Land Registry	1	0	0	0.0%	0.0%
Lands Department	172	4	0	2.3%	0.0%
Legal Aid Department	2	0	0	0.0%	0.0%
Leisure and Cultural Services Department	146	2	1	1.4%	0.7%
Marine Department	5	0	0	0.0%	0.0%
Office of the Communications Authority	21	2	0	9.5%	0.0%
Official Receiver's Office	1	0	0	0.0%	0.0%
Planning Department	12	1	0	8.3%	0.0%
Post Office	231	17	1	7.4%	0.4%
Public Service Commission	1	1	0	100.0%	0.0%
Radio Television Hong Kong	24	2	0	8.3%	0.0%
Rating and Valuation Department	7	2	0	28.6%	0.0%
Registration and Electoral Office	1	1	0	100.0%	0.0%
Secretariat, Commissioner on Interception of Communications and Surveillance	1	0	0	0.0%	0.0%
Security Bureau	3	2	0	66.7%	0.0%
Social Welfare Department	30	11	0	36.7%	0.0%
Trade and Industry Department	2	0	0	0.0%	0.0%
Transport and Logistics Bureau	2	1	0	50.0%	0.0%
Transport Department	255	7	0	2.7%	0.0%
Treasury	1	0	0	0.0%	0.0%
University Grants Committee Secretariat	1	0	0	0.0%	0.0%

	2025 (Note)				
Bureau/ Department	Total number of vehicles	Number of electric vehicles	Number of hybrid vehicles	Proportion of electric vehicles	Proportion of hybrid vehicles
Water Supplies Department	244	23	0	9.4%	0.0%
Working Family and Student Financial Assistance Agency	2	2	0	100.0%	0.0%
Total	7 326	331	234	4.5%	3.2%

Note: The data reflect the situation as at 31 December 2025.

The type/make, model, expenditure, number and driving range of the electric vehicles (General Purpose Vehicles) ordered by B/Ds in 2025

Bureau/ Department/ (Note 1)	Vehicle type/make	Vehicle model	Expenditure (including price of vehicle and equipment required) (Note 2) (HK\$)	Number of vehicles	Driving range
Administration Wing	Electric multi-purpose cars/Denza	D9	430,415	1	520 km
Audit Commission			430,415	1	
Chief Executive's Office			440,650	1	
Civil Service Bureau			860,830	2	
Commerce and Economic Development Bureau			860,830	2	
Constitutional and Mainland Affairs Bureau			880,300	2	
Culture, Sports and Tourism Bureau			861,215	2	
Development Bureau			1,310,330	3	
Education Bureau			430,415	1	
Environment and Ecology Bureau			439,765	1	
Financial Services and the Treasury Bureau			860,830	2	
Government Logistics Department			1,291,245	3	
Health Bureau			861,600	2	
Home and Youth Affairs Bureau			861,600	2	
Hong Kong Police Force			440,150	1	
Housing Department			439,765	1	
Independent Commission Against Corruption			430,800	1	
Innovation, Technology and Industry Bureau			860,830	2	
Judiciary			430,415	1	
Labour and Welfare Bureau			860,830	2	
Public Service Commission	439,765	1			
Registration and Electoral Office	429,315	1			
Security Bureau	880,300	2			
Transport and Logistics Bureau	430,415	1			

Bureau/ Department/ (Note 1)	Vehicle type/make	Vehicle model	Expenditure (including price of vehicle and equipment required) (Note 2) (HK\$)	Number of vehicles	Driving range
Administration Wing	Electric large saloon car/BMW	i7 eDrive50	710,734	1	611 km
Judiciary			710,734	1	
Administration Wing	Electric private car/Geely	EX5 Pro	481,950	3	430 km
Agriculture, Fisheries and Conservation Department			481,200	3	
Buildings Department			2,056,800	12	
Chief Executive's Office			199,650	1	
Civil Aid Service			186,200	1	
Civil Engineering and Development Department			876,600	5	
Correctional Services Department			517,950	3	
Customs and Excise Department			3,380,650	20	
Digital Policy Office			160,400	1	
Education Bureau			642,600	4	
Electrical and Mechanical Services Department			993,700	5	
Fire Services Department			12,381,150	59	
Food and Environmental Hygiene Department			802,000	5	
Government Logistics Department			155,000	1	
Highways Department			160,400	1	
Home Affairs Department			1,220,600	7	
Home and Youth Affairs Bureau			172,650	1	
Immigration Department			487,750	3	
Independent Commission Against Corruption			1,357,200	8	
Information Services Department			346,400	2	
Labour Department	1,233,400	7			
Lands Department	344,800	2			
Planning Department	155,000	1			
Radio Television Hong Kong	331,800	2			
Rating and Valuation Department	165,600	1			

Bureau/ Department/ (Note 1)	Vehicle type/make	Vehicle model	Expenditure (including price of vehicle and equipment required) (Note 2) (HK\$)	Number of vehicles	Driving range
Social Welfare Department			1,242,400	7	
Water Supplies Department			1,451,700	9	
Total				214	

Note 1: The number of vehicles and vehicle makes listed in the table reflect the information of General Purpose Vehicles ordered in 2025 in accordance with contracts awarded earlier on. The expenditure involved was funded by the block vote, trading fund or departmental funding.

Note 2: Prices of the same electric vehicle model procured by B/Ds may vary due to ordering of different required equipment (e.g. flashing roof beacons, loudspeakers, weather-resistant nets, etc.).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)029

(Question Serial No. 1592)

Head: (59) Government Logistics Department

Subhead (No. & title): (000) Operational Expenses

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics (Mrs Vicki KWOK)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the incident in the procurement of bottled drinking water last year, the Government will refine the tendering and procurement regime and procedures in 4 broad directions, namely institutional change, reshaping work culture, enhancement in cross-departmental information exchange, and application of technologies and artificial intelligence (AI), including setting up a Procurement and Stores Management Audit Section to step up inspections, establishing a digital database for information sharing, and adopting an AI tool to assist in information search on tenderers and contractors. Will the Government inform this Committee of the following:

1. The manpower arrangement after the institutional change, such as the number of staff of Procurement and Stores Management Audit Section and their duties;
2. The estimated expenditure involved, such as for application of technologies and AI, and establishing a digital database.

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 39)

Reply:

1. The Government set up the Task Force on Review of Government Procurement Regime (Task Force) in August 2025 to conduct a comprehensive review on the government procurement regime and relevant procedures. Enhancement measures endorsed by the Task Force, which focus on 4 broad directions, namely institutional change, reshaping work culture, enhancement in cross-departmental information exchange, and application of technologies and artificial intelligence have been implemented successively. The Government Logistics Department (GLD) has already implemented the enhancement measures in its procurement, and related work is carried out with existing manpower of the department.

As for the Procurement and Stores Management Audit Section (Audit Section), it was reorganised from the Supplies Surveys and Stock Verification Section in October 2025. Apart from continuing to conduct compliance checks on procurement and supplies related work of bureaux/departments (B/Ds), the Audit Section has also strengthened, on a risk-based approach, its spot checks on the due diligence undertaken by B/Ds in the course of procurement. Specifically, GLD has arranged 10 members of staff in the Audit Section to be responsible for auditing tender cases. The staff concerned audit completed tender cases in various B/Ds to check if they complied with the relevant procurement regulations, tendering procedures, contract management and operational guidelines on due diligence checks. In addition, these staff members verify the documents and conduct background checks on the suppliers/service providers of contracts which are of a higher-risk profile.

2. GLD established an internal digital database in October 2025 to enhance procurement information sharing among B/Ds, thereby assisting them to identify high-risk tenderers in a more effective and timely manner. It also developed an artificial intelligence tool to support procurement officers in conducting due diligence checks on tenderers and contractors. GLD implements the work concerned by redeploying existing manpower and resources, without incurring additional expenditure.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)030

(Question Serial No. 2051)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (2) Supplies Management

Controlling Officer: Director of Government Logistics (Mrs Vicki KWOK)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 50 of the Budget that \$100 million will be allocated for introducing leading technologies from the industry to enhance the efficiency of public services. However, there are views from the industry that government procurement often focuses on “the lowest bid wins”, without fully considering the elements of “Made in Hong Kong” or local research and development (R&D), making it difficult for startups to use the Government as the first platform showcasing their effort. In this connection, will the Government inform this Committee of the following:

- (a) In the past 3 years, among the government procurement contracts involving information technology and innovative suggestions, what is the number and proportion of contracts awarded to local startups, or those specifying that technologies from local R&D are involved in their bids? If no such data is available, what are the reasons?
- (b) In the existing marking scheme for government procurement, what is the average weighting of the “technological innovation” element?
- (c) Will the Government review the Stores and Procurement Regulations to set up a dedicated budget ratio for procurement of local innovation and technology products, or establish key performance indicators (KPIs) for various bureaux/departments? If so, what are the details; if not, what are the reasons?

Asked by: Hon WONG Wing-wai, Ray (LegCo internal reference no.: 10)

Reply:

The Government always accords top priority to quality in conducting government procurement, ensuring that the goods and services are obtained at the best value for money and public funds are well spent. Bidders must first meet the essential requirements set by the procuring bureaux/departments (B/Ds) regarding the technical, functional and quality aspects of the goods/services being procured before their bids can be considered further. Otherwise, even if a bidder offers the lowest price, it will not be awarded the contract. Hence, government procurement does not simply buy at the lowest price.

Hong Kong is an international city and one of the signatories to the Agreement on Government Procurement of the World Trade Organization. When conducting government procurement, the Government is committed to ensuring that local and non-local suppliers and contractors can participate in bidding through fair, open and competitive procedures so as to obtain goods and services at the best value for money. The Government always welcomes local enterprises (including startups) to participate in bidding. The Government Logistics Department (GLD) does not maintain information on contracts awarded in the past 3 years to local startups or those specifying that technologies from local R&D were involved. However, in the past 2 years (i.e. 2024 and 2025), contracts awarded by GLD to local enterprises accounted for over 90% of the total number of its contracts.

The Government always support pro-innovation. Under the current procurement policy for non-works goods and services contracts, procuring B/Ds would generally not set the bidders' experience as an essential requirement. If the procuring B/Ds adopt a marking scheme, the technical weighting generally amounts to 50% to 70%, and at least 15% marks of technical/execution plan is reserved for assessing pro-innovation proposals that adopt technologies to enhance efficiency, effectiveness and productivity of the service outcome. Procuring B/Ds are also encouraged to split large contracts into smaller ones as far as possible so as to enable more small and medium enterprises (SMEs) participating in government procurement. At the same time, B/Ds are requested to simplify tender documents as far as possible, and where applicable, adopt milestone payments to ease contractors' cash flow.

Without compromising government procurement principles, the Government has been taking the lead in actively introducing and applying innovation and technology (I&T) products and services from local startups. The major measures in recent years include:

- (i) the Public Sector Trial Scheme under the Innovation and Technology Fund provides eligible local companies/organisations with funding support for the production of prototypes or samples and conduct of trials of research and development outcomes in the public sector (including government departments);
- (ii) the Smart Government Innovation Lab under the Digital Policy Office promotes and invites industry players to assist government departments in their adoption of I&T solutions, with a view to enhancing public services and city management, while creating more business opportunities for local I&T startups as well as SMEs; and
- (iii) the E&M InnoPortal of the Electrical and Mechanical Services Department lists the technological needs of government departments, the public sector, and electrical and mechanical trades. Organisations such as startups and academic institutions can propose I&T solutions via the portal for matching.

The Government will strive to create conditions for application of products of local scientific researches as far as practicable and, with the industry's support, encourage the market to procure the relevant products.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)031

(Question Serial No. 0497)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 108 of the Budget Speech that the Inland Revenue Ordinance will be amended for implementing the Crypto-Asset Reporting Framework (CARF). In this connection, what is the amount of provision earmarked by the Inland Revenue Department (IRD) for expenditure on upgrading information technology systems and procuring blockchain tracking or auditing tools in 2026-27?

Asked by: Hon LEE Kwong-yu (LegCo internal reference no.: 36)

Reply:

In view of the evolving financial markets and the rapid development of digital assets in recent years, the Organisation for Economic Co-operation and Development introduced the Crypto-Asset Reporting Framework (CARF) in 2023, specifying that relevant crypto-asset service providers have to report information on transactions in crypto-assets to their tax authorities. This allows tax jurisdictions to conduct automatic exchange of tax information on transactions in crypto-assets with other relevant tax jurisdictions on an annual basis. As an international financial centre and a responsible tax jurisdiction, Hong Kong has all along proactively participated in international co-operation in enhancing tax transparency and combating cross-border tax evasion. The Government will introduce legislative proposals on implementing CARF into the Legislative Council (LegCo) in 2026, such that reporting crypto-asset service providers (RCASPs) will be required to collect the information specified under CARF starting from 2027 for IRD to exchange with partner jurisdictions starting from 2028.

IRD plans to seek funding approval from the Finance Committee of LegCo for enhancing its information technology systems, including the development of a dedicated CARF portal to facilitate RCASPs' submission of relevant information to IRD. We plan to submit paper detailing the funding proposal to LegCo in the second quarter of this year. At this stage, IRD has no plans to apply blockchain technology to relevant information submitted under CARF. Therefore, IRD does not need to use blockchain tracking or auditing tools at present.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)032

(Question Serial No. 0580)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions,(2) Collection,(3) Investigation and Field Audit,(4) Taxpayer Services

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The total estimate of the Inland Revenue Department (IRD) for 2026-27 is \$2,050.7 million, representing a slight decrease of 0.5% compared with the revised estimate for 2025-26. In the same period, the number of non-directorate posts (notional annual mid-point salary value) in the establishment will decrease from 2 896 to 2 837, showing a net decrease of 59 posts. As shown on page 642 of the document, the provision of "Civil Service Provident Fund (CSPF) contribution" under Subhead 000 "Operational expenses" will increase significantly by 19.3%, from \$113.8 million in the revised estimate for 2025-26 to \$135.8 million in the estimate for 2026-27; and that for "general departmental expenses" will decrease from \$396.4 million to \$359.3 million.

(a) What are the specific reasons for the significant increase of 19.3% in the estimate of "CSPF contribution"? Has the increase completely offset the savings in salary expenses resulting from the reduction of 59 posts? Please provide an analysis of the changes in the estimates of major items, including emoluments, Mandatory Provident Fund (MPF) / CSPF contribution, general departmental expenses, etc.

(b) "General departmental expenses" is reduced by nearly \$37 million (about 9.4%). Which specific expenditure items account for the major savings? Will the reduction affect areas such as the maintenance and upgrading of information technology systems (e.g. the enhancement of the eTAX system, the development of new portals, the Business Tax Portal and the Tax Representative Portal mentioned on page 631 of the document), staff training, and upgrading of office equipment?

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 28)

Reply:

- (a) The IRD's estimate of the "Civil Service Provident Fund (CSPF) contribution" for 2026-27 is 19.3% higher than the revised estimate for 2025-26. The main reasons include: (i) the number of officers eligible to switch from the Mandatory Provident Fund (MPF) Scheme to the CSPF Scheme upon further appointment on permanent terms will increase; and (ii) the Government's voluntary contribution rate will increase from 5% to 25% gradually with the years of service of civil servants under the CSPF Scheme. CSPF contribution and salaries of civil servants are different expense items which will not set off each other. However, CSPF contribution has already taken into account the decrease of 59 posts.

The analysis of the changes in salaries, CSPF contribution, MPF contribution and general departmental expenses comparing the revised estimates for 2025-26 and estimates for 2026-27 is tabulated below:

Expenditure item	Revised estimate for 2025-26 (\$'000) (a)	Estimate for 2026-27 (\$'000) (b)	Change in expenditure (\$'000) (b)-(a)
Salaries	1,483,572	1,488,126	4,554 (+0.3%)
CSPF contribution	113,830	135,790	21,960 (+19.3%)
MPF contribution	5,599	5,972	373 (+6.7%)
General departmental expenses	396,371	359,340	(37,031) (-9.3%)

- (b) The IRD's estimate of "general departmental expenses" for 2026-27 is lower than the revised estimate for 2025-26 by \$37 million. This is mainly due to an expected reduction in the cost and manpower for processing paper documents as a result of the launch of the new Individual Tax Portal, Business Tax Portal and Tax Representative Portal in July 2025, which enable wider use of electronic services by taxpayers. The reduction in expenditure will not affect the maintenance and upgrading of information technology systems, staff training, upgrading of office equipment or other areas.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)033

(Question Serial No. 0843)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (3) Investigation and Field Audit

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1) Please provide the numbers of tax investigations which were carried out by the Inland Revenue Department (IRD) on its own initiative, through random inspection, and upon receipt of complaints or informers' reports in the past year. Please provide a breakdown of the numbers by tax type (e.g. profits tax, salaries tax, etc.) and set out the numbers of demand notes and amounts of tax involved.

2) Did the IRD deploy more manpower and resources for tax investigation in the past year? If yes, what are the details? If no, will the IRD consider increasing the relevant provision for proactive investigation to enhance effectiveness? If not, what are the reasons?

Asked by: Hon LEE Chun-keung (LegCo internal reference no.: 2)

Reply:

1. The IRD is committed to combating tax evasion and avoidance. In the financial year 2025-26 (up to 28 February 2026), the total number of audit cases completed by the IRD is 1 707 and the relevant amount of back tax and penalties assessed is \$2.651 billion. The IRD does not maintain breakdown of statistics by the types of investigation cases and tax.
2. In the financial year 2025-26, the establishment of the Field Audit and Investigation Unit (FAIU) in the IRD, which is responsible for the above investigation work, was broadly comparable to that in the financial year 2024-25. Although there has been no indication that the number of tax evasion or avoidance cases is on a rising trend in recent years, the FAIU continues to leverage information technology to enhance work efficiency and effectiveness, such as using computer-assisted data analyses to identify high-risk cases for audit. In addition to measures improving the efficiency of tax administration, the IRD will also explore deploying more manpower and resources to the FAIU with a view to further enhancing the effectiveness of recovering back tax and penalties.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)034

(Question Serial No. 0939)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (3) Investigation and Field Audit

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The estimate for Programme (3) "Investigation and Field Audit" decreased in the past 3 consecutive years (page 636 of the document). For the key performance indicator "back tax and penalty per dollar of provision", the revised estimate of \$9.9 for 2025-26 is lower than the amount of \$10.2 for 2024-25, and the estimate for 2026-27 is expected to further decrease to \$9.5.

(a) Given that combating tax evasion and countering tax avoidance are identified as priority tasks (page 637), why is a consecutive decline in the "cost-effectiveness" (i.e. the amount of tax recovered per dollar of provision) of the programme expected? Does it reflect an increase in the level complexity or difficulty in tax investigation?

(b) To reverse the downward trend in "cost-effectiveness", what new strategies or new technology (such as more advanced data analytics) will be used by the Inland Revenue Department (IRD) in 2026-27? Will additional resources be allocated correspondingly to facilitate the implementation of these measures?

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 29)

Reply:

(a) The amount of "back tax and penalty per dollar of provision", which is one of the performance indicators of the Inland Revenue Department (IRD), fluctuates as it is influenced by various objective factors, including the circumstances of cases completed, staff establishment and pay adjustments in the relevant financial year. The IRD remains committed to combating tax evasion and tax avoidance, and keeping the audit and investigation costs at a reasonable level by leveraging information technology to enhance work efficiency and effectiveness.

- (b) From time to time, the IRD reviews its field audit and investigation strategies and explores the introduction of more advanced data analysis systems, with a view to further enhancing its capacity to recover back tax and penalty. The IRD will seek additional resources for the relevant enhancement work in accordance with the established mechanism if necessary.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)035

(Question Serial No. 1924)

Head: (76) Inland Revenue Department

Subhead (No. & title): (000) Operational expenses

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Inland Revenue Department (IRD)'s establishment ceiling of non-directorate posts will be reduced from 2 896 to 2 837 in this financial year. In this connection, will the Government inform this Committee of:

- 1) the breakdown of the posts deleted by grade and rank; and
- 2) the specific measures taken and additional expenditure incurred (if any) to ensure that the performance pledges for processing returns, notices of objection and stamping applications will not be affected?

Asked by: Hon CHAN Cho-kwong (LegCo internal reference no.: 16)

Reply:

- 1) The IRD will delete 59 non-directorate posts in 2026-27 to cope with the streamlining of civil service establishment. The relevant posts include 46 Clerical Assistants, 3 Typists, 1 Office Assistant, 7 Data Processors and 2 Motor Drivers.

- 2) The IRD has all along strengthened the use of technology to enhance the work efficiency. It enhanced the eTAX system with the new Individual Tax Portal, Business Tax Portal and Tax Representative Portal, and launched a dedicated mobile application “eTAX” for Individual Tax Portal users in July 2025, which provide taxpayers with a more convenient, reliable and secure electronic platform and encourage wider use of the IRD’s electronic services (including electronic filing of tax returns and e-Stamping). The electronic filing of tax returns has pre-filling of data, automatic system validation and instant error suggestion functions which can reduce the number of objections arising from taxpayers’ errors or omissions during data input as well as the time spent on processing paper documents by the IRD.

The IRD will continue to enhance its work efficiency by deploying internal resources, streamlining procedures and leveraging technology, striving to achieve the performance pledge targets for processing tax returns, notices of objection and stamping applications.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)036

(Question Serial No. 1925)

Head: (76) Inland Revenue Department

Subhead (No. & title): (000) Operational expenses

Programme: (4) Taxpayer Services

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to enquiry service to be provided to taxpayers in this financial year, will the Government inform this Committee of:

1) the number of part-time/temporary staff to be assigned and the estimated expenditure earmarked for meeting the target of “answering connected telephone calls within 3 minutes”; and

2) the budget, timetable and expected progress of the enhancement projects for relevant information technology systems, such as call routing, databases and internal computer systems?

Asked by: Hon CHAN Cho-kwong (LegCo internal reference no.: 17)

Reply:

- (1) To achieve the performance target of “answering connected telephone calls within 3 minutes”, the Inland Revenue Department (IRD) will redeploy additional manpower from various units to assist in answering telephone enquiries during peak periods and will employ part-time staff to strengthen the daytime telephone enquiry service. In the financial year 2026-27, the IRD will employ 13 part-time staff members and the estimated expenditure involved is about \$4.69m.
- (2) Although the IRD does not have any plan to undertake any enhancements relating to the Interactive Telephone Enquiry System in the financial year 2026-27, the IRD will continue to keep a close eye on taxpayers’ need for telephone enquiry service and technology development with a view to, where resources permit, exploring the feasibility of enhancing the relevant systems so as to provide more efficient and high-quality services for taxpayers.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)037

(Question Serial No. 1926)

Head: (76) Inland Revenue Department

Subhead (No. & title): (000) Operational expenses

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Inland Revenue Department (IRD) will implement mandatory electronic filing of profits tax returns, and the first phase will be applicable to entities of in-scope multinational enterprise groups. In this connection, will the Government inform this Committee of:

- 1) the estimated expenditure on system development, testing, security audits, user support and publicity in this financial year; and
- 2) the IRD's contingency arrangements and provision earmarked for handling system failures or cybersecurity incidents relating to electronic filing of tax returns?

Asked by: Hon CHAN Cho-kwong (LegCo internal reference no.: 18)

Reply:

- 1) The total expenditures on system development, testing and security audits for facilitating the implementation of mandatory electronic filing of profits tax returns amounted to \$4.73 million. As the project was completed in March 2026, no provision is made for the related expenditures in 2026-27. The expenditures involved on user support, publicity activities, etc. have been included in the general departmental expenses.
- 2) The IRD has all along strictly adhered to the information technology (IT) security policies and relevant guidelines issued by the Digital Policy Office to develop security incident handling procedures and emergency response plans for the electronic tax return filing system. The IRD regularly reviews the relevant procedures and plans, conducts drills and engages independent IT security auditors to perform audits to ensure the system can give effective response to various failures and cybersecurity incidents.

In the event of a failure or cybersecurity incident in the electronic tax return filing system, the IRD will follow the established procedures and contingency plans to minimize the impact of the incident on the Government and the public, and to ensure that the related services would be resumed as soon as possible. The contingency

arrangements will be implemented by the IRD's staff and the relevant expenditures have been included in the general departmental expenses.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)038

(Question Serial No. 1927)

Head: (76) Inland Revenue Department
Subhead (No. & title): (000) Operational expenses
Programme: (3) Investigation and Field Audit
Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the work on combating tax evasion and tax avoidance to be undertaken in this financial year, will the Government inform this Committee of:

- 1) the estimated expenditure on the computer-assisted risk-based case selection programme (including expenditure on maintenance, updating of model and data, and training) in 2026-27; and
- 2) the specific information technology initiatives to enhance efficiency in processing cases and reduce reliance on manual processing, and the performance indicators for such initiatives?

Asked by: Hon CHAN Cho-kwong (LegCo internal reference no.: 19)

Reply:

- (1) The risk-based case selection programme used by the Inland Revenue Department (IRD) in combating tax evasion and avoidance is a computer-aided tool. The expenditures in relation to the programme have been included in the general departmental expenses. The IRD has not made a separate estimate in respect of such expenditures.
- (2) The IRD is currently evaluating the feasibility of certain initiatives which leverage artificial intelligence and related information technology for the purposes of enhancing the ability to identify high-risk cases and the efficiency in conducting tax audits. Performance indicators for such initiatives have yet to be prescribed at this stage.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)039

(Question Serial No. 1928)

Head: (76) Inland Revenue Department

Subhead (No. & title): (209) Special legal expenses

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the estimates that the provision under “special legal expenses” for this financial year is \$1 million. In this connection, will the Government inform this Committee of:

- 1) the main usage of the provision;
- 2) the relevant cases and expenditure in the past 5 financial years; and
- 3) whether cost control arrangements for engaging external legal services are in place, and the relevant monitoring mechanism.

Asked by: Hon CHAN Cho-kwong (LegCo internal reference no.: 20)

Reply:

- 1) & 2)

“Special legal expenses” are mainly court fees paid by the Inland Revenue Department (IRD) for the registration of writs for tax recovery.

The amounts of legal expenses paid by the IRD and the numbers of cases involved in the past five financial years are as below:

Financial year	Legal expenses (\$) (Note 1)	Number of cases (Note 2)
2021-22	528,000	800
2022-23	348,000	600
2023-24	375,000	700
2024-25	297,000	600
2025-26 (up to 28 February 2026)	488,000	900

Note 1: Rounded to the nearest thousand.

Note 2: Rounded to the nearest hundred.

Since the number of civil litigation cases in respect of tax in default varies from year to year, there are fluctuations in the amount of legal expenses.

- 3) If the IRD needs legal assistance for tax recovery matters, it will seek advice from the Department of Justice and generally will not engage external legal services directly.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)040

(Question Serial No. 2054)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is announced in paragraph 129 of the Budget that an Advisory Committee on Tax Policy will be established, so that tax policy can reinforce economic development. The industrial sector has long pointed out that section 39E of the Inland Revenue Ordinance imposes restrictions on the use of machinery and equipment by Hong Kong enterprises outside Hong Kong, preventing them from claiming depreciation allowances and thereby hindering the upgrading and transformation of the industry. In this connection, will the Government inform this Committee of the following:

(a) What was the number of cases involving Hong Kong-invested enterprises whose claims for depreciation allowances were rejected due to the enforcement of section 39E in the past 5 years? What was the amount of tax involved?

(b) Will the Advisory Committee on Tax Policy include reviewing section 39E in its key performance indicators for the first year, in order to facilitate the development of enterprises in line with the industry pattern of the Greater Bay Area and the Belt and Road countries? If so, what are the details? If not, what are the reasons?

Asked by: Hon WONG Wing-wai (LegCo internal reference no.: 13)

Reply:

(a) Section 39E of the Inland Revenue Ordinance aims at preventing tax avoidance by taxpayers through leasing arrangements of machinery or plant. According to that provision, depreciation allowance will not be granted if the machinery or plant owned by a taxpayer is used by other parties outside Hong Kong. The Inland Revenue Department did not maintain statistics on the rejection of claims for depreciation allowances by Hong Kong-invested enterprises due to the enforcement of section 39E.

- (b) As announced in the 2026-27 Budget, the Advisory Committee on Tax Policy (ACTP) will be established and chaired by the Financial Secretary. ACTP aims to gather views from the commercial, industrial and professional sectors. On the premise of fulfilling Hong Kong's international tax obligations, ACTP will assist the Government in formulating tax policies that can reinforce economic development, including exploring possible amendments to existing tax measures, with a view to attracting more new industries and investments to Hong Kong.

The Government has commenced preparatory work for establishing ACTP. ACTP will comprise non-official members from the commercial, industrial and professional sectors, as well as relevant official members. It is expected that the first meeting will be convened in mid-2026. Relevant arrangement and discussion topics will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)041

(Question Serial No. 2068)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget that owners or licensees of qualifying intellectual property (IP) have been offered the concessionary tax rate of 5% since the implementation of the “patent box” tax incentive in July 2024, to encourage research and development in the innovation and technology sector. In this connection, will the Government inform this Committee of:

- (a) the total numbers of applications received and approved by the Government since the implementation of the tax incentive, and the total amount of tax concessions involved; and
- (b) the breakdown of the said number of applications approved by sector (e.g. biotechnology, microelectronics, information technology, etc.) and scale of enterprise (small and medium enterprises or large enterprises) in tabulated form?

Asked by: Hon WONG Wing-wai (LegCo internal reference no.: 27)

Reply:

- (a) The “patent box” tax incentive implemented by the Government reduces substantially the tax rate for profits derived from qualifying IP from 16.5% (i.e. the existing normal profits tax rate in Hong Kong) to 5%, encouraging enterprises to devote more resources to research and development and conduct commercialisation transactions making good use of patents and other IP protections. Taxpayers may apply for the tax concessions from the year of assessment 2023/24 onwards. Since the implementation of the tax incentive, the Inland Revenue Department (IRD) has received a total of 12 applications (up to 28 February 2026), and the total amount of tax concessions involved is approximately \$41 million. Among the two applications involving the year of assessment 2023/24, one was withdrawn by the taxpayer during the assessment period, another and all applications involving the year of assessment 2024/25 are still being processed.

- (b) Based on the information up to 28 February 2026, the numbers of applications and amounts of tax concessions involved by industry and scale of enterprise (in terms of turnover) are tabulated below:

By industry

Industry	Number of applications	Tax concessions involved (\$ million)
Information technology service	6	27
Wholesale and trade	3	4
Retail and manufacturing	2	8
Leasing of intellectual property	1	2
Total	12	41

By scale of enterprise

Turnover	Number of applications	Tax concessions involved (\$ million)
\$50,000,000 or below	6	7
\$50,000,001 – \$100,000,000	1	7
\$100,000,001 – \$200,000,000	2	13
Above \$200,000,000	3	14
Total	12	41

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)042

(Question Serial No. 0941)

Head: (184) Transfers to Funds

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury
(Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in page 983 of the Estimates document that “the amount of transfers to funds is assessed with regard to the commitments of each Fund and its forecast cash flow.”

(a) Please give an account of the specific details, assumptions and projection details of the “forecast cash flow” (e.g. the projected revenue of the fund for the year, outstanding approved commitments, expected expenditure timetable, etc.) used for preparing the 2026-27 Estimates for the transfers to the Disaster Relief Fund and the Innovation and Technology Fund respectively.

(b) In comparison with 2025-26, what significant changes have occurred to the “forecast cash flow” assumptions used for assessing the funding requirements of the Innovation and Technology Fund, which led to the conclusion that a reduction of \$3 billion in funding is necessary?

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 39)

Reply:

The expenditure under Head 184 involves transfers from the General Revenue Account (GRA) to the various Funds established under Section 29 of the Public Finance Ordinance (Cap. 2). In assessing the amounts to be transferred to respective Funds, an integrated approach is taken having regard to the balance, commitments and forecast cash flow of each Fund.

The Disaster Relief Fund (DRF) is established to enable Hong Kong to respond swiftly to international appeals for humanitarian aid. As calls on the DRF in relief of disasters cannot be predicted at the beginning of each financial year, funds will be transferred from the GRA to the DRF to maintain its estimated balance during the year at \$200 million, so as to ensure sufficient funds for meeting the calls promptly. Given that the revised estimate of the balance of the DRF in 2025-26 is \$128 million, together with the \$9 million estimated investment income and the \$63 million transfer from the GRA in 2026-27, it is estimated that

the DRF will have \$200 million in 2026-27 to meet the relevant expenditure on humanitarian aid.

Regarding the Innovation and Technology Fund (ITF), the amount transferred to the ITF each year is assessed with regard to the balance, commitments and estimated income of the ITF, as well as the cash flow requirements for various funding programmes under the ITF, and does not directly reflect the annual expenditure of the ITF. Given that the revised estimate of the balance of the ITF in 2025-26 is \$17.655 billion, together with the \$734 million estimated investment income and the \$4 billion transfer from the GRA in 2026-27, the ITF will be sufficient to meet its estimated expenditure of \$10.27 billion in 2026-27 and support its work in the year, including continuation of existing programmes and the launch of various new initiatives.

In addition, the estimated expenditure of the ITF in 2026-27 is broadly in line with its revised estimate of \$10.521 billion for 2025-26. The annual expenditure of the ITF is more than double over the past 5 years, steadily increasing from \$4.643 billion in 2022-23 to an estimate of \$10.27 billion in 2026-27, reflecting the Government's sustained efforts to increase resources for promoting the development of innovation and technology.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)043

(Question Serial No. 0007)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Last year's Budget proposed bringing back approximately \$62 billion of unspent balance from 6 seed capital funds to the Government's accounts. The Government has also planned to complete the review of the financial arrangements for other funds by the first quarter of this year. In this connection, would the Government inform this Committee of:

- (1) the actual amounts brought back from the 6 funds mentioned above (including the Hospital Authority Public-Private Partnership Fund, Research Endowment Fund, Language Fund, Qualifications Framework Fund, Gifted Education Fund, and Student Activities Support Fund); and the latest balances of each fund after the bringing back;
- (2) the current progress of the review for the other 36 funds; the expected number of funds to be considered for bringing back; and the preliminary estimated amount involved;
- (3) whether the Government will consider establishing a standing mechanism to regularly review the cash flow requirements and reserve levels of various seed capital funds, with a view to bringing back the surplus to the Government's accounts in a timely manner?

Asked by: Hon LEUNG Man-kwong (LegCo internal reference no.: 17)

Reply:

- (1) In the light of the proposal put forward in the 2025-26 Budget to consolidate and optimise the use of the Government's financial resources, upon consultation with the Finance Committee of the Legislative Council (see FCR(2025-26)1 for details), we brought back \$61.5 billion from 6 seed capital funds to the Government's accounts in August 2025. The amounts brought back from these funds and their balances after the transfers are set out in **Annex 1**.
- (2) The Financial Services and the Treasury Bureau (FSTB), in consultation with relevant policy bureaux/departments (B/Ds), has conducted a full review of the policy objectives, modes of operation and financial arrangements of the remaining 36 funds established outside the Government's accounts, and has carefully assessed the individual

circumstances of these funds. The arrangements for bringing back or consolidating 13 of these funds as proposed in the 2026-27 Budget are as follows:

- (i) bringing back the unspent balances of 4 seed capital funds, viz. the Environment and Conservation Fund, the Self-financing Post-secondary Education Fund, the HKSAR Government Scholarship Fund and the Beat Drugs Fund, to the Government's accounts after setting aside resources to support their operations in the coming 5 years. The policy objectives, modes of operation, as well as management and control of the relevant funds will remain unchanged after the transfers;
- (ii) closing the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas, which has accomplished its policy objectives, and bringing back its remaining balances;
- (iii) closing the Hong Kong Paralympians Fund and the Arts Development Fund for Persons with Disabilities and bringing back their remaining balances, and providing the Social Welfare Department with an additional recurrent provision under the established allocation mechanism with a view to continuing to take forward the relevant policy objectives in a more cost-effective manner;
- (iv) consolidating the 6 funds established under the Sir David Trench Fund for Recreation Ordinance (Cap. 1128) and transferring the entire balances of 3 of the funds to be closed to the Sir David Trench Fund for Recreation (Main Fund) to enhance efficiency in the use of resources; and
- (v) maintaining the financial arrangements of the remaining 23 funds.

With the implementation of the arrangements mentioned in (i) to (iii) above, we expect to bring back about \$15.8 billion to the Government's accounts in 2026-27.

- (3) Relevant B/Ds will continue to ensure effective use of public financial resources through appropriate monitoring mechanisms established under the various purpose-specific funds, striving to achieve the highest cost-effectiveness and ensure prudent spending of public moneys. The FSTB will continue to monitor the latest developments and financial position of the funds, and assist B/Ds in devising the most suitable financial arrangements.

The 6 seed capital funds already brought back in August 2025
(in descending order of fund balance)

	Name of fund	Amount brought back (\$ million)	Fund balance after the transfer (\$ million) (Note)
1	Research Endowment Fund	40,297	12,256
2	Language Fund	6,226	1,083
3	Qualifications Framework Fund	2,006	560
4	Gifted Education Fund	1,814	472
5	Student Activities Support Fund	2,459	451
	<i>Subtotal of 5 funds under the Education Bureau (EDB):</i>	52,802	14,822
6	Hospital Authority Public- Private Partnership Fund	8,698	1,593
	<i>Subtotal of 1 fund under the Health Bureau (HHB):</i>	8,698	1,593
	Total for 6 seed capital funds:	61,500	16,415

Note: The fund balances for the 5 funds under EDB and 1 fund under HHB are provisional figures as at 31 August 2025 and 31 December 2025 respectively.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)044

(Question Serial No. 0089)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It was mentioned in both Estimates of Expenditure 2024-25 and 2025-26 that the Treasury Branch would “provide support to the Committee on the Financing of Major Development Projects in assessing and evaluating financing options for major development projects”, but this item was deleted in the Estimates of Expenditure 2026-27. Please inform this Committee of the following:

- (1) Has the Committee on the Financing of Major Development Projects ceased operations or have its functions been changed? If yes, what are the reasons?
- (2) What were the specific major projects for which the Committee handled financing assessments in the past 2 years? What were the specific recommendations or outcomes?
- (3) How will financing options for other major infrastructure projects, such as the Kau Yi Chau Artificial Islands project, be evaluated in the future?

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 37)

Reply:

The Committee on the Financing of Major Development Projects (the Financing Committee), led by the Financial Secretary, was established in December 2023 to examine the financing arrangements for various major development projects, and provide advice on financing options of projects. The Financing Committee encourages relevant bureaux and departments to make flexible use of market resources when taking forward major development projects, with a view to supporting the early implementation of projects while ensuring the Government’s fiscal sustainability. Over the past 2 years, it has discussed issues related to the development of the Northern Metropolis (NM), including invitation for expressions of interest for large-scale land disposal, development progress of the new development areas in the NM, and the Northern Metropolis Highway, etc.

The 2025 Policy Address announced the establishment of the Committee on Development of the Northern Metropolis chaired by the Chief Executive, under which the Working Group on Devising Development and Operation Models (the Working Group), led by the Financial Secretary, has been set up. The Working Group formulates development and operation models for designated development areas in the NM, taking into account their nature and scale. This includes setting up dedicated companies for various industry parks, devising public-private partnership approaches, and formulating appropriate land disposal approaches for industry land and major development projects in the NM as well as their financing arrangements.

The Financial Services and the Treasury Bureau has been providing support for the Financing Committee and the Working Group, and examining the financial arrangements for various major development projects in an open and pragmatic manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)045

(Question Serial No. 0196)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The current civil service establishment stands at 190 000, which is expected to be reduced to 188 000 on 1 April this year. However, the strength of the civil service for the past year was only 171 000. In this connection, please inform this Committee whether the civil service payroll cost within the Government's expenditure on public finance is estimated based on the establishment or the strength.

Asked by: Hon YIM Kong, Erik (LegCo internal reference no.: 14)

Reply:

When the Controlling Officers draw up the estimates for personal emoluments of civil service under their respective heads of expenditure, they have to holistically consider a host of factors, including the establishment ceilings, emolument expenditure of existing staff, new or enhanced services in the future, as well as personnel changes (e.g. natural wastage, vacancy trends, and the progress of recruitment and promotion exercises), and the guidelines on finance and establishment from Financial Services and the Treasury Bureau and Civil Service Bureau, with a view to formulating the estimates for personal emoluments meeting their actual operational needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)046

(Question Serial No. 0197)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the civil service pay adjustment, the Government will conduct the Pay Trend Survey in accordance with the established mechanism. The Chief Executive-in-Council will then make a decision having due regard to the six factors. In this connection, please inform this Committee: whether the Government has prepared the estimates for 2026-27 on the basis of a certain pay increase, or whether it has prepared them based on a pay freeze initially, with the intention of seeking supplementary provision from the Legislative Council subsequently?

Asked by: Hon YIM Kong, Erik (LegCo internal reference no.: 15)

Reply:

In preparing the Budget, the Government generally takes into account the projected inflation rate when earmarking the required expenditure for civil service pay adjustments as part of fiscal planning.

Regarding the 2026-27 civil service pay adjustment, the Government is conducting the Pay Trend Survey in accordance with the established mechanism. The Chief Executive-in-Council will then make a decision having due regard to the six factors, including the state of Hong Kong's economy, changes in the cost of living, the Government's fiscal position, the net pay trend indicators derived from the Pay Trend Survey, the pay claims of the staff side and civil service morale.

If a decision is made to adjust the pay and its magnitude, upon approval by the Finance Committee (FC) of the Legislative Council to revise the civil service pay scales in accordance with the proposed pay adjustments, the Government may exercise the authority delegated by the FC to approve supplementary provisions for personal emoluments subheads under the respective heads of expenditure, as well as for aided schools, subvented bodies and others, having regard to actual needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)047

(Question Serial No. 0414)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 129 of the Budget Speech that tax policy is a key component to economic competitiveness. In view of the evolving global tax environment in recent years, the Financial Secretary (FS) will establish and chair an Advisory Committee on Tax Policy (ACTP) to gather views widely from commercial, industrial and professional sectors, so that Hong Kong's tax policy can reinforce economic development. In this connection, will the Government inform this Committee of the following:

- a. When will the Advisory Committee be officially established? What will be its specific terms of reference? How will its functions differ from those of the Board of Inland Revenue currently chaired by the FS?
- b. There are views that the existing tax regime does not cover certain new economic activities, including digitalised commercial activities. Will the Advisory Committee examine the relevant subject in the future?
- c. While the Government currently offers tax incentives in various investment promotion measures to foster the development of related businesses, these measures vary in substance and effectiveness. Will the Advisory Committee conduct a review and put forward enhancement proposals in the future?

Asked by: Hon LAMPORT Jonathan Stuart (LegCo internal reference no.: 38)

Reply:

As announced in the 2026-27 Budget, the Advisory Committee on Tax Policy (ACTP) will be established and chaired by the Financial Secretary. ACTP aims to gather views from the commercial, industrial and professional sectors. Under the context of fulfilling Hong Kong's international tax obligations, ACTP will assist the Government in formulating tax policies that can reinforce economic development, including exploring possible amendments

to existing tax measures, with a view to attracting more new industries and investments to Hong Kong.

The Board of Inland Revenue is established under the Inland Revenue Ordinance and chaired by the Financial Secretary. The Board independently handles authorised matters, including prescribing forms or formats for tax returns, determining the annual allowance rates for depreciation of machinery and plant, and procedures for lodging tax appeals.

The Government has commenced preparatory work for establishing ACTP. ACTP will comprise non-official members from the commercial, industrial and professional sectors, as well as relevant official members. It is expected that the first meeting will be convened in mid-2026.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)048

(Question Serial No. 0499)

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

Subhead (No. & title): (000) Operational expenses

Programme: (3) Service Departments

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Mandatory Provident Fund (MPF) contribution under the Operational expenses, the actual expenditure in 2024-25 is \$166,000, while the revised estimate for 2025-26 is \$163,000, which is similar to the actual expenditure in the previous year but much lower than the original estimate for 2025-26 (i.e. \$256,000). However, with an estimated reduction of 4 posts in the Treasury Branch in 2026-27, the estimate for the above item increases to \$308,000. In this connection, will the Government inform the Committee of the following:

1. Given that the amount of MPF contribution should be estimated based on the number of contract staff and the establishment, why is there a significant discrepancy in the estimates for this item?
2. Why does the estimate for MPF contribution increase to \$308,000 despite an overall reduction in the establishment in the coming year? Does it imply that the Government plans to hire a substantial number of additional Non-Civil Service Contract staff or temporary/outsourced staff to replace the posts on the permanent establishment?
3. If yes, please set out in table form the number of temporary/contract posts to be hired, their ranks and job nature, as well as the total payroll cost covered in the above estimate.

Asked by: Hon LEE Kwong-yu (LegCo internal reference no.: 39)

Reply:

Under the current civil service appointment system, new recruits at basic ranks of various grades are generally appointed on three-year probationary terms. During that period, the Government, as an employer, is obliged to make Mandatory Provident Fund (MPF) contributions equivalent to 5% of the new recruits' monthly salary in accordance with the Mandatory Provident Fund Schemes Ordinance. Once the officers have passed the probationary bar and are appointed on new permanent terms, the Government will instead make relevant contributions in accordance with the Civil Service Provident Fund Scheme.

When preparing the estimated expenditure of the Treasury Branch in respect of MPF contributions for 2026-27, we have to consider the fact that some posts at basic ranks may

need to be filled by new recruits due to staff turnover, such as promotion, transfer, resignation or retirement of existing officers appointed on pensionable terms or new permanent terms. Such personnel changes may lead to an increase in the employer's expenditure in MPF contributions. Therefore, the estimates for 2026-27 have been raised as appropriate to cope with the potential increase in expenditure.

The Treasury Branch has no plan to appoint a substantial number of additional Non-Civil Service Contract staff or temporary/outsourced staff in 2026-27 to replace the staff on the permanent establishment.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)049

(Question Serial No. 0537)

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

Subhead (No. & title): (000) Operational expenses

Programme: (3) Service Departments

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The estimate for the item “allowances” in personal emoluments under Operational expenses for 2026-27 is \$9.689 million. In this connection, please inform this Committee of the following:

1. For the years from 2023-24 to 2025-26, what types of allowances (e.g. acting allowance and overtime allowance) were covered by such estimates and what were their respective estimated expenditures?
2. Is overtime allowance covered by the estimate? If so, what are the specific estimated amount, eligible ranks and approval criteria?
3. If overtime allowance is not covered by the estimate or strict restrictions are imposed on granting overtime allowance, what standing compensation mechanism (e.g. time-off in lieu) is in place for overtime work in the Treasury Branch? What was the utilisation of the compensation mechanism in 2025-26?

Asked by: Hon LEUNG Tsz-wing, Dennis (LegCo internal reference no.: 54)

Reply:

A breakdown of the estimates for allowances related to personal emoluments under Subhead 000 operational expenses of Head 147 is tabulated below:

Financial year	Acting allowance (\$'000)	Overtime allowance (\$'000)	Stand-by duty allowance (\$'000)
2023-24	6,197	411	1
2024-25	6,680	513	1
2025-26	14,410	622	1

In accordance with the Civil Service Regulation and relevant civil service circular, overtime work performed by civil servants is normally compensated by time off in lieu (TOIL) based on the number of hours worked. Save for specified staff, such as those in administrative and

professional grades, civil servants in ranks whose scale minima and maxima are on or below Point 19 and Point 25 of the Master Pay Scale respectively may be granted overtime allowance if they have performed at least one hour of overtime work in respect of one shift and it is impracticable for them to take TOIL within one month.

The Treasury Branch has put in place an overtime work compensation mechanism for relevant staff in accordance with the aforementioned regulation and circular, with its execution and supervision carried out by the heads of respective units (or authorised officers not below the rank of Senior Executive Officer). Eligible staff who have performed overtime work approved by their supervisors are compensated by TOIL or overtime allowance accordingly. The relevant mechanism has been operating smoothly.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)050

(Question Serial No. 0584)

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) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The overall estimate of the Treasury Branch for 2026-27 is \$424.5 million, representing an increase of \$35.58 million (+9.1%) over the revised estimate for 2025-26. The 182 non-directorate posts within the establishment will be reduced by 4 posts to 178 posts (notional annual mid-point salary value). While the combined estimates for “personal emoluments” and “personnel related expenses” under Subhead 000 are up by about \$12 million (page 427), there is a decrease in the overall number of posts.

- (a) Please specify the grades, ranks and programmes of the 4 posts to be deleted. Given the increase in the overall estimate and the estimate for personnel related expenses, what are the specific justifications for deleting the posts? What is the estimated saving in annual salary expenditure?
- (b) Regarding “Civil Service Provident Fund contribution” under Subhead 000, the provision has increased from a revised estimate of \$18.54 million for 2025-26 to an estimate of \$19.95 million for 2026-27, representing a rise of 7.6% (page 427). Please explain why there is an increase rather than a decrease in the estimate for provident fund contribution despite a reduction in the establishment. Does this increase fully offset the savings in relevant contribution as a result of the post deletion?

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 34)

Reply:

In line with the Government’s Productivity Enhancement Programme (PEP) and to achieve the goal of optimising the use of manpower resources, the civil service establishment will be reduced by 2% each in 2026-27 and 2027-28. After reviewing factors such as overall service demand, operational needs and vacancy situations, the Treasury Branch has made arrangements to reduce its civil service establishment by 2% in 2026-27. The 4 non-directorate posts deleted during the year include 2 junior civil service posts (Master Pay Scale (MPS) Points 1 to 10) and 2 senior civil service posts (MPS Points 45 to 49) under Programme

(2). The savings in government expenditure resulting from reducing the civil service establishment have been included the reduction in recurrent expenditure by 2% required of the Treasury Branch in 2026-27 under the PEP.

According to the terms under the Civil Service Provident Fund (CSPF) Scheme, the Government's contributions will follow a progressive rates schedule starting from 5% up to 25% of the basic salary depending on the years of continuous service of the civil servants. The estimated expenditure on CSPF contributions under the recurrent expenditure of the Treasury Branch is \$19.95 million for 2026-27, an increase of \$1.41 million over the revised estimate for 2025-26. This is mainly attributable to the increase in the years of service of the civil servants, which has resulted in a corresponding increase in the Government's contributions. Besides, salary increase for individual civil servants due to promotion or the granting of increment have also led to a rise in the estimate for CSPF contributions.

The Treasury Branch has all along been adhering to the principle of prudent financial management and upholding the policy of "spending where necessary and saving cost where possible". The deletion of the 4 posts is in line with the Government's policy direction of exercising stringent control over spending and optimising the utilisation of resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)051

(Question Serial No. 0585)

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) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The 2026-27 estimate for Programme (3) Service Departments is \$109.8 million, which is \$9.6 million (+9.6%) higher than the revised estimate for 2025-26. This is mainly due to the increased requirement for personal emoluments, personnel related expenses and departmental expenses (page 454). No new post will be created under this Programme for the same period.

- (a) Given that there is no increase in the establishment, please provide the reasons for the increases in personal emoluments and personnel related expenses. Are these increases attributed to staff promotion, pay adjustment or other reasons?
- (b) What are the main purposes of the increased estimate for departmental expenses? Is the provision allocated to enhance the information technology system for central support services (e.g. financial information management, procurement, supplies management, etc.) or service efficiency? Please elaborate on the improvements in service efficiency or quality expected to be achieved by the increased expenses concerned.

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 38)

Reply:

- (a) In 2026-27, the personal emoluments and personnel related expenses under Programme (3) will increase by about \$5.5 million compared to the revised estimate for 2025-26. The increase is mainly due to salary adjustments arising from the granting of increments to or promotions of some civil servants, as well as the corresponding upward adjustments required for the Government's contributions under the Mandatory Provident Fund Scheme or the Civil Service Provident Fund Scheme in line with the changes in salaries.

(b) The departmental expenses of the Treasury Branch are used to cover the day-to-day operating expenses of the office, including electricity charges, stationery and equipment, information technology (IT) systems and equipment, etc. and are apportioned according to the weighting of work among the three Programmes. In 2026-27, the estimate for departmental expenses under Programme (3) increases by \$4.1 million compared to the revised estimate for 2025-26. The increase is mainly for updating information devices and equipment, upgrading the hardware and software of internal information systems, strengthening IT security to comply with relevant requirements, and meeting possible increase in day-to-day operating expenses, etc. Through the above measures, the Treasury Branch can ensure the stable and secure operation of its information systems, as well as enhance departmental efficiency and central support services.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)052

(Question Serial No. 0591)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to paragraph 275 of the Financial Secretary's Speech, the total government expenditure for 2026-27 will increase by about 6.9% to \$843.4 billion. Please inform this Committee of the following:

- (1) What are the major factors contributing to the increase in the total expenditure?
- (2) Of the 6.9% increase of the total expenditure, what are the respective expenditure increases in some core areas, such as innovation and technology, finance, and people's livelihood, and correspondingly, their funding amounts?

Asked by: Hon WU Yingpeng (LegCo internal reference no.: 32)

Reply:

1. The major factors contributing to the increase in estimated total government expenditure for 2026-27 by 6.9% to \$843.4 billion as compared with 2025-26 revised estimate include:
 - (i) An increase in recurrent expenditure by 4.8% to \$599.7 billion, mainly due to the continued increase in allocation of resources to livelihood-related policy areas (including health, social welfare and education), which has grown by 5% to \$357.1 billion in total compared with 2025-26;
 - (ii) An increase in non-recurrent expenditure by 36.9% to \$40.5 billion, mainly due to a \$3.4 billion increase in one-off relief measures announced in the 2026-27 Budget compared with last year, and \$4 billion in expenditure for the long-term housing arrangements for residents of Wang Fuk Court; and

- (iii) An increase in capital expenditure by 8.6% to \$203.2 billion, mainly due to the Government's plan to accelerate the development of the Northern Metropolis and other public works projects relating to the economy and people's livelihood.

Overall speaking, on the one hand, the Government has been strictly containing the growth of its operating expenditure (by, among other measures, taking forward the Productivity Enhancement Programme as planned and reducing the civil service establishment). On the other hand, it has continued to increase the allocation of resources to livelihood-related policy areas and for promoting economic development (including infrastructure investment). As a result, the total government expenditure has increased.

2. The increases in government expenditure on the various policy area groups and their respective expenditures are detailed in Section III of Appendix B of the supplement and appendices to the 2026-27 Budget. In particular, the increases in total expenditure on the economic policy area group (covering innovation and technology, finance, etc.) and on people's livelihood (i.e. the health, social welfare and education policy area groups), as well as their respective expenditures, are extracted below:

	2025-26 Revised Estimate	2026-27 Estimate	Year-on-year change
Policy area group	Amount (\$ million)	Amount (\$ million)	
Economic	51,937	56,955	+9.7%
Health	144,823	153,102	+5.7%
Social welfare	129,519	148,140	+14.4%
Education	110,904	111,975	+1.0%

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)053

(Question Serial No. 0592)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to paragraph 276 of the Financial Secretary's Speech, non-recurrent expenditure for 2026-27 will increase by 36.9% to \$40.5 billion. Please inform this Committee of the following:

- (1) What are the major factors contributing to the increase in the non-recurrent expenditure?
- (2) To what areas will the \$40.5 billion non-recurrent expenditure be allocated, and what are the respective funding amounts allocated to these areas and their proportions?

Asked by: Hon WU Yingpeng (LegCo internal reference no.: 33)

Reply:

1. The non-recurrent expenditure for 2026-27 has increased by 36.9% to \$40.5 billion, mainly due to a \$3.4 billion increase in one-off relief measures announced in the 2026-27 Budget compared with last year, and \$4 billion in expenditure for the long-term housing arrangements for residents of Wang Fuk Court.
2. The breakdown of non-recurrent expenditure for 2026-27 by policy area groups and their respective percentage shares is set out in Annex 1.

Non-recurrent expenditure for 2026-27 by policy area groups

Policy area group	2026-27 Estimate	
	Amount (\$ billion)	Percentage share (%)
Economic	20.8	51.4
Social Welfare	6.9	17.0
Housing	4.3	10.6
Community and External Affairs	2.3	5.7
Infrastructure	2.3	5.7
Environment and Food	2.1	5.2
Health	0.9	2.2
Education	0.6	1.5
Support	0.2	0.5
Security	0.1	0.2
Total	40.5	100

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)054

(Question Serial No. 0593)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to paragraph 276 of the Financial Secretary's Speech, of the recurrent expenditure for 2026-27, a total of \$357.1 billion will be allocated to healthcare, social welfare and education, representing about 60% of such expenditure. Please inform this Committee of the following:

- (1) What are the specific allocations of the \$357.1 billion across the 3 major areas of healthcare, social welfare and education?
- (2) What are the respective increases in expenditure for the 3 major areas compared to 2025-26? For what key initiatives will the additional provision be allocated?

Asked by: Hon WU Yingpeng (LegCo internal reference no.: 34)

Reply:

Of the recurrent expenditure for 2026-27, the amounts allocated to the 3 major policy area groups of health, social welfare and education, as well as their respective increases, are as follows:

Policy area group	2025-26 Revised Estimate	2026-27 Estimate	2026-27 compared with 2025-26	
	(\$ billion)	(\$ billion)	(\$ billion)	(% change)
Social welfare	123.6	135.9	+12.3	+9.9%
Health	114.3	118.9	+4.6	+4.0%
Education	102.0	102.3	+0.3	+0.3%

The main factors contributing to the increase in expenditure on the 3 major policy area groups compared with 2025-26 include:

- (i) Social welfare: The estimated recurrent expenditure on social welfare in 2026-27 is about \$12.3 billion higher than the 2025-26 revised estimate, mainly due to an increase in expenditure on cash assistance under the social security system (including the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme) by \$8.5 billion, elderly services (e.g. increasing the numbers of Community Care Service Vouchers for the Elderly and Residential Care Service Vouchers for the Elderly) by \$800 million, and the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (commonly known as the \$2 Scheme) by \$500 million.
- (ii) Health: The estimated recurrent expenditure on health in 2026-27 is about \$4.6 billion higher than the 2025-26 revised estimate, mainly due to an increase in the recurrent subvention to the Hospital Authority by \$2.8 billion, and an increase in expenditure on the Elderly Health Care Voucher Scheme by \$600 million.
- (iii) Education: The estimated recurrent expenditure on education in 2026-27 is about \$300 million higher than the 2025-26 revised estimate, mainly due to an increase in estimated expenditure on post-secondary education, specifically the Study Subsidy Scheme for Designated Professions/Sectors and the Non-means-tested Subsidy Scheme for Self-financing Undergraduate Studies in Hong Kong, by about \$200 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)055

(Question Serial No. 0804)

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

Subhead (No. & title): ()

Programme: (3) Service Departments

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in the estimates for 2026-27, the Government will strengthen revenue and financial control. Please advise:

1. What is the total estimated expenditure for Programme 14702 "Revenue and Financial Control" under Head 147 for 2026-27? What are the main expenditure items (e.g. salaries, system maintenance and training) and their respective amounts?
2. What is the estimated number of full-time equivalent staff to be employed under this Programme and how does it compare with that in 2025-26?

Asked by: Hon CHOW Ho-ding, Holden (LegCo internal reference no.: 26)

Reply:

1. The total estimated expenditure for Programme 2 "Revenue and Financial Control" under Head 147 for 2026-27 is \$146.9 million. Key items and their respective amounts are as follows:

Breakdown of Operational Expenses	2026-27 Estimate (\$ million)
Personal Emoluments	111.4
Personnel Related Expenses	11.2
Departmental Expenses (including information systems, stationery and electricity charges)	24.3
Total	146.9

2. There are a total of 107 full-time civil service posts under the Programme, a decrease of 4 posts as compared with the establishment in 2025-26.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)056

(Question Serial No. 0890)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 268 of the Budget Speech that the Government will issue more longer-term bonds in future to align more closely the cash flow duration with project requirements. As disclosed in Section IV of Appendix A, as at 31 March 2025, the outstanding green bonds issued under the Government Sustainable Bond Programme (GSBP) and infrastructure bonds issued under the Infrastructure Bond Programme (IBP) totalled \$299.344 billion. In this connection, will the Government advise this Committee of:

1. the percentage share of bonds by the original maturity of 5 years or less, 6 to 15 years, and 16 years or more in the above outstanding bonds; and
2. in respect of the bonds intended to be issued in 2026-27, whether the Government has set a target proportion in the total issuance amount or a minimum size for the issuance of longer-term bonds (with tenor of 16 years or more)? If yes, please specify; if no, please give an account of the criteria currently used for assessing the progress of expanding the issuance of longer-term bonds.

Asked by: Hon LEUNG Tsz-wing, Dennis (LegCo internal reference no.: 51)

Reply:

- (1) As at 31 March 2025, the Government's outstanding bonds under the Government Sustainable Bond Programme and the Infrastructure Bond Programme totalled \$299.344 billion. The tenors of the bonds are tabulated below:

Tenor	Issuance size (\$ billion)	Proportion
5 years or less	224.078	75%
6 to 15 years	58.494	20%
16 years or more	16.772	6%
Total	299.344	100%

- (2) In 2026-27, the Government plans to issue a total of about \$160 billion worth of bonds under the above two bond programmes.

As shown in the table above, most of the bonds previously issued by the Government have tenors of less than five years. The Government is committed to increasing the proportion of longer-term bonds to better meet the longer-term financing needs of public works projects. The ratio of bonds issued with tenors of less than five years to those with tenors of five years or more rose from 8:2 in 2024-25 to 6:4 in 2025-26. It is anticipated that the proportion of bonds with tenors of five years or more will continue to increase in 2026-27. In implementing our bond programmes each year, we will take into account the Government's prevailing fiscal position, market response and works progress.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)057

(Question Serial No. 0891)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to paragraph 261 of the Budget Speech, the Government will raise the rates of ad valorem stamp duty on residential property transactions valued above 100 million to 6.5%, whereas paragraph 103 of the Budget proposes to relax the criteria for stamp duty relief in relation to the intra-group transfer of assets. In view of the fact that purchasers may circumvent the much higher property stamp duty through transfer of company shares, and pay the lower stamp duty on share transfer instead, please inform this Committee:

1. whether the Bureau has deployed resources and manpower to specifically monitor and compile statistics on transaction trends of luxury residential properties held by companies in 2026-27; and
2. whether the Bureau has earmarked any research expenditure to estimate the potential loss of stamp duty revenue resulting from this lawful tax avoidance arrangement, and to explore the feasibility of plugging the relevant loopholes.

Asked by: Hon LEUNG Tsz-wing, Dennis (LegCo internal reference no.: 50)

Reply:

To increase government revenue and uphold the “affordable users pay” principle, the 2026-27 Budget proposes to raise the rates of stamp duty on residential property transactions valued above \$100 million from 4.25% to 6.5%. Furthermore, to enhance the business environment and facilitate internal restructuring by enterprises, the Budget also proposes to relax the criteria for stamp duty relief in relation to the intra-group transfer of assets. This would expand the scope of eligible associated body corporates.

The Financial Services and the Treasury Bureau (the Treasury Branch) and the Inland Revenue Department will review tax policies from time to time to ensure that the tax arrangements keep pace with the times and are in line with the policy objectives. Monitoring data relating to stamp duty on property and other taxes is part of our duties. The relevant work is carried out by staff within the existing establishment, with no additional manpower or expenses involved.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)058

(Question Serial No. 0940)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under Programme (2) Revenue and Financial Control, the estimate for 2026-27 is \$146.9 million, representing a substantial decrease of 30.3% as compared with the 2025-26 original estimate (\$210.7 million). According to the Estimates of Expenditure, the decrease is mainly due to “the reduced provision for air passenger departure tax administration fees which have been offset against the revenue from air passenger departure tax since 1 August 2025” (page 454).

- (a) Please provide detailed data specifying the amount of provision reduced in the estimate for 2026-27 under the revised arrangement of the above administration fees. What specific expenses were mainly covered by this provision in the original estimate (such as the specific ratio of charges payable to airlines, helicopter companies and the Civil Aviation Department)?
- (b) Apart from the above reasons, does the reduced provision under Programme (2) also reflect adjustments to resource allocation in other areas of work (such as co-ordinating resource allocation, preparing the Budget, promoting tax transparency and overseeing the procurement policy)? Please explain whether the reduced provision will affect the depth or breadth of the work under this Programme.

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 35)

Reply:

- (a) Regarding the collection of air passenger departure tax (APDT), since 1 August 2025, the Government has streamlined its arrangement for the payment of administration fees to airlines and helicopter companies (i.e. operators) by allowing operators, when handing over the collected APDT revenue to the Government, to retain part of it so as to offset the administration fees payable to them by the Government. The estimated administration fees payable offset by APDT revenue in 2026-27 is about \$110 million, with details as follows:

Operator	Administration fee (\$ million)	Percentage ratio
Airlines (for ordinary passengers)	106.01	98.90%
Airlines (for sea-to-air and bridge-to-air passengers)	1.17	1.09%
Helicopter companies	0.01	0.01%
Total	107.19	100.00%

- (b) The reduction in the estimated expenditure for Programme (2) in 2026-27 is due to the fact that the Bureau is no longer required to provide funding for the payment of APDT administration fees. Other resources under this Programme will not be reduced, and its work will not be affected either.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)059

(Question Serial No. 0944)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As for raising the borrowing ceiling and the arrangements for the bond programmes, will the Government inform this Committee of the following:

1. Given that the total borrowing ceiling of the 2 bond programmes will be raised from \$700 billion to \$900 billion, what are the Government's estimates on the total amount of actual borrowing for the next 5 years and the amounts for each year? What are the specific projects for which the estimated funding needs provide a basis for the decision to raise the ceiling?
2. Given that about \$160 billion to \$220 billion worth of bonds will be issued in each of the next 5 years, with half of the proceedings used for re-financing short-term debts, how will the Government ensure that the re-financing arrangements will not result in debt rollover and increasing interest burden? Has any stress test been conducted on the cash flow at the peak of debt repayment in the next 10 years?
3. On what economic growth assumptions the Government's forecast is based that the ratio of government debt to GDP will rise from 14.4% to 19.9%? Will the Government consider setting a target rate of return on the investment of the proceeds from bond issuance and reporting to the Legislative Council regularly on the economic and social benefits of the relevant projects?
4. Will the Government consider the proposal by the Our Hong Kong Foundation to explore the feasibility of issuing "dedicated infrastructure bonds" that strictly link the borrowing to the future land revenue and operational income from specific areas of large-scale land disposal? If yes, what are the details? If not, what are the reasons?

Asked by: Hon LEE Ka-kui, Elvin (LegCo internal reference no.: 6)

Reply:

- (1) to (3) As the Government will accelerate the development of the Northern Metropolis (NM) and other public works projects relating to the economy and people's livelihood, the capital works expenditure is estimated at about \$128 billion in 2026-27, and is expected to remain at a similar level throughout the five-year

Medium Range Forecast period. The Chief Executive announced in the 2025 Policy Address that an additional \$30 billion would be earmarked in the next two to three years for the Government's expenditure on works projects. This amount has been included in the above estimated capital works expenditure of about \$128 billion per annum.

In the 2026-27 Budget, the Government proposes to raise the borrowing ceiling of the two bond programmes, namely the Government Sustainable Bond Programme and the Infrastructure Bond Programme, from the existing level of \$500 billion to \$900 billion. To this end, the Government will move a proposed resolution under the Loans Ordinance for consideration and approval by the Legislative Council.

About \$160 billion to \$220 billion worth of bonds will be issued each year over the next five years (i.e. from 2026-27 to 2030-31) to meet the cash flow requirements of capital works projects. To minimise the need for re-financing short-term debts, the Government is committed to increasing the proportion of longer-term bonds to better meet the longer-term financing needs of public works projects.

The ratio of government debt to Gross Domestic Product (GDP) is projected to rise from 14.4% in 2026-27 to 19.9% in 2030-31, a level that remains highly prudent and well below the levels of most advanced economies. It will not put the Government under unbearable cash flow pressure.

The ratio of government debt to GDP is calculated based on the estimated outstanding debt balance under the two bond programmes of the Government (i.e. no more than \$900 billion) and the GDP of the same period. The real and nominal economic growth rates adopted for the period from 2026-27 to 2030-31 are 3% and 5% respectively.

The Government attaches great importance to the supervision and operational transparency of the two bond programmes. In implementing our bond programmes every year, we will take into account the Government's prevailing fiscal position, market response and works progress. The Government provides details of the allocation of bond proceeds and the expected benefits of financed projects in its annual Green Bond Report and Infrastructure Bond Report, the latest issues of which were released in September and December 2025 respectively.

- (4) The Government continues to keep an open mind and take into account factors such as commercial viability and project cost when considering the appropriate financial arrangements for development projects, including leveraging market resources to support early implementation of large-scale infrastructure projects for the benefit of the economy and the people. Take the NM as an example, the Government adopts a diversified approach in taking forward the project, including setting up of industry park companies to participate in the development and operation of industry parks, allowing in-situ land exchanges to facilitate development by land owners, piloting large-scale land disposal approach, introducing flexible land premium payment arrangements, and raising capital by issuing government bonds. As for the proposal to issue "dedicated infrastructure

bonds” linked to land revenue and operational income from large-scale land disposal, the Government must carefully examine market acceptability, especially when there is uncertainty about the amounts and timing of recognition of land revenue and operational income.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)060

(Question Serial No. 0945)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the specific arrangements for using the proceeds from bond issuance for the Northern Metropolis and infrastructure projects, will the Government inform this Committee of the following:

1. The capital works expenditure is estimated to be about \$128 billion for 2026-27. How much of this is expected to come from bond issuance proceeds? How will the funding from bond issuance be allocated annually over the next 3 years, broken down by major infrastructure project (e.g. railway projects, site formation works for new development areas, hospitals, and government facilities)?
2. It is noted that the Government will issue more longer-term bonds to align more closely the cash flow duration with project requirements. For long-term bonds (10 years or longer) to be issued over the next 5 years, what are their scales, estimated interest rates and sources of repayment, broken down by major infrastructure project?
3. What mechanisms are in place to ensure the public can clearly monitor the specific uses of funding from bond issuance and the benefits to be achieved? Will consideration be given to establishing an online platform to regularly publish the following information of each infrastructure project funded by bond proceeds: (i) the amount of funding used, (ii) project progress, (iii) projected completion date, and (iv) preliminary benefit assessment?

Asked by: Hon LEE Ka-kui, Elvin (LegCo internal reference no.: 7)

Reply:

- (1) As the Government will accelerate the development of the Northern Metropolis and other public works projects relating to the economy and people's livelihood, the capital works expenditure is estimated at about \$128 billion in 2026-27, and is expected to remain at a similar level throughout the five-year Medium Range Forecast period. The Chief Executive announced in the 2025 Policy Address that an additional \$30 billion would be earmarked in the next two to three years for the Government's expenditure on

works projects. This amount has been included in the above estimated capital works expenditure of about \$128 billion per annum.

The Government's estimated capital works expenditure of about \$128 billion in 2026-27 covers a wide range of works projects, which mainly includes infrastructure (about 50%), health (about 25%), and environment and food (about 10%). The Government plans to issue about \$160 billion worth of bonds under the Infrastructure Bond Programme and the Government Sustainable Bond Programme in 2026-27. After deducting government bond repayments (about \$59.7 billion) and interest expenses (about \$16.6 billion), the bond proceeds of about \$83.7 billion will be fully credited to the Capital Works Reserve Fund (CWRP).

Arrangements of the two bond programmes, such as the selection of individual projects to be funded by the bond proceeds will be determined based on the Government's prevailing fiscal position, market response and works progress at the time of bond issuance. The Government will adhere strictly to fiscal discipline, and ensure that bond proceeds will only be used to invest in infrastructure, but not for government's recurrent expenditure.

- (2) The Government is committed to increasing the proportion of longer-term bonds to better meet the longer-term financing needs of public works projects. The ratio of bonds issued with tenors of less than five years to those with tenors of five years or more rose from 8:2 in 2024-25 to 6:4 in 2025-26. It is anticipated that the proportion of bonds with tenors of five years or more will continue to increase in 2026-27. The interest expenses on bond issuance will be around \$16.6 billion, equivalent to 0.5% of Gross Domestic Product (GDP). From 2027-28 to 2030-31, bond interest rates will vary depending on market conditions. The annual interest expenses on bond issuance are expected to account for less than 1% of GDP. Hence, the impact on public finances will be minimal. Expenses (including interest expenses, principal repayment etc.) of the two bond programmes will be met by the CWRP.
- (3) The Government provides details of the allocation of bond proceeds and the expected benefits of financed works projects in its annual Green Bond Report and Infrastructure Bond Report, the latest issues of which were released in September and December 2025 respectively.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)061

(Question Serial No. 1072)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 129 of the Budget Speech that “Tax policy is a key component to economic competitiveness. In view of the evolving global tax environment in recent years, I (the Financial Secretary) will establish and chair an Advisory Committee on Tax Policy to gather views widely from commercial, industrial and professional sectors, so that Hong Kong’s tax policy can reinforce economic development.” In this connection, would the Government inform this Committee of the following:

1. What are the specific timetable for establishing the Advisory Committee on Tax Policy, the criteria for its membership composition (including the selection mechanism for representatives from commercial, industrial and professional sectors and the expected number of members), the frequency of meetings and its mode of operation? What are the committee’s primary work priorities and review directions?
2. How will the committee widely gather and consolidate views from commercial, industrial and professional sectors to ensure that the tax policy can more effectively support economic development? What specific reviews or recommendations are expected to be completed within its first year of operation (2026-27), and how will these enhance the competitiveness of Hong Kong’s tax regime; and
3. How does the Government expect to strengthen the tax advantages of Hong Kong in its capacity as an international financial and trading centre through the committee’s recommendations in the medium to long term? Examples include attracting more enterprises to set up businesses in Hong Kong, optimising industry-specific tax incentives and enhancing overall economic competitiveness. What quantifiable outcomes are expected (such as new investments, job opportunities, or tax revenue contributions)?

Asked by: Hon HUNG Kam-in (LegCo internal reference no.: 25)

Reply:

As announced in the 2026-27 Budget, the Advisory Committee on Tax Policy (ACTP) will be established and chaired by the Financial Secretary. ACTP aims to gather views from the commercial, industrial and professional sectors. Under the context of fulfilling Hong Kong's international tax obligations, ACTP will assist the Government in formulating tax policies that can reinforce economic development, including exploring possible amendments to existing tax measures, with a view to attracting more new industries and investments to Hong Kong.

The Government has commenced preparatory work for establishing ACTP. ACTP will comprise non-official members from the commercial, industrial and professional sectors, as well as relevant official members. It is expected that the first meeting will be convened in mid-2026.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)062

(Question Serial No. 1127)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 268 of the Budget Speech that the Government plans to raise the total borrowing ceiling of the Government Sustainable Bond Programme and the Infrastructure Bond Programme (the two programmes) to \$900 billion. About \$160 billion to \$220 billion worth of bonds are expected to be issued in the next 5 years, about half of which will be used for re-financing the short-term debts incurred in recent years. At the same time, more longer-term bonds will be issued in future to align more closely the cash flow duration with project requirements. In this connection, will the Government inform this Committee of the following:

- 1) For each of the past 5 years (2021-22 to 2025-26), set out in table form the issuance size, subscription rate, tenors, currency composition and purposes of the proceeds of bonds issued under the two programmes;
- 2) For 2026-27, set out in table form the tenors, issuance size, currency composition and purposes of the proceeds of bonds proposed to be issued under the two programmes;
- 3) For each of the coming 5 years, set out in table form the re-financing amount under the two programmes to be used for repaying short-term debts and its proportion in the bond issuance scale proposed for the year concerned;
- 4) How will the Government determine the tenor distribution when issuing more longer-term bonds in future; and
- 5) What measures will the Government put in place to manage debt risks so as to maintain the stability of the financial market?

Asked by: Hon LAU Ka-keung (LegCo internal reference no.: 15)

Reply:

- (1) The sizes, subscription rates, tenors and currency compositions of bonds issued under the Government Sustainable Bond Programme (GSBP) and the Infrastructure Bond Programme (IBP) over the past five financial years are as follows:

GSBP

Financial year	Type of bonds	Issuance size (HK\$)	Subscription rate (times)	Currency	Tenor
2021-22	Green bonds	29.3 billion	2.1	RMB, USD, EUR	3 to 20 years
2022-23	Green bonds	66.1 billion	1.6 to 6.4	HKD, RMB, USD, EUR	1 to 30 years
2023-24	Green bonds	72.6 billion	1.5 to 5.3	HKD, RMB, USD, EUR	2 to 10 years
2024-25	Green bonds	24.9 billion	4.8	RMB, USD, EUR	2 to 30 years
2025-26	Green bonds	31.5 billion	3.3 to 25.2	HKD, RMB, USD, EUR	2 to 20 years

IBP

Financial year	Type of bonds	Issuance size (HK\$)	Subscription rate (times)	Currency	Tenor
2024-25	Silver bonds	55 billion	1.4	HKD	3 years
	Retail infrastructure bonds	17.7 billion	0.9	HKD	3 years
	Institutional infrastructure bonds	32.5 billion	2.7 to 7.2	HKD, RMB	1 to 20 years
2025-26	Silver bonds	55 billion	2.0	HKD	3 years
	Institutional infrastructure bonds	69.1 billion	1.4 to 14.0	HKD, RMB	1 to 30 years

All bond proceeds raised under the GSBP and IBP are credited to the Capital Works Reserve Fund (CWRP) for funding eligible projects under the CWRP. The GSBP provides funding for eligible government sustainable projects under the Green Bond Framework, while the IBP provides funding for eligible government public works projects under the Infrastructure Bond Framework.

- (2) The Government plans to issue about \$160 billion worth of bonds under the above two bond programmes in 2026-27. Arrangements including the bond issuance parameters and the selection of individual works projects to be funded by the bond proceeds will be determined having regard to the Government's prevailing fiscal position, market response and works progress at the time of bond issuance.
- (3) & (4) From 2026-27 to 2030-31, the percentage share of repayment in the bonds issued in the respective years is as follows:

Financial year	2026-27	2027-28	2028-29	2029-30	2030-31
Proceeds from issuance of government bonds (HK\$ billion)	160	210	220	190	190
Repayment of government bonds (HK\$ billion)	59.7	129.9	103.3	101.6	133.1
Percentage share of repayment in bonds issued that year	37%	62%	47%	53%	70%

Since the establishment of the IBP in 2024, most of the bonds issued have tenors of less than five years. The Government is committed to increasing the proportion of longer-term bonds to better meet the longer-term financing needs of public works projects. The ratio of bonds issued with tenors of less than five years to those with tenors of five years or more rose from 8:2 in 2024-25 to 6:4 in 2025-26. It is anticipated that the proportion of bonds with tenors of five years or more will continue to increase in 2026-27. In implementing the bond programmes each year, we will consider the Government's prevailing fiscal position, market response and works progress.

- (5) About \$160 billion to \$220 billion worth of bonds will be issued each year over the next five years (i.e. from 2026-27 to 2030-31). The ratio of government debt to Gross Domestic Product (GDP) is projected to rise from 14.4% to 19.9%, a level that remains highly prudent and well below the levels of most advanced economies. As always, the Government will adhere strictly to fiscal discipline, and ensure that bond proceeds will only be used to invest in infrastructure, but not for government's recurrent expenditure.

The issuance of government bonds on an appropriate scale by the Government will not only promote the development of the bond market, but will also enable us to leverage market capital to invest in our future, thereby driving Hong Kong's sustainable and infrastructure development. The bonds issued by the Government have consistently attracted a wide range of global investors and have been oversubscribed, reflecting investors' recognition of the development of Hong Kong's bond market and their confidence in Hong Kong's long-term development. We have been maintaining communication with market participants to enhance their understanding of the Government's fiscal position, bond issuance

programmes and the overall development of Hong Kong. The actual size of bond issuance by the Government and interest expenses will depend on the prevailing fiscal position, market response and works progress. We will continue to adhere strictly to fiscal discipline to ensure fiscal prudence of the overall bond issuance programmes and sustainability of public finances.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)063

(Question Serial No. 1170)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is pointed out under Programme (2) that the Treasury Branch will continue the drive to streamline financial regulations within the Government. Moreover, in response to the recommendations concerning the provision and monitoring of Rehabus services put forward in the Public Accounts Committee Report No. 82, the Financial Services and the Treasury Bureau reviewed and updated Financial Circular No. 9/2004 "Guidelines on the Management and Control of Government Funding for Subvented Organisations" (the Guidelines) in July 2024, reminding Directors of Bureaux and Controlling Officers of the need to draw up suitable management measures having regard to the objectives, nature and circumstances of individual subvented organisations, as well as the subvented services or projects they deliver. In this connection, will the Government inform this Committee of:

- 1) the reasons for streamlining financial regulations as referred to above, as well as the objectives and cost-effectiveness of doing so;
- 2) in a tabular format, the numbers of legally binding and non-legally binding service agreements each policy bureau entered into with subvented organisations before and after the update of the Guidelines; and
- 3) the specific threshold triggering the review of the Guidelines and the factors taken into account.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 10)

Reply:

The Treasury Branch reviews and enhances the Government's internal financial regulations from time to time. Through streamlining administrative procedures, rationalising approval processes and appropriate delegation of authority, bureaux/departments (B/Ds) are enabled, on the premise of compliance with the regulations, to meet their operational needs with a view to enhancing overall work efficacy. This includes periodic reviews of Financial Circular No. 9/2004 "Guidelines on the Management and Control of Government Funding for Subvented Organisations" (the Guidelines).

The Guidelines provide Directors of Bureaux and Controlling Officers with guidelines on the management and monitoring of subventions to ensure the proper and cost-effective use of public funds. We will update the Guidelines as necessary, including reviewing annually with relevant B/Ds to update the list of organisations receiving recurrent funding from the Government at Annex 1 to the Guidelines, making amendments corresponding to the updates of other circulars or guidelines of the Government, and incorporating or updating relevant documents for B/Ds' reference. We will also review the relevant contents of the Guidelines in light of new developments requiring attention (e.g. recommendations made in Public Accounts Committee Reports). The Treasury Branch will continue to monitor the overall implementation of the Guidelines and conduct timely reviews and updates.

The table below, compiled in consultation with the bureaux, sets out the number of legally binding and non-legally binding instruments (including service agreements) entered into between the relevant bureaux (including relevant departments) and the subvented organisations before and after the review and update of the Guidelines in July 2024. Taking into account the objectives, nature and circumstances of individual subvented organisations (e.g. whether their operations are subject to statutory regulation under relevant ordinances, and whether their governance structures include representatives of B/Ds concerned), and also the subvented services or projects delivered by them, B/Ds concerned have entered into appropriate instruments with the relevant subvented organisations setting out the respective responsibilities of all parties and the consequences of non-compliance and established suitable management measures, as well as ensuring that the subvented organisations comply with the stipulated requirements.

	No. of legally binding instruments		No. of non-legally binding instruments	
	Entered into <i>before</i> the update of the Guidelines	Entered into <i>after</i> the update of the Guidelines	Entered into <i>before</i> the update of the Guidelines	Entered into <i>after</i> the update of the Guidelines
Offices of the Chief Secretary for Administration and the Financial Secretary	1	0	2	0
Commerce and Economic Development Bureau	0	0	3	0
Culture, Sports and Tourism Bureau	2	102	1	0
Constitutional and Mainland Affairs Bureau	1	0	2	0
Education Bureau	1 101	807	0	0
Environment and Ecology Bureau	0	3	0	0

	No. of legally binding instruments		No. of non-legally binding instruments	
	Entered into <i>before</i> the update of the Guidelines	Entered into <i>after</i> the update of the Guidelines	Entered into <i>before</i> the update of the Guidelines	Entered into <i>after</i> the update of the Guidelines
Health Bureau	7	1	0	0
Innovation, Technology and Industry Bureau	8	5	0	0
Security Bureau	0	24	2	0
Financial Services and the Treasury Bureau	0	2	1	0
Home and Youth Affairs Bureau	44	45	0	0
Development Bureau	0	0	0	0
Labour and Welfare Bureau	1 332	1 265	2	2
Total	2 496	2 254	13	2

Note: The figures in the table represent the number of instruments that remained valid as at 4 March 2026.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)064

(Question Serial No. 1172)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is pointed out in paragraphs 265, 266 and 268 of the Budget Speech that the Government will, as announced in last year's Policy Address, earmark an additional \$30 billion in the next 2 to 3 years to increase expenditure on works projects for driving sustained economic development; transfer part of the income of the Exchange Fund, totalling \$150 billion in the coming 2 years, to the Capital Works Reserve Fund; raise its borrowing ceiling from \$700 billion to \$900 billion; and issue about \$160 billion to \$220 billion worth of bonds each year during the Medium Range Forecast (MRF) period, the proceeds from which will be used to invest in infrastructure only. Moreover, the Government's capital works expenditure is estimated to be about \$128 billion for 2026-27 (which will remain at a similar level during the MRF period), comparable to last year's estimate of about \$120 billion per annum. In this connection, will the Government inform this Committee of the following:

- 1) How do the aforesaid funds supporting infrastructure works projects align with the capital works expenditure of about \$128 billion per annum?
- 2) What are the basis for calculating the annual capital works expenditure of about \$128 billion and the price adjustment factors involved?
- 3) Given that there is an urgent need for improvement to the infrastructure in the Northern Metropolis development, what are the reasons for the substantial decline in the estimated capital works expenditure on "Highways"?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 17)

Reply:

- (1) As the Government will accelerate the development of the Northern Metropolis (NM) and other public works projects relating to the economy and people's livelihood, the capital works expenditure is estimated at about \$128 billion in 2026-27, and is expected to remain at a similar level throughout the five-year Medium Range Forecast (MRF) period. The Chief Executive announced in the 2025 Policy Address that an additional \$30 billion would be earmarked in the next two to three years for the Government's expenditure on works projects. This amount has been included in the above estimated capital works expenditure of about \$128 billion per annum.

In the next five years, we expect that about half of the bond proceeds will be used for re-financing short-term debts, leaving very limited net proceeds available for public works projects. Therefore, the Government plans to raise the total borrowing ceiling of the two bond programmes (namely the Government Sustainable Bond Programme and the Infrastructure Bond Programme) to \$900 billion, and will issue about \$160 billion to \$220 billion worth of bonds each year during the MRF period. The Government also proposes transferring \$150 billion in the next two financial years from the Exchange Fund to the Capital Works Reserve Fund (CWRF) to support NM and other public works projects, ensuring that sufficient funding is available for public works projects.

- (2) The Government's capital works expenditure of about \$128 billion per annum covers a wide range of works projects. Details of expenditure for 2026-27 are set out in the Capital Works Reserve Fund Accounts in Volume II of the Estimates for the Year Ending 31 March 2027. As works departments continuously adjust the estimated expenditure on works projects having regard to project progress, and as the Legislative Council Finance Committee approves funding for new works projects every year, it is not possible to provide the estimated expenditure for individual works projects beyond 2026-27. The Government currently applies price adjustment factors to estimate the cost of works projects funded by the CWRF in money-of-the-day prices. The updated prices of public sector building and construction output are assumed to increase by 3% in 2026 and increase by 4% per annum from 2027 to 2036.
- (3) The Government has been taking forward public works projects in a timely and orderly manner according to their urgency and priority, with a view to improving people's quality of life, enhancing Hong Kong's long-term competitiveness, and driving economic development. Expenditure under individual CWRF Heads varies from year to year depending on the implementation progress of the projects under each Head. Under Head 706 – Highways, the estimated expenditure for 2026-27 is about \$7.33 billion, representing a decrease of about 25% when compared with the revised estimate for 2025-26. This is mainly due to the substantial reduction in the expenditure of the “Central Kowloon Route – main works” following the commissioning of the Central Kowloon Bypass (Yau Ma Tei Section). Meanwhile, other major transport infrastructure projects (e.g. the NM Highway) are still at the pre-construction planning stage, so their expenditure is relatively low.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)065

(Question Serial No. 1173)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in paragraph 256 of the Budget Speech that the Government will continue implementing the reinforced fiscal consolidation programme put forward in last year's Budget. Following the bringing back of \$61.5 billion from 6 seed capital funds with a relatively large unspent balance to the Government's accounts as announced in last year's Budget, the Government has also conducted a full review of the remaining 36 purpose-specific funds established outside the Government's accounts, and about \$15.8 billion is expected to be brought back from 7 funds to the Government's accounts. In this connection, will the Government inform this Committee of the following (please set out in tabular form the details by amount in ascending order where appropriate):

- 1) the names of the 36 funds and their respective balances;
- 2) the number of seed capital funds and non-seed capital funds among the 36 funds, as well as their names and respective balances;
- 3) the amount to be brought back from each of the 7 funds and their respective balances after the bringing back;
- 4) whether the Government has assessed the impact of bringing back further amounts from education-related funds on the development of Hong Kong into an international education hub, given that the 7 funds to be brought back include the Self-financing Post-secondary Education Fund and the Hong Kong Special Administrative Region Government Scholarship Fund, both of which are seed capital funds, and that 5 out of the 6 seed capital funds brought back last year were established under the Education Bureau; and
- 5) whether the relevant bureaux will be required to review the financial arrangements of the remaining 23 funds, and the schedule for the review; and whether their balances will be brought back in the current/next financial year?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 18)

Reply:

1), 2) and 3)

The Financial Services and the Treasury Bureau (FSTB), in consultation with relevant policy bureaux/departments (B/Ds), has conducted a full review of the policy objectives, modes of operation and financial arrangements of the remaining 36 funds established outside the Government's accounts, and has carefully assessed the individual circumstances of these funds. The arrangements for bringing back or consolidating 13 of these funds as proposed in the 2026- 27 Budget are as follows:

- (i) bringing back the unspent balances of 4 seed capital funds, viz. the Environment and Conservation Fund, the Self-financing Post-secondary Education Fund, the HKSAR Government Scholarship Fund and the Beat Drugs Fund, to the Government's accounts after setting aside resources to support their operations in the coming 5 years. The policy objectives, modes of operation, as well as management and control of the relevant funds will remain unchanged after the transfers;
- (ii) closing the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas, which has accomplished its policy objectives, and bringing back its remaining balances;
- (iii) closing the Hong Kong Paralympians Fund and the Arts Development Fund for Persons with Disabilities and bringing back their remaining balances, and providing the Social Welfare Department with an additional recurrent provision under the established allocation mechanism with a view to continuing to take forward the relevant policy objectives in a more cost-effective manner;
- (iv) consolidating the 6 funds established under the Sir David Trench Fund for Recreation Ordinance (Cap. 1128) and transferring the entire balances of 3 of the funds to be closed to the Sir David Trench Fund for Recreation (Main Fund) to enhance efficiency in the use of resources; and
- (v) maintaining the financial arrangements of the remaining 23 funds.

With the implementation of the arrangements mentioned in (i) to (iii) above, we expect to bring back about \$15.8 billion to the Government's accounts in 2026-27. The balances of the 36 seed capital funds and non-seed capital funds are set out in **Annex 1**. For the 7 funds to be brought back, the expected amounts to be brought back and balances to be retained are set out in **Annex 2**.

- 4) The Government strives to further consolidate and optimise the use of financial resources. The purpose of the bringing-back arrangement is to enable the Government to make more flexible and effective use of public financial resources. It must be emphasised that the unspent balances of the seed capital funds are brought back on the premise that it will not affect their operations or the Education Bureau's continuous formulation and updating of strategies to achieve the policy objectives of the relevant funds. As with the seed capital funds that were brought back last year, the Self-

financing Post-secondary Education Fund and the HKSAR Government Scholarship Fund will retain resources to meet their necessary expenditure in the coming 5 years to support their operations during that period. The policy objectives, modes of operation, as well as management and control of these funds will remain unchanged after the transfers. We will review the long-term financial arrangements of the 10 seed capital funds brought back (including the 4 seed capital funds proposed to be brought back in this year's Budget and the 6 seed capital funds already brought back in mid-2025) in 2028 and determine the relevant arrangements with due regard to the latest developments and the Government's financial position at that time, with a view to continuously advancing the relevant policy initiatives.

- 5) Of the 23 funds with financial arrangements proposed to be maintained, 17 are non-seed capital funds. Upon review, we consider that these funds have no excessive balance and have been operating in a cost-effective manner. We therefore propose that they continue to operate in accordance with their current financial arrangements in order to achieve the respective policy objectives. For the remaining 6 funds, which are seed capital funds, we propose maintaining their financial arrangements taking into account their individual circumstances, such as the need to set aside the entire balance to meet the necessary expenditure for the coming 5 years, the operation of the fund being supported on a fee-charging and self-financing basis, and the fact that the fund balances comprise mainly non-Government contributions. All relevant B/Ds will continue to closely monitor the operation of the funds under their purview to ensure effective implementation of the policy objectives. The FSTB will continue to monitor the latest developments and financial position of the funds, and assist B/Ds in devising the most suitable financial arrangements.

36 funds established outside the Government's accounts
(in descending order of the latest audited balance of the fund)

	Name of fund	Fund balance (\$ million) (Note)
Seed capital fund		
1	Community Care Fund	10,336
2	Quality Education Fund	9,692
3	Elite Athletes Development Fund	9,622
4	Environment and Conservation Fund	6,119
5	HKSAR Government Scholarship Fund	4,980
6	Self-financing Post-secondary Education Fund	4,803
7	Beat Drugs Fund	4,145
8	Sir David Trench Fund for Recreation - Arts and Sport Development Fund	3,819
9	Hong Kong Paralympians Fund	268
10	Arts Development Fund for Persons with Disabilities	260
11	Sir David Trench Fund for Recreation - Hong Kong Athletes Fund	249
12	Queen Elizabeth Foundation for the Mentally Handicapped	226
13	Supplementary Legal Aid Fund	216
14	Sir David Trench Fund for Recreation -Main Fund	103
15	Sir David Trench Fund for Recreation - Sports Aid Foundation Fund	60
16	Social Work Training Fund	21
17	Sir David Trench Fund for Recreation - Sports Aid for the Disabled Fund	11
<i>Balance of 17 seed capital funds:</i>		<i>54,930</i>
Non-seed capital fund		
18	Employees Retraining Fund	13,498
19	Samaritan Fund	7,729
20	Anti-epidemic Fund	3,561
21	Construction Innovation and Technology Fund	1,698
22	Traffic Accident Victims Assistance Fund	1,405
23	Occupational Deafness Compensation Fund	649
24	Social Innovation and Entrepreneurship Development Fund	453
25	Emergency Relief Fund	130

	Name of fund	Fund balance (\$ million) (Note)
26	Cantonese Opera Development Fund	123
27	Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas	73
28	Elder Academy Development Foundation	53
29	AIDS Trust Fund	28
30	J.E. Joseph Trust Fund	22
31	Consumer Legal Action Fund	20
32	Pneumoconiosis Ex Gratia Fund	19
33	Kadoorie Agricultural Aid Loan Fund	17
34	Trust Fund for Severe Acute Respiratory Syndrome	15
35	Hong Kong Arts Development Council Fund	2
36	Sir David Trench Fund for Recreation - Arts Development Fund	0.3
	<i>Balance of 19 non-seed capital funds:</i>	29,495.3
	Total balance of 36 funds:	84,425.3

Note: "Fund balance" refers to the balance shown in the latest audited financial statements of each fund.

7 funds proposed to be brought back in 2026-27

	Name of fund	Balance to be retained (\$ million)	Amount expected to be brought back (\$ million)
1	Environment and Conservation Fund	2,010	4,120
2	Self-financing Post-secondary Education Fund	910	4,030
3	HKSAR Government Scholarship Fund	1,010	4,130
4	Beat Drugs Fund	1,600	3,000
5	Hong Kong Paralympians Fund	10	260
6	Arts Development Fund for Persons with Disabilities	20	220
7	Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas	0	70
Total:		5,560	15,830

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)066

(Question Serial No. 1175)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to Programme (2), during 2026-27, the Treasury Branch will continue to oversee the Government's procurement policy, and update or streamline the prevailing procurement procedures and guidelines having regard to prudent financial management principles, best practices in the market and relevant policy objectives of the Government. In response to the incident regarding its procurement of bottled drinking water in mid-2025, the Government has established the Task Force on Review of Government Procurement Regime. The Task Force, chaired by the Secretary for Financial Services and the Treasury, and comprising members including the Permanent Secretary for Financial Services and the Treasury (Treasury), reviews the Government's procurement regime and relevant procedures. It also released the Report of Task Force on Review of Government Procurement Regime (the Report) this January. In this connection, please inform this Committee of the following:

- 1) Have the Task Force and the Report caused any impact and provided any directional guidance on the relevant work in the Treasury Branch?
- 2) As pointed out in the Report, the Government set up the Procurement and Stores Management Audit Section in October 2025 to step up third-party inspections of due diligence work in government bureaux and departments. It is estimated that the new Section will audit about 120 tender cases a year on average. What are the manpower and expenditure involved for that Section? How many days does due diligence work take on average? Have performance indicators been set for the Section? If yes, what are the details? If not, what are the reasons?
- 3) It is also pointed out in the Report that the Financial Services and the Treasury Bureau has introduced financial vetting to goods contracts exceeding \$15 million, and the new arrangement is applicable to tenders to be invited on or after 1 January 2026. Please set out in tabulated form the contracts tendered under this arrangement and their respective amounts.

- 4) It is mentioned under Programme (2) that the estimate for 2026-27 is 30.3% lower than the original estimate for 2025-26, with a decrease of 4 posts. How will the procurement work of the Government be affected?
- 5) Tenders for goods and general services exceeding \$60 million are considered by the Central Tender Board. What is the mechanism for conducting third-party inspection of these tenders? Is it compulsory to conduct due diligence checks on these tender cases? If yes, what are the details? If not, what are the reasons?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 20)

Reply:

- (1) The Government established the Task Force on Review of Government Procurement Regime (Task Force) in August 2025. Following a comprehensive review of the government procurement regime and relevant procedures conducted by the Financial Services and the Treasury Bureau, together with the Government Logistics Department (GLD) and relevant bureaux and departments (B/Ds), the Task Force released a report with recommendations in January 2026. The enhancement measures, as endorsed by the Task Force, mainly focus on four broad directions, namely institutional change, reshaping work culture, enhancement in cross-departmental information exchange, and application of technologies and artificial intelligence. These enhancement measures have been implemented successively. The report of the Task Force sets out directional guidance on the procurement work of the Treasury Branch and GLD. As stated in the report, the Government's commitment to enhancing the procurement regime goes beyond the measures implemented. In light of the ever-evolving business environment and technological advancements, the Treasury Branch and GLD should keep reviewing and refining the government procurement regime having regard to market developments and operational needs, while maintaining communication with stakeholders (including procurement officers and the industry) to keep pace with the times.
- (2) GLD re-organised the Supplies Surveys and Stock Verification Section into the Procurement and Stores Management Audit Section (the Audit Section) in October 2025. Besides continuing its compliance checks on B/Ds' procurement and stores management work, the Audit Section steps up inspections of due diligence work on B/Ds' procurement under a risk-based approach. GLD has carried out the relevant work by deploying existing manpower and resources, including assigning 10 officers in the Audit Section to audit tender cases specifically, without incurring additional expenditure. Given the wide-ranging nature and types of government procurement, the time and manpower required for each audit task vary and cannot be subject to direct comparison. GLD has set a performance target for the Audit Section to audit about 120 tender cases a year on average, which account for over 20% of the total caseload.
- (3) For tenders invited on or after 1 January 2026 (as of 6 March), financial vetting has been introduced to six goods tender cases with an estimated contract value exceeding \$15 million, as tabulated below:

Tender Case	Tender Date
1. Supply of road traffic signal housings to the Electrical and Mechanical Services Trading Fund	16 January 2026
2. Supply of 25% and 50% sodium hydroxide solution to the Drainage Services Department	23 January 2026
3. Supply of bridge inspection vehicle to the Electrical and Mechanical Services Trading Fund	13 February 2026
4. Supply of an antenna metrology system to the Innovation and Technology Commission	27 February 2026
5. Supply of mobile device management software to the Hong Kong Police Force	27 February 2026
6. Supply of room air coolers to the Electrical and Mechanical Services Trading Fund	27 February 2026

As the above cases are still at the tender or evaluation stage, GLD is unable to provide actual contract value at the moment. After contract award, the Government will publish the relevant information in accordance with the established mechanism.

- (4) The reduction in estimated expenditure and the deletion of posts under Programme (2) of the Treasury Branch in 2026-27 mainly involve other areas of work under the Programme. It will not affect the work on government procurement.
- (5) As a dedicated team for conducting third-party audits, the Audit Section under GLD steps up inspections of due diligence work on B/Ds' procurement (including non-works goods and service tenders considered by the Central Tender Board (CTB)) under a risk-based approach. The responsible B/Ds are required to exercise due diligence at various stages of the procurement process, irrespective of the type and value of procurement.

In submitting tender recommendations to CTB for consideration, B/Ds must confirm in the tender report that due diligence checks on the recommended tenderers have been conducted and duly completed at the tender evaluation stage in accordance with relevant operational guidelines issued by GLD. Due diligence checks should include, but are not limited to, verifying key documents and reports, as well as examining the tenderers' background, legal status, authorisation and declarations, past performance. B/Ds should also clearly indicate whether any special or dubious issues were identified during the due diligence checks, actions taken to address such issues, and recommendations on the way forward, so that CTB can consider B/Ds' recommendations based on sufficient knowledge of the relevant information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)067

(Question Serial No. 1253)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 268 of the Budget Speech, the Government will issue about \$160 billion to \$220 billion worth of bonds in each of the next 5 years, about half of which will be used for re-financing short-term debts, and will issue more longer-term bonds in future. In this connection, will the Government inform this Committee of:

1. the distribution and proportion of the various tenors of its long-term bonds issued;
2. the distribution and proportion of the various tenors of its proposed additional long-term bonds to be issued;
3. given the greater demand from institutional investors for long-term bonds, the proportion and quota of its long-term bonds to be allocated for subscription by institutional investors?

Asked by: Hon CHUANG Ka-pun, Albert (LegCo internal reference no.: 6)

Reply:

- (1) As at end March 2026, the distribution and proportion of the tenors of bonds issued by the Government were as follows:

Tenor	Outstanding amount (HK\$ billion)	Proportion
1 to 4 years	223.8	55%
5 to 9 years	104.7	25%
10 years or more	81.7	20%
Total	410.2	100%

(2) & (3) The Government is committed to increasing the proportion of longer-term bonds to better meet the longer-term financing needs of public works projects. The ratio of bonds issued with tenors of less than five years to those with tenors of five years or more rose from 8:2 in 2024-25 to 6:4 in 2025-26. It is anticipated that the proportion of bonds with tenors of five years or more will continue to increase in 2026-27. In implementing our bond programmes each year, we will take into account the Government's prevailing fiscal position, market response and works progress.

Having regard to factors such as market conditions and investor demand, the Government currently issues retail bonds (e.g. the Silver Bond) with relatively shorter tenors. Bonds with longer tenors are typically institutional bonds aimed at institutional investors. The situation is expected to persist.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)068

(Question Serial No. 1258)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 268 of the Budget Speech that as the Government will accelerate the development of the Northern Metropolis (NM) and other public works projects relating to the economy and people's livelihood, the Government will raise the total borrowing ceiling of green bonds and infrastructure bonds to \$900 billion. About \$160 billion to \$220 billion worth of bonds will be issued in each of the next 5 years. Given that these bonds are only for infrastructure investment, they will not be used to cover daily operating expenses. In this connection, will the Government inform this Committee of:

1. the specific NM development projects to be funded by infrastructure bonds in tabular form; and
2. the estimated amount of proceeds from the issuance of infrastructure bonds to be injected into the NM development, as well as the proportion to be channelled to the total provision of the Capital Works Reserve Fund in the next 5 years?

Asked by: Hon CHUANG Ka-pun, Albert (LegCo internal reference no.: 12)

Reply:

The Government established the Infrastructure Bond Programme (IBP) in May 2024 and conducted its inaugural bond issuance in October 2024. All proceeds raised in the bond issuance were credited to the Capital Works Reserve Fund, covering nine eligible categories of the Government's Capital Works Programme as set out in the Infrastructure Bond Framework (except for those included or expected to be included in the Government Sustainable Bond Programme). The coverage comprises large-scale infrastructure projects, as well as works projects in the Northern Metropolis (NM). In 2024-25, the Government issued infrastructure bonds amounting to about HK\$105.2 billion equivalent under the IBP, to implement 20 projects, including the following ten projects located in the NM:

	Project name
1.	Hung Shui Kiu/Ha Tsuen New Development Area stage 1 works – site formation and engineering infrastructure
2.	Hung Shui Kiu/Ha Tsuen New Development Area stage 2 works – site formation and engineering infrastructure
3.	Hung Shui Kiu/Ha Tsuen New Development Area advance works phase 3 – site formation and engineering infrastructure
4.	Development of San Tin Technopole phase 1 stage 1 works – site formation and engineering infrastructure
5.	Remaining phase of site formation and engineering infrastructure works at Kwu Tung North New Development Area and Fanling North New Development Area – construction
6.	Construction of a new public market in Kwu Tung North New Development Area
7.	Development of the Loop – Main Works Package 1 – site formation and infrastructure works
8.	Yuen Long South development – stage 1 works
9.	Yuen Long South development – stage 2A works – site formation and engineering infrastructure and stages 2B and 3 works – detailed design and site investigation
10.	Second Phase Development of Yuen Long South New Development Area – site formation and engineering infrastructure works

It is expected that a considerable proportion of the bond proceeds will continue to be used to support the implementation of NM works projects over the next five years. The remaining proceeds will be allocated to other projects relating to people's livelihood (such as major roads, schools, cultural and welfare facilities).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)069

(Question Serial No. 1605)

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

Subhead (No. & title): (000) Operational expenses

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned under Programme (2) of the Estimates of Expenditure that the Treasury Branch will continue to oversee the Government's procurement policy, and update or streamline the prevailing procurement procedures and guidelines having regard to best practices in the market and relevant policy objectives of the Government. What is the amount of manpower and administrative resources earmarked by the Government under Subhead 000 Operational expenses for 2026-27 to implement the updating or streamlining of procurement policy?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 18)

Reply:

The Treasury Branch of the Financial Services and the Treasury Bureau (The Treasury Branch) has been reviewing the government procurement policy and enhancing the government procurement regime on various fronts in response to evolving circumstances. The Government established the Task Force on Review of Government Procurement Regime (Task Force) in August 2025. Following a comprehensive review of the government procurement regime and relevant procedures conducted by the Treasury Branch, together with the Government Logistics Department (GLD) and relevant bureaux and departments, the Task Force released a report with recommendations in January 2026. The enhancement measures endorsed by the Task Force have been implemented successively, focusing mainly on four broad directions, namely institutional change, reshaping work culture, enhancement in cross-departmental information exchange, and application of technologies and artificial intelligence.

The Treasury Branch and GLD will keep reviewing and refining the government procurement regime having regard to market developments and operational needs, while maintaining communication with stakeholders (including procurement officers and the industry) to keep pace with the times. In 2026-27, the Treasury Branch will carry out the above work with the existing manpower. As the relevant staff will be engaged in other duties at the same time, we do not have a breakdown of the expenditure and manpower information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)070

(Question Serial No. 1606)

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

Subhead (No. & title): (000) Operational expenses

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in Programme (2) of the Estimates of Expenditure that the Treasury Branch will pursue the legislative exercise for implementing the Crypto-Asset Reporting Framework and amendments to the Common Reporting Standard promulgated by the Organisation for Economic Co-operation and Development in 2026-27. To implement the above legislative exercise, how much provision has the Government earmarked for manpower and administrative expenses under Subhead 000 Operational expenses for 2026-27?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 22)

Reply:

In light of the rapid development of the digital asset sector in recent years, as well as the Organisation for Economic Co-operation and Development's (OECD) promotion of international efforts in enhancing tax transparency and combating cross-border tax evasion, the Government plans to introduce a bill in the first half of this year to amend the Inland Revenue Ordinance (Cap. 112) for implementing OECD's Crypto-Asset Reporting Framework and amended Common Reporting Standard in 2027 and 2028 respectively.

The relevant legislative work is part of the regular duties of the Financial Services and the Treasury Bureau (Treasury Branch). The manpower and expenditure involved have been included in the overall establishment and expenditure of the Treasury Branch, thus a breakdown is not available.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)071

(Question Serial No. 1615)

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

Subhead (No. & title): (000) Operational expenses

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned under Programme (2) of the Estimates of Expenditure that the Treasury Branch will continue to expand Hong Kong's network of comprehensive avoidance of double taxation agreements in 2026-27. What is the amount of manpower and resources allocated by the Government under Subhead 000 Operational expenses?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 34)

Reply:

As at March 2026, Hong Kong has signed comprehensive avoidance of double taxation agreements (CDTAs) with 57 jurisdictions, with the latest one signed with Barbados on 19 March 2026. Besides, Hong Kong has commenced CDTA negotiations with 17 jurisdictions.

To attract more enterprises to Hong Kong and facilitate the development of Hong Kong enterprises in overseas markets, the Government will continue to expand our CDTA network with a focus on jurisdictions participating in the Belt and Road Initiative.

Expanding the CDTA network is part of the regular duties of the Financial Services and the Treasury Bureau (Treasury Branch). The manpower and expenditure involved have been included in the overall establishment and expenditure of the Treasury Branch, thus a breakdown is not available.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)072

(Question Serial No. 1624)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Productivity Enhancement Programme, please provide the corresponding information based on the following table:

Department	Baseline Expenditure for 2023-24	Baseline Expenditure for 2024-25	Baseline Expenditure Saved Compared to Last Year	Baseline Expenditure for 2025-26	Baseline Expenditure Saved Compared to Last Year	Estimated Baseline Expenditure for 2026-27	Baseline Expenditure Saved Compared to Last Year
Total							

Asked by: Hon CHAN Yung (LegCo internal reference no.: 11)

Reply:

The Productivity Enhancement Programme (PEP) is an expenditure controlling measure implemented on the premise that Comprehensive Social Security Assistance (CSSA), Social Security Allowance (SSA) and statutory expenditures will not be affected. The Government's recurrent expenditure, which is some \$500 billion per annum approximately, stands at around \$390 billion after deducting the expenditures unaffected by the PEP. Therefore, cutting recurrent expenditure annually by 1% and 2% will result in savings of about \$3.9 billion and \$7.8 billion respectively.

However, given that CSSA and SSA, as well as statutory expenditures will rise annually in accordance with the established adjustment mechanisms and in response to factors such as ageing population, coupled with the fact that the Government has to continue to provide

resources to foster economic development, enhance public services, and fully implement the various initiatives announced in the Policy Address, the Government's overall recurrent expenditure will still register some growth during the implementation of the PEP.

The Government currently adopts the "operating expenditure envelope" approach to resource allocation, under which the director of bureaux may flexibly redeploy resources among the policy areas or departments under their purview having regard to their policy objectives. Therefore, recurrent expenditures of respective bureaux and departments (B/Ds) will not be reduced by the same proportion across the board. When preparing the annual "operating expenditure envelopes" for respective bureaux in a given year, we have already featured the required recurrent expenditure cut under the PEP, which is reflected in the B/Ds' Controlling Officers' Reports of the concerned financial year.

The recurrent expenditures under respective heads of expenditure and year-on-year changes from 2023-24 to 2026-27 are detailed in Annex.

Head of expenditure		2023-24	2024-25	Change	2025-26	Change	2026-27	Change
		Actual Expenditure (a)	Actual Expenditure (b)	between 2024-25 and 2023-24 (b)-(a)	Revised Estimate (c)	between 2025-26 and 2024-25 (c)-(b)	Estimate (d)	between 2026-27 and 2025-26 (d)-(c)
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
21	Chief Executive's Office	137,559	146,831	9,272	156,451	9,620	155,430	(1,021)
22	Agriculture, Fisheries and Conservation Department	1,842,247	1,906,489	64,242	1,940,961	34,472	1,951,256	10,295
25	Architectural Services Department	2,703,241	2,825,689	122,448	2,800,677	(25,012)	2,808,052	7,375
24	Audit Commission	198,097	203,085	4,988	213,143	10,058	212,807	(336)
23	Auxiliary Medical Service	101,992	111,419	9,427	113,596	2,177	111,371	(2,225)
82	Buildings Department	2,003,683	2,128,139	124,456	2,099,671	(28,468)	2,091,095	(8,576)
26	Census and Statistics Department	748,754	820,922	72,168	923,684	102,762	959,965	36,281
27	Civil Aid Service	140,945	144,870	3,925	138,757	(6,113)	130,611	(8,146)
28	Civil Aviation Department	1,315,381	1,416,905	101,524	1,447,213	30,308	1,457,966	10,753
33	Civil Engineering and Development Department	3,262,930	3,462,834	199,904	3,833,548	370,714	4,117,380	283,832
30	Correctional Services Department	5,165,795	5,296,438	130,643	5,258,115	(38,323)	5,297,663	39,548
31	Customs and Excise Department	5,630,762	5,772,740	141,978	5,764,254	(8,486)	6,009,481	245,227
37	Department of Health	12,856,466	13,474,880	618,414	14,429,312	954,432	15,535,389	1,106,077
92	Department of Justice	1,855,724	1,991,301	135,577	2,094,513	103,212	2,522,238	427,725
39	Drainage Services Department	3,550,494	3,558,331	7,837	3,845,415	287,084	3,964,093	118,678
42	Electrical and Mechanical Services Department	716,007	770,289	54,282	816,032	45,743	834,776	18,744
44	Environmental Protection Department	6,943,701	7,187,569	243,868	6,569,949	(617,620)	6,964,594	394,645
45	Fire Services Department	8,466,938	8,633,677	166,739	8,580,862	(52,815)	8,580,829	(33)

Head of expenditure		2023-24 Actual Expenditure (a)	2024-25 Actual Expenditure (b)	Change between 2024-25 and 2023-24 (b)-(a)	2025-26 Revised Estimate (c)	Change between 2025-26 and 2024-25 (c)-(b)	2026-27 Estimate (d)	Change between 2026-27 and 2025-26 (d)-(c)
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
49	Food and Environmental Hygiene Department	10,484,048	10,904,792	420,744	10,816,519	(88,273)	10,890,898	74,379
46	General Expenses of the Civil Service	5,101,477	5,236,889	135,412	5,556,701	319,812	5,951,078	394,377
166	Government Flying Service	416,820	452,166	35,346	461,063	8,897	472,817	11,754
48	Government Laboratory	547,509	570,861	23,352	579,021	8,160	598,104	19,083
59	Government Logistics Department	507,256	533,556	26,300	542,133	8,577	538,257	(3,876)
51	Government Property Agency	2,488,739	2,551,224	62,485	2,643,819	92,595	3,153,753	509,934
143	Civil Service Bureau	792,843	833,991	41,148	891,181	57,190	928,735	37,554
152	Commerce and Economic Development Bureau	1,182,382	1,204,034	21,652	1,154,452	(49,582)	1,235,139	80,687
144	Constitutional and Mainland Affairs Bureau	833,288	837,134	3,846	866,740	29,606	876,677	9,937
132	Culture, Sports and Tourism Bureau	3,957,372	4,360,965	403,593	3,919,741	(441,224)	3,615,309	(304,432)
138	Development Bureau (Planning and Lands Branch)	427,220	456,071	28,851	482,174	26,103	495,467	13,293
159	Development Bureau (Works Branch)	856,816	979,311	122,495	1,046,978	67,667	1,158,310	111,332
47	Digital Policy Office	1,241,883	1,904,167	662,284	2,126,956	222,789	2,329,695	202,739
156	Education Bureau	76,800,736	77,304,201	503,465	74,053,767	(3,250,434)	73,277,529	(776,238)
137	Environment and Ecology Bureau (Environment Branch)	327,953	328,261	308	338,224	9,963	334,314	(3,910)
139	Environment and Ecology Bureau (Food Branch)	200,307	194,258	(6,049)	187,750	(6,508)	185,958	(1,792)

Head of expenditure		2023-24 Actual Expenditure (a)	2024-25 Actual Expenditure (b)	Change between 2024-25 and 2023-24 (b)-(a)	2025-26 Revised Estimate (c)	Change between 2025-26 and 2024-25 (c)-(b)	2026-27 Estimate (d)	Change between 2026-27 and 2025-26 (d)-(c)
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
148	Financial Services and the Treasury Bureau (Financial Services Branch)	259,790	259,286	(504)	267,791	8,505	333,198	65,407
147	Financial Services and the Treasury Bureau (The Treasury Branch)	289,716	311,384	21,668	276,015	(35,369)	274,513	(1,502)
140	Health Bureau	93,514,851	98,446,347	4,931,496	102,666,388	4,220,041	105,487,558	2,821,170
53	Home and Youth Affairs Bureau	769,539	898,053	128,514	866,126	(31,927)	1,005,219	139,093
62	Housing Bureau	599,250	647,362	48,112	720,864	73,502	1,061,842	340,978
155	Innovation and Technology Commission	786,382	845,164	58,782	684,488	(160,676)	667,384	(17,104)
135	Innovation, Technology and Industry Bureau	419,593	235,829	(183,764)	172,041	(63,788)	207,219	35,178
141	Labour and Welfare Bureau	896,440	1,069,606	173,166	1,123,717	54,111	1,148,059	24,342
142	Offices of the Chief Secretary for Administration and the Financial Secretary	1,099,664	1,160,256	60,592	1,150,464	(9,792)	1,261,066	110,602
96	Overseas Economic and Trade Offices	412,777	452,455	39,678	470,963	18,508	597,298	126,335
151	Security Bureau	640,378	682,659	42,281	737,508	54,849	793,619	56,111
158	Transport and Logistics Bureau	325,595	357,344	31,749	354,157	(3,187)	372,161	18,004
60	Highways Department	4,283,062	4,328,895	45,833	4,412,454	83,559	4,701,966	289,512
63	Home Affairs Department	2,932,033	3,511,801	579,768	3,651,963	140,162	3,839,370	187,407
168	Hong Kong Observatory	421,090	443,010	21,920	445,732	2,722	445,022	(710)
122	Hong Kong Police Force	24,811,964	25,798,705	986,741	25,379,037	(419,668)	25,491,367	112,330
70	Immigration Department	7,019,355	7,338,316	318,961	7,179,043	(159,273)	7,308,689	129,646

Head of expenditure		2023-24 Actual Expenditure (a)	2024-25 Actual Expenditure (b)	<i>Change between 2024-25 and 2023-24 (b)-(a)</i>	2025-26 Revised Estimate (c)	<i>Change between 2025-26 and 2024-25 (c)-(b)</i>	2026-27 Estimate (d)	<i>Change between 2026-27 and 2025-26 (d)-(c)</i>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
72	Independent Commission Against Corruption	1,324,733	1,380,849	56,116	1,381,598	749	1,391,657	10,059
121	Independent Police Complaints Council	94,208	95,453	1,245	93,521	(1,932)	91,618	(1,903)
74	Information Services Department	645,914	654,856	8,942	708,545	53,689	649,700	(58,845)
76	Inland Revenue Department	1,916,242	2,072,190	155,948	2,060,285	(11,905)	2,050,749	(9,536)
78	Intellectual Property Department	252,660	269,212	16,552	277,946	8,734	305,817	27,871
79	Invest Hong Kong	285,308	305,559	20,251	303,826	(1,733)	361,350	57,524
174	Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	46,662	40,461	(6,201)	37,434	(3,027)	38,619	1,185
80	Judiciary	2,430,095	2,578,392	148,297	2,752,521	174,129	2,874,532	122,011
90	Labour Department	2,502,488	2,731,352	228,864	3,005,520	274,168	3,062,324	56,804
91	Lands Department	3,338,670	3,394,150	55,480	3,318,484	(75,666)	3,266,529	(51,955)
94	Legal Aid Department	1,451,542	1,439,122	(12,420)	1,436,213	(2,909)	1,613,686	177,473
112	Legislative Council Commission	1,047,260	1,086,093	38,833	1,201,023	114,930	1,145,184	(55,839)
95	Leisure and Cultural Services Department	11,260,574	11,460,466	199,892	11,562,217	101,751	11,960,295	398,078
100	Marine Department	1,631,479	1,667,038	35,559	1,670,087	3,049	1,652,389	(17,698)
106	Miscellaneous Services	64,377	46,007	(18,370)	36,067	(9,940)	5,871,780	5,835,713
180	Office for Film, Newspaper and Article Administration	55,640	58,719	3,079	60,953	2,234	60,187	(766)
114	Office of The Ombudsman	134,307	136,644	2,337	134,231	(2,413)	131,724	(2,507)

Head of expenditure		2023-24 Actual Expenditure (a)	2024-25 Actual Expenditure (b)	<i>Change between 2024-25 and 2023-24 (b)-(a)</i>	2025-26 Revised Estimate (c)	<i>Change between 2025-26 and 2024-25 (c)-(b)</i>	2026-27 Estimate (d)	<i>Change between 2026-27 and 2025-26 (d)-(c)</i>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
116	Official Receiver's Office	229,053	234,900	5,847	235,118	218	234,855	(263)
120	Pensions	47,837,892	49,962,028	2,124,136	51,977,250	2,015,222	53,904,470	1,927,220
118	Planning Department	848,105	887,917	39,812	894,366	6,449	876,826	(17,540)
136	Public Service Commission Secretariat	37,949	37,124	(825)	38,295	1,171	42,037	3,742
160	Radio Television Hong Kong	1,082,493	1,137,054	54,561	1,385,715	248,661	1,059,321	(326,394)
162	Rating and Valuation Department	698,253	735,351	37,098	754,434	19,083	737,771	(16,663)
163	Registration and Electoral Office	1,228,288	663,370	(564,918)	1,538,673	875,303	1,175,272	(363,401)
169	Secretariat, Commissioner on Interception of Communications and Surveillance	23,105	24,509	1,404	24,200	(309)	27,912	3,712
170	Social Welfare Department	104,132,524	109,789,548	5,657,024	116,212,234	6,422,686	126,306,726	10,094,492
181	Trade and Industry Department	448,275	478,187	29,912	482,381	4,194	495,053	12,672
186	Transport Department	11,336,618	10,588,033	(748,585)	10,581,298	(6,735)	12,147,220	1,565,922
188	Treasury	579,880	543,062	(36,818)	525,769	(17,293)	491,559	(34,210)
190	University Grants Committee	23,055,591	24,222,996	1,167,405	24,250,813	27,817	23,956,603	(294,210)
194	Water Supplies Department	9,833,170	10,103,745	270,575	10,210,950	107,205	10,332,008	121,058
173	Working Family and Student Financial Assistance Agency	5,962,830	6,015,883	53,053	5,964,449	(51,434)	6,618,710	654,261
Total		539,105,029	560,131,031	21,026,002	572,368,539	12,237,508	599,677,069	27,308,530

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)073

(Question Serial No. 1780)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 268 of the Budget Speech, in order to accelerate the development of the Northern Metropolis (NM) and other works projects relating to the economy and people's livelihood, about \$160 billion to \$220 billion worth of bonds will be issued in each of the next 5 years. More longer-term bonds will also be issued in future. In this connection, please inform this Committee of the following:

1. Compared with other advanced economies in the world, such as Japan and Singapore, Hong Kong's public debt to Gross Domestic Product (GDP) ratio is maintained at a very conservative level. Under the premise of maintaining Hong Kong's credit rating and fiscal discipline, how does the Government assess the feasibility of further raising its borrowing ceiling so that it is no longer confined to 19.9% of public finances/GDP? In addition, given that the NM development is a large-scale project spanning dozens of years, will the Government promulgate a roadmap for longer-term bond issuance so as to provide a more comprehensive blueprint for prospective investors?

2. Given that the NM development is a long-term project, coupled with the fact that about half of the proceeds from the proposed bond issuance will be used for re-financing the short-term debts incurred in recent years, the Government currently focuses on the issuance of short-term bonds. However, the issuance of medium- to long-term government bonds can help optimise the Hong Kong Government's yield curve, strengthen the benchmarking function of government bonds, and add to the depth and breadth of the local bond market. In view of the above, will the Government shift its focus on bond issuance more substantially towards ultra-long-term bonds (e.g. bonds with tenors of 10 years and above), thereby locking in the cost of capital and lowering the risk of re-financing?

Asked by: Hon CHAN Chung-ye, Alan (LegCo internal reference no.: 9)

Reply:

- (1) The Government expects to issue about \$160 billion to \$220 billion worth of bonds each year over the next five years (i.e. from 2026-27 to 2030-31). The ratio of government debt to Gross Domestic Product is projected to rise from 14.4% to 19.9%, a level that remains highly prudent and well below the levels of most advanced economies. In formulating the bond issuance plans for the coming years, we have taken into account factors such as market response, the Government's fiscal position and works expenditure. Raising the borrowing ceiling to HK\$900 billion aims to provide greater flexibility in leveraging market resources to take forward infrastructure projects that are conducive to Hong Kong's long-term development and to ensure that the development of the Northern Metropolis (NM) and other strategic infrastructure works projects can proceed as scheduled. The Government will continue to monitor the cash flow requirements arising from capital works expenditure and review annually the bond issuance plan for the following year.

The Government adopts a diversified approach in taking forward the development of the NM, including setting up of industry park companies to participate in the development and operation of industry parks, allowing in-situ land exchanges to facilitate development by land owners, piloting the large-scale land disposal approach, introducing flexible land premium payment arrangements, and raising capital by issuing government bonds. The Government continues to keep an open mind and take into account factors such as the nature, commercial viability and project cost when considering the appropriate financial arrangements for development projects, including leveraging market resources to support early implementation of large-scale infrastructure projects for the benefit of the economy and the people.

- (2) Since the establishment of the Infrastructure Bond Programme in 2024, most bonds issued have tenors of less than five years. The Government is committed to increasing the proportion of longer-term bonds to better meet the longer-term financing needs of public works projects. The ratio of bonds issued with tenors of less than five years to those with tenors of five years or more rose from 8:2 in 2024-25 to 6:4 in 2025-26. It is anticipated that the proportion of bonds with tenors of five years or more will continue to increase in 2026-27. The bond issuance parameters and the selection of individual projects to be funded by the bond proceeds under the Infrastructure Bond Programme and the Government Sustainable Bond Programme will be determined having regard to the Government's prevailing fiscal position, market response and works progress.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)074

(Question Serial No. 1839)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Exchange Fund delivered an investment income of \$330 billion last year. On the premise that the Fund's function to maintain the stability and integrity of the local monetary and financial systems will not be compromised, the Government proposed transferring \$150 billion from the Fund in support of the development of the Northern Metropolis and other infrastructure projects. Could the Government provide specific criteria and formula to explain how it came up with this \$150 billion scale?

Asked by: Hon CHAN Hiu-fung, Nick (LegCo internal reference no.: 7)

Reply:

Section 8 of the Exchange Fund Ordinance (EFO) sets out the mechanism that empowers the Financial Secretary (FS) to transfer from the Exchange Fund (EF). The principal condition is the FS being satisfied that such transfer would not adversely affect his ability in using the EF in affecting the exchange value of the Hong Kong dollar and maintaining the stability and integrity of the monetary and financial systems of Hong Kong.

In 2026-27 Budget, the FS proposed the transfer of \$150 billion from the EF to the Capital Works Reserve Fund (CWRF) on the basis that the EF achieved record-breaking performance last year, delivering an investment income of \$330 billion for the year. The proposal, which aims to support the development of the Northern Metropolis (NM) and other infrastructure projects, optimises the use of financial resources on the premise that the EF's function to maintain the stability and integrity of the local monetary and financial systems will not be compromised. The transfer is an exceptional arrangement and will not be regularised.

The Government will accelerate the development of the NM and other public works projects relating to the economy and people's livelihood, with a view to driving economic growth, creating jobs, attracting talent, enhancing long-term competitiveness and improving people's quality of life. The adjustment in the property market in recent years has led to a drastic decline in land revenue, resulting in a corresponding reduction in the balance of the CWRF.

As government expenditure on capital works remains at a high level, the \$150 billion to be transferred from the EF to the CWRP can be used to support the development of the NM and other public works projects, thereby preventing such development / projects from being hindered by fluctuations in land revenue.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)075

(Question Serial No. 1857)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury
(Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 125 of the Budget Speech that Hong Kong has so far signed a total of 55 comprehensive avoidance of double taxation agreements (CDTAs). How many new CDTAs are expected to be signed within this year? And how many of which will be signed with Belt and Road countries?

Asked by: Hon CHAN Hiu-fung, Nick (LegCo internal reference no.: 34)

Reply:

As at March 2026, Hong Kong has signed comprehensive avoidance of double taxation agreements (CDTAs) with 57 jurisdictions, with the latest one signed with Barbados on 19 March 2026. Besides, Hong Kong has commenced CDTA negotiations with 17 jurisdictions.

To attract more enterprises to Hong Kong and facilitate the development of Hong Kong enterprises in overseas markets, the Government will continue to expand our CDTA network with a focus on jurisdictions participating in the Belt and Road Initiative. Subject to the willingness and priority of our negotiation partners, the Government expects that we can sign CDTAs with 3 - 4 jurisdictions this year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)076

(Question Serial No. 1866)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 262 of the Budget Speech that last year, the Government brought back \$61.5 billion from 6 seed capital funds with a relatively large unspent balance to the Government's accounts, and conducted a full review of the remaining 36 purpose-specific funds established outside the Government's accounts. This year, the Government will bring back about \$15.8 billion from 7 of these 36 funds to the Government's accounts, consolidate 6 funds into 3 and maintain the financial arrangements of the remaining 23 funds. In this connection, will the Government inform this Committee of the following:

1. Regarding the 6 seed capital funds which were brought back to the Government's accounts last year, please tabulate the current balances of each fund and the aggregate balance of all these funds.
2. Regarding the 7 funds to be brought back to the Government's accounts this year, please tabulate the amounts of injections into these funds at each instance since their establishment and their respective balances at that time, the current balances of each fund, the amounts to be brought back from each fund, and the estimated cash flow requirements of each fund for the next 5 years.
3. For the remaining 23 funds which will maintain their financial arrangements, please specify the respective bureaux/departments to which they belong, the current balances of each fund and the aggregate balance of all these funds.
4. What are the considerations for the Government's decision to bring back 7 funds, consolidate 6 funds into 3, and maintain the financial arrangements of the remaining 23 funds? How can the Government ensure that after bringing back or consolidating these funds, their daily operation and the achievement of their policy objectives will not be affected?

5. If the funds' financial balances become insufficient in the future, will the Government provide further injections? What are the criteria and requirements for such injections?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 3)

Reply:

1. In the light of the proposal put forward in the 2025-26 Budget to consolidate and optimise the use of the Government's financial resources, upon consultation with the Finance Committee of the Legislative Council (see FCR(2025-26)1 for details), we brought back \$61.5 billion from 6 seed capital funds to the Government's accounts in August 2025. The balances of the relevant funds after the transfers are set out in Annex 1.
2. For the 7 funds to be brought back in 2026-27 as proposed in the 2026-27 Budget, the amounts of each injection since their establishment, annual balances after each injection, latest audited balances, amounts expected to be brought back and balances to be retained are set out in Annex 2.
3. For the 23 funds with financial arrangements to be maintained as proposed in the 2026-27 Budget, the respective bureaux/departments (B/Ds) to which they belong and their latest audited balances are set out in Annex 3.
4. and 5.

The Financial Services and the Treasury Bureau (FSTB), in consultation with relevant B/Ds, has conducted a full review of the policy objectives, modes of operation and financial arrangements of the remaining 36 funds established outside the Government's accounts, and has carefully assessed the individual circumstances of these funds.

Seed capital funds are primarily established through substantial government injections, and use investment returns to meet their annual expenditure. This mode of operation has resulted in the locking up of an enormous amount of public financial resources, thereby limiting the Government's flexibility in allocating resources to different policy areas according to the prevailing priorities. We propose bringing back the unspent balances of 4 seed capital funds, viz. the Environment and Conservation Fund, the Self-financing Post-secondary Education Fund, the HKSAR Government Scholarship Fund and the Beat Drugs Fund, to the Government's accounts after setting aside resources to support their operations in the coming 5 years. The policy objectives, modes of operation, management and control of the relevant funds will remain unchanged after the transfers.

We also propose closing 3 funds and bringing back their remaining balances to the Government's accounts. 2 of them, viz. the Hong Kong Paralympians Fund and the Arts Development Fund for Persons with Disabilities, are seed capital funds and their balances and annual expenditure are relatively limited. Closing these 2 funds can streamline administrative procedures and reduce the workloads and expenditures on investment management, auditing, report compilation, etc. To ensure that the Social Welfare Department (SWD) can continue to take forward the relevant policy objectives in a more cost-effective manner, we propose, starting from 2027-28, providing the SWD with an additional recurrent provision with reference to the expenditure level of the 2 funds in recent years under the established allocation mechanism, with a view to continuing to

support the sustainable development of persons with disabilities in arts and sports. As for the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas, considering that its policy objectives have been accomplished with the completion of all 190 reconstruction projects, we propose closing it as well.

Meanwhile, we propose consolidating the 6 funds established under the Sir David Trench Fund for Recreation Ordinance (Cap. 128). Among these funds, the Sports Aid Foundation Fund and the Sports Aid for the Disabled Fund have been respectively succeeded since 2007-08 by the Elite Training Grant and the Sports Aid Grant for Athletes with Disabilities introduced by the Hong Kong Sports Institute. Furthermore, as the Hong Kong Arts Development Council has taken up the responsibilities of providing funding support for local arts groups and artists to participate in outbound cultural exchange activities since 1 April 2020, the Arts Development Fund no longer accepts funding applications. To reduce duplication of effort and enhance efficiency in the use of resources, we propose closing the above 3 funds and transferring their entire balances to the Sir David Trench Fund for Recreation (Main Fund). The operation of the Main Fund, the Arts and Sport Development Fund, and the Hong Kong Athletes Fund will remain unchanged.

Of the remaining 23 funds, 17 are non-seed capital funds. Upon review, we consider that these funds have no excessive balance and have been operating in a cost-effective manner. We therefore propose that they continue to operate in accordance with their current financial arrangements in order to achieve the respective policy objectives. For the remaining 6 funds, which are seed capital funds, we propose maintaining their financial arrangements taking into account their individual circumstances, such as the need to set aside the entire balance to meet the necessary expenditure for the coming 5 years, the operation of the fund being supported on a fee-charging and self-financing basis, and the fact that the fund balances comprise mainly non-Government contributions.

All relevant B/Ds will continue to closely monitor the operation of the funds under their purviews to ensure effective implementation of the policy objectives. We will review the long-term financial arrangements of the 10 seed capital funds (including the 4 seed capital funds proposed to be brought back in this year's Budget and the 6 seed capital funds already brought back in mid-2025) in 2028 and determine the relevant arrangements with due regard to the latest developments and the Government's financial position at the time, with a view to continuously advancing the relevant policy initiatives.

The 6 seed capital funds already brought back in August 2025
(in descending order of the fund balance)

	Name of fund	Fund balance after bringing back (\$ million) (Note)
1	Research Endowment Fund	12,256
2	Language Fund	1,083
3	Qualifications Framework Fund	560
4	Gifted Education Fund	472
5	Student Activities Support Fund	451
	<i>Subtotal of 5 funds under Education Bureau (EDB):</i>	<i>14,822</i>
6	Hospital Authority Public-Private Partnership Fund	1,593
	<i>Subtotal of 1 fund under Health Bureau (HHB):</i>	<i>1,593</i>
	Total for 6 seed capital funds:	16,415

Note: The fund balances for the 5 funds under EDB and 1 fund under HHB are provisional figures as at 31 August 2025 and 31 December 2025 respectively.

7 funds proposed to be brought back in 2026-27
(in descending order of the latest audited balance)

Name of fund	Year of injection	Amount of injection (\$ million)	Balance after injection (\$ million)	Fund balance (\$ million) (Note 1)	Cash flow to be retained (until 2030-31) (\$ million)	Amount expected to be brought back (\$ million)
Environment and Conservation Fund	1994	50	45	6,119	2,010	4,120
	1998	50	75			
	2002	100	95			
	2006	35	91			
	2008	1,000	1,076			
	2011	500	871			
	2013	5,000	5,961			
HKSAR Government Scholarship Fund	2008	1,000	1,008	4,980	1,010	4,130
	2011	250	1,286			
	2012	1,000	2,305			
	2013	20	2,313			
	2018	800	3,248			
	2024	1,000	4,461			
Self-financing Post-secondary Education Fund	2011	2,500	3,485	4,803	910	4,030
	2012	1,000	3,485			
	2013	20	3,491			
Beat Drugs Fund	1996	350	369	4,145	1,600	3,000
	2010	3,000	3,536			
Hong Kong Paralympians Fund	2001	50	50	268	10 (Note 2)	260
	2009	3.5	39			
	2012	1.94	37			
	2014	200	232			
Arts Development Fund for Persons with Disabilities	2018	250	251	260	20 (Note 2)	220
Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas	2008	2,000	5,219	73	0	70
	2009	4,000	5,219			
	2009	3,000	6,882			

Note 1: “Fund balance” refers to the balance shown in the latest audited financial statements of each fund.

Note 2: For these 2 funds proposed to be closed, we will set aside resources to meet their necessary expenditure for 2026-27. The SWD will be provided with an additional recurrent provision under the established allocation mechanism starting from 2027-28, so as to continuing to take forward the relevant policy objectives in a more cost-effective manner.

23 funds with financial arrangements proposed to be maintained

	Name of fund	Fund balance (\$ million) (Note)	Bureau/Department
1	Traffic Accident Victims Assistance Fund	1,405	Social Welfare Department
2	Emergency Relief Fund	130	
3	Social Work Training Fund	21	
4	Trust Fund for Severe Acute Respiratory Syndrome	15	
5	Employees Retraining Fund	13,498	Labour and Welfare Bureau
6	Queen Elizabeth Foundation for the Mentally Handicapped	226	
7	Elder Academy Development Foundation	53	
8	Elite Athletes Development Fund	9,622	Home and Youth Affairs Bureau
9	Cantonese Opera Development Fund	123	
10	Hong Kong Arts Development Council Fund	2	
11	Samaritan Fund	7,729	Health Bureau
12	AIDS Trust Fund	28	
13	Occupational Deafness Compensation Fund	649	Labour Department
14	Pneumoconiosis Ex Gratia Fund	19	
15	J.E. Joseph Trust Fund	22	Agriculture, Fisheries and Conservation Department
16	Kadoorie Agricultural Aid Loan Fund	17	
17	Community Care Fund	10,336	Home and Youth Affairs Bureau
18	Quality Education Fund	9,692	Education Bureau
19	Anti-epidemic Fund	3,561	Chief Secretary for Administration's Office
20	Construction Innovation and Technology Fund	1,698	Development Bureau
21	Social Innovation and Entrepreneurship Development Fund	453	Digital Policy Office
22	Supplementary Legal Aid Fund	216	Legal Aid Department

	Name of fund	Fund balance (\$ million) (Note)	Bureau/Department
23	Consumer Legal Action Fund	20	Commerce and Economic Development Bureau
	Total	59,535	

Note: "Fund balance" refers to the balance shown in the latest audited financial statements of each fund.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)077

(Question Serial No. 1896)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned under Head 147, the Financial Services and the Treasury Bureau (the Treasury Branch) will continue to provide support and advice on financial matters relating to the development of the Northern Metropolis (NM) and the attraction of targeted industries through preferential policies, including administration of the issuance of Government bonds to support infrastructure development. In this connection, will the Government inform this Committee of:

1. the estimated expenditure and manpower earmarked by the Government for handling financial matters relating to the development of the NM, including administration of the issuance of Government bonds, and whether the Government will increase expenditure and manpower having regard to the new initiatives put forward in the Budget;
2. the specific details of the plan for the issuance of bonds to support the NM development;
3. the initiatives and policies to be put in place by the Government to monitor and manage the issuance of bonds, with a view to ensuring that its debt maintains at “a highly prudent level”;
4. given that the Treasury Branch will provide support and advice on the attraction of targeted industries through preferential policies, please specify the industries covered, and whether the 8 traditional industries with competitive edges and supported by the National 15th Five-Year Plan, such as textiles, will be covered.

Asked by: Hon TAN Sunny (LegCo internal reference no.: 15)

Reply:

- (1) to (3) The Government Sustainable Bond Programme (GSBP) (previously known as the Government Green Bond Programme) was established in 2018 to promote green finance, with bond proceeds used for funding green projects under the Government's Capital Works Reserve Fund. The Infrastructure Bond Programme (IBP) was established in 2024 to provide funding for government public works projects. In the 2026-27 Budget, the Government proposes to raise the borrowing ceiling of the two bond programmes from \$500 billion to \$900

billion. To raise the borrowing ceiling, the Government will move a proposed resolution under the Loans Ordinance for consideration and approval by the Legislative Council.

About \$160 billion to \$220 billion worth of bonds will be issued each year over the next five years (i.e. from 2026-27 to 2030-31). The ratio of government debt to Gross Domestic Product (GDP) is projected to rise from 14.4% to 19.9%, a level that remains highly prudent and well below the levels of most advanced economies. As always, the Government will adhere strictly to fiscal discipline, and ensure that bond proceeds will only be used to invest in infrastructure, but not for government's recurrent expenditure.

The implementation and monitoring of the GSBP and the IBP are overseen by the Steering Committee chaired by the Financial Secretary, with members from the Financial Services and the Treasury Bureau (FSTB), the Environment and Ecology Bureau, the Development Bureau and the Hong Kong Monetary Authority. The bond issuance parameters and the selection of individual projects to be funded by the bond proceeds under the two programmes will be determined based on the Government's prevailing fiscal position, market response and works progress at the time of bond issuance and will be subject to approval by the Steering Committee. The Government provides details on the allocation of bond proceeds and the expected benefits of financed projects in its annual Green Bond Report and Infrastructure Bond Report, the latest issues of which were released in September and December 2025 respectively.

With regard to the financial arrangements for the development of the Northern Metropolis and the issuance of government bonds, the FSTB will handle the relevant work with existing manpower and resources, and no additional expenditure will be involved.

- (4) The Chief Executive announced in his 2025 Policy Address that the Government will formulate packages of preferential policies for attracting industries and investment. The Government has formulated a preliminary framework and will take into account factors such as the enterprises' industry and its technology level as well as the potential economic contributions and employment opportunities it can bring to Hong Kong. Policy tools include tax incentives, land grant arrangements and financial subsidies. We are working out the details such as the targeted industries and implementation plans, and plan to submit an amendment bill within this year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)078

(Question Serial No. 1899)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 7 under this Programme, the Treasury Branch will continue to oversee the Government's procurement policy, and update or streamline the prevailing procurement procedures and guidelines having regard to prudent financial management principles, best practices in the market and relevant policy objectives of the Government. In this connection, will the Government inform this Committee of the following:

1. There are views that, Canada, Australia and Japan, etc., along with Hong Kong, are signatories to the Agreement on Government Procurement of the World Trade Organization (hereinafter referred to as "WTO GPA"), and yet the governments of the first 3 countries have exemption arrangements under their procurement policies to maximise the participation of local enterprises, indigenous businesses as well as small and medium enterprises (SMEs) in local government procurements. Will the Government consider conducting an in-depth study on the WTO GPA's provision and drawing on the experience of other signatories to update or streamline its current procurement procedures and guidelines to support innovative government procurement policies?

2. It is learned that, in a bid to support fostering local industrial development through government procurement, the Department of Finance of the Australian Government has established the dedicated Future Made in Australia Office to facilitate the development of more diversified supply chains in the country and encourage innovation. Will the Government draw on this experience and consider taking an active lead in the procurement of products manufactured, designed or developed locally, as well as actively encouraging and urging different departments, public organisations and bodies to follow suit, thus fostering the culture and environment that support local products and services (for example, by increasing its procurement of locally designed, developed and manufactured apparels or functional clothing as uniforms of government departments or non-governmental organisations)?

Asked by: Hon TAN Sunny (LegCo internal reference no.: 8)

Reply:

1. and 2.

Hong Kong is an international city, and is also one of the signatories to the Agreement on Government Procurement of the World Trade Organization (WTO GPA). Therefore, when conducting procurement, the Hong Kong Special Administrative Region Government (HKSAR Government) must ensure that local and non-local suppliers and service providers, regardless of scale, can participate in bidding through fair, open and competitive procedures, so as to obtain goods and services at the best value for money. The procurement principles under the WTO GPA apply to all signatories, including Hong Kong, China. We may face challenges in case of breaches of the principles. Besides, the coverage commitments of each signatory in joining the WTO GPA, including the exemption arrangements of individual signatories, are the outcome of overall negotiations.

Bureaux and departments have always welcomed local enterprises (including small and medium enterprises (SMEs)) to participate in bidding, and local enterprises have been actively participating in government procurement. For example, the HKSAR Government has been actively introducing and applying innovation and technology (I&T) products and services provided by local start-ups with a view to playing a leading role. The major measures in recent years are as follows:

- (a) The Public Sector Trial Scheme under the Innovation and Technology Fund provides eligible local companies/organisations with funding support for the production of prototypes or samples and conduct of trials of research and development outcomes in the public sector (including government departments);
- (b) The Smart Government Innovation Lab under the Digital Policy Office promotes and invites industry players to assist government departments in their adoption of I&T solutions, with a view to enhancing public services and city management, while creating more business opportunities for local I&T start-ups as well as SMEs; and
- (c) The E&M InnoPortal of the Electrical and Mechanical Services Department lists the technological needs of government departments, the public sector, and electrical and mechanical trades. Organisations such as start-ups and research institutions can propose I&T solutions via the portal for matching.

The HKSAR Government will continue to create favourable conditions for application of products of local scientific researches and encourage the market to procure relevant products to demonstrate the industry's support.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)079

(Question Serial No. 1923)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding continuing to oversee the implementation of global minimum tax and Hong Kong minimum top-up tax, would the Government inform this Committee what are the potential impacts of the measures on the competitiveness of Hong Kong's tax regime and its attractiveness to foreign investment?

Asked by: Hon CHAN Cho-kwong (LegCo internal reference no.: 15)

Reply:

Last year, the Government amended the Inland Revenue Ordinance (Cap. 112) to implement the Base Erosion and Profit Shifting (BEPS) 2.0 package initiated by the Organisation for Economic Co-operation and Development (OECD) so as to impose the global minimum tax (GMT) of 15% on in-scope multinational enterprise groups with an annual consolidated revenue of 750 million euros or above and implement the Hong Kong minimum top-up tax. It is estimated that the aforementioned measures will bring in an additional revenue of about \$15 billion per year from 2027-28 to the Government.

The OECD implements the GMT with an aim to curb harmful competition through lowering the corporate profits tax among jurisdictions. We expect that Hong Kong will be able to reinforce its competitive advantages on a more level playing field in terms of taxation. Hong Kong's headline profits tax rate at 16.5% remains very competitive internationally. Our simple and transparent tax regime, along with our favourable and stable business environment, is also well received by investors from other places. Hong Kong's advantage as an international financial and trade centre will be maintained. The Government will continue to leverage Hong Kong's tax regime and other advantages to attract enterprises to set up operations in Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)080

(Question Serial No. 1929)

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

Subhead (No. & title): (000) Operational expenses

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Treasury Branch's work in the current financial year in relation to the implementation of BEPS 2.0, global minimum tax and Hong Kong minimum top-up tax, would the Government inform this Committee of the estimated expenditures for policy co-ordination, legislation drafting support, external communication and training?

Asked by: Hon CHAN Cho-kwong (LegCo internal reference no.: 21)

Reply:

Last year, the Government amended the Inland Revenue Ordinance (Cap. 112) to implement the Base Erosion and Profit Shifting (BEPS) 2.0 package initiated by the Organisation for Economic Co-operation and Development so as to impose the global minimum tax (GMT) of 15% on in-scope multinational enterprise groups with an annual consolidated revenue of 750 million euros or above and implement the Hong Kong minimum top-up tax. It is estimated that the aforementioned measures will bring in an additional revenue of about \$15 billion per year from 2027-28 to the Government.

The Financial Services and the Treasury Bureau (Treasury Branch) will monitor the implementation of the above tax regimes. The relevant work is part of the regular duties of the Treasury Branch. The expenditure involved has been included in the overall relevant expenditure of the Treasury Branch, thus a breakdown is not available.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)081

(Question Serial No. 2150)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 265 of the Budget Speech that the Government will transfer \$75 billion in each of the coming 2 financial years, totalling \$150 billion, from the Exchange Fund to the Capital Works Reserve Fund. The Exchange Fund is to provide full backing for the Monetary Base and used for honouring the Convertibility Undertakings under the Linked Exchange Rate System. In this connection, will the Government provide this Committee with:

1. the figures in relation to the change in the ratio between the assets in the Backing Portfolio and the Monetary Base upon transfer of the \$150 billion;
2. the specific timetable and procedures for transferring the \$75 billion in 2026-27, the amount in the Exchange Fund that is still available for transfer, and the countermeasures to be taken in the event that the Exchange Fund records an annual loss as it did sometimes in the past; and
3. given the substantial funding needs arising from the development of the Northern Metropolis and other infrastructure projects, which form part of our long-term development strategy, whether the Government will consider further using the Exchange Fund to support infrastructure development in case our fiscal position does not improve as expected; if so, the details?

Asked by: Hon NGAI Ming-tak, Michael (LegCo internal reference no.: 16)

Reply:

1. The Financial Secretary's (FS) proposal to transfer \$150 billion from the Exchange Fund (EF) does not involve the EF's Backing Portfolio (BP). The Hong Kong Monetary Authority (HKMA) will continue to ensure the BP is used to fully back the Monetary Base with highly liquid and high-quality US dollar-denominated assets, and for fulfilling the Convertibility Undertakings under the Linked Exchange Rate System. Therefore,

this proposed transfer will not affect the ratio between the assets in the BP and the Monetary Base, i.e. the Backing Ratio. As at end January 2026, the Backing Ratio was 110.74%.

2. Section 8 of the Exchange Fund Ordinance (EFO) sets out the mechanism that empowers the FS to transfer from the EF. The principal condition is the FS being satisfied that such transfer would not adversely affect his ability in using the EF in affecting the exchange value of the Hong Kong dollar and maintaining the stability and integrity of the monetary and financial systems of Hong Kong. Because the asset size required to fulfil the statutory purposes of the EF is not a fixed amount, it must be dynamically assessed according to the prevailing circumstances.

According to the accounting standards, any losses of the EF would be deducted from its accumulated surplus. The EF's accumulated surplus at end-2025 would still be higher than the amount recorded at end-2024 even after the proposed transfer of \$150 billion. The HKMA is fully capable of, and confident in, fulfilling its core functions pursuant to the EFO by leveraging on the substantial reserves, continuously refined market surveillance mechanisms, and robust financial regulatory regimes.

The EFO provides that prior approval of the Chief Executive in Council is required for any transfer from the EF. As the agenda of the Executive Council is confidential, the specific timetable cannot be disclosed. However, the Government aims to complete the transfer within 2026-27.

3. In 2026-27 Budget, the FS proposed the transfer of \$150 billion from the EF to the Capital Works Reserve Fund on the basis that the EF achieved record-breaking performance last year, delivering an investment income of \$330 billion for the year. The proposal, which aims to support the development of the Northern Metropolis (NM) and other infrastructure projects, optimises the use of financial resources on the premise that the EF's function to maintain the stability and integrity of the local monetary and financial systems will not be compromised. The transfer is an exceptional arrangement and will not be regularised.

As the development of the NM requires substantial funding, the Government will not rely on one single financing option. Instead, the funding needs will be met through a variety of means, including increasing the scale of bond issuance, exploring the use of private market capital, and adopting other appropriate financial arrangements. We will take forward the relevant projects whilst maintaining prudent public finances.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)082

(Question Serial No. 2399)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget that a total of about \$160 billion to \$220 billion worth of bonds will be issued under the Government Sustainable Bond Programme and the Infrastructure Bond Programme over the next few years, about half of which will be used for re-financing the short-term debts incurred in recent years. At the same time, the total borrowing ceiling of the two bond programmes will be raised from \$700 billion announced last year to \$900 billion. The ratio of government debt to Gross Domestic Product (GDP) will rise from 14.4% to 19.9%, which is a highly prudent level and well below that of most advanced economies. Please inform this Committee of the following:

- (1) In each year of the past 5 years, what was the actual net increase in government debt; and net of the re-financing bonds, what was the actual financing scale for new infrastructure projects?
- (2) Given the uncertainty in global interest rate trends, how does the Government assess the impact of future interest expenses on the sustainability of public finances? What are the implications of such analysis for interest expenses over the next 5 years?
- (3) How does the Government define the scope of infrastructure investments? Does it include projects of an operational nature or those involving commercial return arrangements?
- (4) Following the increase of the borrowing ceiling to \$900 billion, has the Government established debt risk indicators—such as an upper limit for the debt-to-GDP ratio—to ensure the long-term sustainability of public finances?

Asked by: Hon LEUNG Tsz-wing, Dennis (LegCo internal reference no.: 5)

Reply:

- (1) From 2026-27 to 2030-31, the estimated net proceeds from bond issuance, after deducting government bond repayments (i.e. the re-financing portion) and interest expenses, are as follows:

Financial year	Estimated Net Proceeds from Bond Issuance (Note) (HK\$ billion)
2026-27	83.7
2027-28	57.8
2028-29	90.9
2029-30	59.0
2030-31	24.4

Note: The above estimates are for budgetary reference only. Actual proceeds will depend on market conditions, bond issuance terms and other relevant factors.

- (2) The actual amount of bonds to be issued by the Government and interest expenses will depend on the prevailing fiscal position, market response and works progress. We will continue to adhere strictly to fiscal discipline to ensure fiscal prudence of the overall bond issuance programmes and sustainability of public finances. The proceeds from bond issuance will only be used for infrastructure investment, and will not be used for funding government's recurrent expenditure.
- (3) The Infrastructure Bond Programme covers projects under the Government's Capital Works Programme within the nine eligible categories¹ as set out in the Infrastructure Bond Framework (except for those included or expected to be included in the Government Sustainable Bond Programme (GSBP)). The GSBP covers projects under the nine eligible categories² detailed in the Green Bond Framework. In the international capital markets, sustainable finance generally encompasses the financing of green and social projects, as well as financial instruments that link interest rates to the overall sustainability performance of the issuer.

Large-scale infrastructure projects represent strategic and long-term investment essential to Hong Kong's sustainable development. Infrastructure enhances land values and drives economic growth, yielding economic benefits and increasing fiscal revenue in the long run.

- (4) Over the next five years (i.e. from 2026-27 to 2030-31), the Government expects to issue about \$160 billion to \$220 billion worth of bonds per year. The ratio of government debt to Gross Domestic Product (GDP) is projected to rise from 14.4% to 19.9%, a level

1 The nine eligible categories under the Infrastructure Bond Framework are port and airport development; buildings; drainage; civil engineering; highways; new towns and urban area development; infrastructure projects under capital subvention mode; waterworks; and housing.

2 The nine eligible categories under the Green Bond Framework are renewable energy; energy efficiency and conservation; pollution prevention and control; waste management and resource recovery; water and wastewater management; nature conservation/biodiversity; clean transportation; green buildings; and climate change adaptation.

that remains highly prudent and well below the levels of most advanced economies. As always, the Government will adhere strictly to fiscal discipline, and ensure that the bond proceeds will only be used to invest in infrastructure, but not for government's recurrent expenditure. To raise the borrowing ceiling, the Government will move a proposed resolution under the Loans Ordinance for consideration and approval by the Legislative Council.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)083

(Question Serial No. 2688)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to paragraph 129 of the Budget Speech, the Financial Secretary will establish and chair an Advisory Committee on Tax Policy to gather views widely from commercial, industrial and professional sectors, so that Hong Kong's tax policy can reinforce economic development. In this connection, will the Government inform this Committee of:

- i. the composition of the Advisory Committee on Tax Policy, the proportion of government officials to market participants in the committee and its terms of reference;
- ii. the influence of the Advisory Committee on Tax Policy on the Government's formulation of tax policy in future, and whether the discussion details will be made available for public inspection?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 23)

Reply:

As announced in the 2026-27 Budget, the Advisory Committee on Tax Policy (ACTP) will be established and chaired by the Financial Secretary. ACTP aims to gather views from the commercial, industrial and professional sectors. Under the context of fulfilling Hong Kong's international tax obligations, ACTP will assist the Government in formulating tax policies that can reinforce economic development, including exploring possible amendments to existing tax measures, with a view to attracting more new industries and investments to Hong Kong.

The Government has commenced preparatory work for establishing ACTP. ACTP will comprise non-official members from the commercial, industrial and professional sectors, as well as relevant official members. It is expected that the first meeting will be convened in mid-2026. Relevant arrangement and discussion topics will be announced in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)084

(Question Serial No. 2791)

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

Subhead (No. & title): (700) General non-recurrent

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As shown in Item 881 “electricity charges subsidy for eligible residential accounts” under Subhead 700 General non-recurrent of the expenditure estimates, there remains a balance of about \$1,181.17 million. Will the Government please advise on the provision earmarked in the estimates for 2026-27 for handling this balance and the related administrative work?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 23)

Reply:

The last round of the Electricity Charges Subsidy Scheme ended on 31 May 2024, and only a small amount of follow-up work remains, including the administrative work in relation to payments to the electricity companies for the unused subsidy to be utilised by about 190 000 account holders before its expiry (on 31 December 2026). Such work is taken up by the existing staff of the Financial Services and the Treasury Bureau (The Treasury Branch) without involving additional administrative expenses.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)085

(Question Serial No. 2792)

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

Subhead (No. & title): (000) Operational expenses

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under Programme (2) of the expenditure estimates, it is mentioned that in 2026-27, the Treasury Branch will continue to provide support and advice on financial matters relating to the development of the Northern Metropolis. Would the Government advise of the estimated manpower and administrative resources to be deployed by the Treasury Branch for this work under Subhead 000 Operational expenses in 2026-27?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 24)

Reply:

The Treasury Branch of the Financial Services and the Treasury Bureau will continue to provide support and advice on financial matters relating to the development of the Northern Metropolis (NM), including providing secretarial support for the Committee on the Financing of Major Development Projects and the Working Group on Devising Development and Operation Models under the Committee on Development of the Northern Metropolis, as well as handling the financial arrangements for major development projects in the NM. The Treasury Branch handles the relevant work with its existing manpower and resources. As the staff concerned also undertake other duties at the same time, a breakdown of the manpower involved is not available.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)086

(Question Serial No. 2994)

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

Subhead (No. & title): (700) General non-recurrent

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the Sub-head 700 "General non-recurrent", the commitment balance in respect of Item 881 "Electricity charges subsidy for eligible residential accounts" is as high as \$11.812 billion (page 458), but only \$110 million is proposed as the estimated expenditure for this item for 2026-27.

(a) Given that the validity end date of the Electricity Charges Subsidy Scheme was extended to 31 December 2026 (footnote on page 458), how did the Government assess and decide on the amount of funding (i.e. \$110 million) for the item when preparing the Estimates for 2026-27? Is the provision sufficient to cover the total amount of subsidy that may be claimed in the coming year? What assumptions (e.g. the claim rate of the subsidy scheme and adjustments in electricity charges) did the Government make when making the assessment? How does the Government manage the financial risks involved in this type of subsidy schemes involving substantial commitment balance so as to ensure that there will not be shortfalls in funding resulting from a sudden surge in subsidy claims or policy changes? Have any contingency financial arrangements been made?

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 36)

Reply:

The last round of the Electricity Charges Subsidy Scheme (ECSS) ended on 31 May 2024. As unused subsidy balances remained in about 190 000 electricity accounts, the validity end date was extended to 31 December 2026. The estimated expenditure for 2026-27 has taken into account the actual expenditure of the ECSS in 2025-26. It is anticipated that the provision can cover the subsidy amounts payable in 2026-27.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)087

(Question Serial No. 2995)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated on page 452 of the Controlling Officer's Report that the Treasury Branch will "continue to provide support and advice on financial matters relating to the development of the Northern Metropolis and the attraction of targeted industries through preferential policies, including administration of the issuance of Government bonds to support infrastructure development" in 2026-27.

- (a) Please specify the amount of provision in the 2026-27 Estimates set aside specifically for the financial analysis, policy research, and bond management support work relating to the development of the Northern Metropolis and the attraction of targeted industries mentioned above. Under which programme and subhead are the expenditures included?
- (b) Regarding administration of the issuance of Government bonds to support infrastructure development, what is the manpower to be deployed by the Branch and the estimated expenditure involved in 2026-27? Have additional resources been allocated to cope with the potential increase in bond issuance programmes as compared with 2025-26?

Asked by: Hon NG Kam-wah, Webster (LegCo internal reference no.: 37)

Reply:

The work of the Treasury Branch of the Financial Services and the Treasury Bureau (the Treasury Branch) includes providing support and advice on financial matters relating to the development of the Northern Metropolis and attracting targeted industries through the formulation of preferential tax policies. Specifically, the Treasury Branch provides secretarial support for the Committee on the Financing of Major Development Projects and the Working Group on Devising Development and Operation Models under the Committee on Development of the Northern Metropolis, handles matters relating to the financial arrangements for major development projects of the Northern Metropolis and issuance of government bonds, formulates frameworks for preferential tax policies, etc. On the issuance

of government bonds, the Hong Kong Monetary Authority is responsible for co-ordinating the offering of government bonds and managing the investment of the sums raised under the bond programmes, while the Treasury Branch is tasked with formulating policy directions and operational frameworks for bond issuance plan. The Treasury Branch handles the relevant work with its existing manpower and resources, and no expenditure on external financial advisors is involved. The expenditure mentioned above has been included in Programme (2) Revenue and Financial Control under Head 147—Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)088

(Question Serial No. 3074)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 262 of the Budget Speech that as announced in last year's Budget, \$61.5 billion has been brought back from 6 seed capital funds to the Government's accounts. Following the full review of the remaining 36 purpose-specific funds established outside the Government's accounts this year, about \$15.8 billion will be brought back to the Government's accounts. In this connection, please provide this Committee with:

1. in tabular form, the names of the 4 funds of which the financial arrangements are proposed to be revised, and the respective amounts expected to be brought back;
2. in tabular form, the names of the funds proposed to be closed and the amounts expected to be brought back;
3. in tabular form, the names of the 6 funds proposed to be consolidated and the 3 funds thus formed;
4. in tabular form, the names of the 23 funds of which the financial arrangements will be maintained;
5. in tabular form, the balances of the 36 purpose-specific funds established outside the Government's accounts over the past 3 years.

Asked by: Hon CHUANG Ka-pun, Albert (LegCo internal reference no.: 1)

Reply:

1. and 2.

The amounts expected to be brought back from the 7 funds in 2026-27 as proposed in the 2026-27 Budget are set out in **Annex 1**.

3.

We propose consolidating the 6 funds established under the Sir David Trench Fund for Recreation Ordinance (Cap. 128). The entire balances of 3 of the funds to be closed will be transferred to the Sir David Trench Fund for Recreation (Main Fund) to enhance the efficiency in the use of resources. The relevant arrangements are tabulated below:

3 funds proposed to be closed	3 funds with operations remaining unchanged
1. Sports Aid Foundation Fund	4. Sir David Trench Fund for Recreation (Main Fund)
2. Sports Aid for the Disabled Fund	5. Arts and Sport Development Fund
3. Arts Development Fund	6. Hong Kong Athletes Fund

4.

The 23 funds with financial arrangements proposed to be maintained are tabulated below:

23 funds with financial arrangements proposed to be maintained		
1. Employees Retraining Fund	9. Occupational Deafness Compensation Fund	17. J.E. Joseph Trust Fund
2. Community Care Fund	10. Social Innovation and Entrepreneurship Development Fund	18. Social Work Training Fund
3. Elite Athletes Development Fund	11. Queen Elizabeth Foundation for the Mentally Handicapped	19. Consumer Legal Action Fund
4. Quality Education Fund	12. Supplementary Legal Aid Fund	20. Pneumoconiosis Ex Gratia Fund
5. Samaritan Fund	13. Emergency Relief Fund	21. Kadoorie Agricultural Aid Loan Fund
6. Anti-epidemic Fund	14. Cantonese Opera Development Fund	22. Trust Fund for Severe Acute Respiratory Syndrome
7. Construction Innovation and Technology Fund	15. Elder Academy Development Foundation	23. Hong Kong Arts Development Council Fund
8. Traffic Accident Victims Assistance Fund	16. AIDS Trust Fund	-

5.

The audited balances of the 36 funds established outside the Government's accounts in the past 3 years are set out in **Annex 2**.

7 funds proposed to be brought back in 2026-27
(in descending order of amount expected to be brought back)

	Name of fund	Amount expected to be brought back (\$ million)
The unspent balances of 4 seed capital funds proposed to be brought back to the Government's accounts		
1	HKSAR Government Scholarship Fund	4,130
2	Environment and Conservation Fund	4,120
3	Self-financing Post-secondary Education Fund	4,030
4	Beat Drugs Fund	3,000
	<i>Amount expected to be brought back from the 4 funds:</i>	<i>15,280</i>
Closing 3 funds which have accomplished their policy objectives or the objectives of which can be met more effectively under the established allocation mechanism, and bringing back their unspent balances to the Government's accounts		
5	Hong Kong Paralympians Fund	260
6	Arts Development Fund for Persons with Disabilities	220
7	Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas	70
	<i>Amount expected to be brought back from the 3 funds:</i>	<i>550</i>
	Total amounts expected to be brought back:	15,830

36 funds established outside the Government's accounts
(in descending order of the latest audited balance)

	Name of fund	Last 3 audited financial years	Fund balance (\$ million)
1	Employees Retraining Fund	2021-22 2022-23 2023-24	15,304 14,425 13,498
2	Community Care Fund	2022-23 2023-24 2024-25	11,802 11,147 10,336
3	Quality Education Fund	2022-23 2023-24 2024-25	8,734 9,082 9,692
4	Elite Athletes Development Fund	2022-23 2023-24 2024-25	10,650 10,197 9,622
5	Samaritan Fund	2022-23 2023-24 2024-25	9,222 8,640 7,729
6	Environment and Conservation Fund	2022-23 2023-24 2024-25	6,150 6,141 6,119
7	HKSAR Government Scholarship Fund	2022-23 2023-24 2024-25	3,250 4,461 4,980
8	Self-financing Post-secondary Education Fund	2022-23 2023-24 2024-25	4,074 4,341 4,803
9	Beat Drugs Fund	2022-23 2023-24 2024-25	4,104 3,944 4,145
10	Sir David Trench Fund for Recreation - Arts And Sport Development Fund	2022-23 2023-24 2024-25	4,373 4,116 3,819
11	Anti-epidemic Fund	2022-23 2023-24 2024-25	22,918 18,320 3,561

	Name of fund	Last 3 audited financial years	Fund balance (\$ million)
12	Construction Innovation and Technology Fund	2021-22 2022-23 2023-24	752 1,845 1,698
13	Traffic Accident Victims Assistance Fund	2022-23 2023-24 2024-25	1,568 1,454 1,405
14	Occupational Deafness Compensation Fund	2022-23 2023-24 2024-25	617 637 649
15	Social Innovation and Entrepreneurship Development Fund	2022-23 2023-24 2024-25	298 368 453
16	Hong Kong Paralympians Fund	2022-23 2023-24 2024-25	260 263 268
17	Arts Development Fund for Persons with Disabilities	2022-23 2023-24 2024-25	264 261 260
18	Sir David Trench Fund for Recreation - Hong Kong Athletes Fund	2022-23 2023-24 2024-25	251 244 249
19	Queen Elizabeth Foundation for the Mentally Handicapped	2022-23 2023-24 2024-25	212 213 226
20	Supplementary Legal Aid Fund	2020-21 2021-22 2022-23	216 215 216
21	Emergency Relief Fund	2022-23 2023-24 2024-25	136 120 130
22	Cantonese Opera Development Fund	2022-23 2023-24 2024-25	146 129 123
23	Sir David Trench Fund for Recreation - Main Fund	2022-23 2023-24 2024-25	116 105 103
24	Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas	2022-23 2023-24 2024-25	72 72 73

	Name of fund	Last 3 audited financial years	Fund balance (\$ million)
25	Sir David Trench Fund for Recreation - Sports Aid Foundation Fund	2022-23 2023-24 2024-25	56 58 60
26	Elder Academy Development Foundation	2022-23 2023-24 2024-25	15 16 53
27	AIDS Trust Fund	2022-23 2023-24 2024-25	54 32 28
28	J.E. Joseph Trust Fund	2022-23 2023-24 2024-25	21 22 22
29	Social Work Training Fund	2022-23 2023-24 2024-25	19 20 21
30	Consumer Legal Action Fund	2022-23 2023-24 2024-25	11 10 20
31	Pneumoconiosis Ex Gratia Fund	2022-23 2023-24 2024-25	24 21 19
32	Kadoorie Agricultural Aid Loan Fund	2022-23 2023-24 2024-25	16 17 17
33	Trust Fund for Severe Acute Respiratory Syndrome	2022-23 2023-24 2024-25	21 13 15
34	Sir David Trench Fund for Recreation - Sports Aid for the Disabled Fund	2022-23 2023-24 2024-25	10 11 11
35	Hong Kong Arts Development Council Fund	2022-23 2023-24 2024-25	2 2 2
36	Sir David Trench Fund for Recreation - Arts Development Fund	2022-23 2023-24 2024-25	0.3 0.3 0.3

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)089

(Question Serial No. 3128)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Budget Speech that the Government will transfer \$150 billion from the Exchange Fund's investment income of \$330 billion to the Capital Works Reserve Fund. While Section 8 of the Exchange Fund Ordinance provides that the Government is empowered to "transfer from the Fund to the general revenue or to such other fund or funds of the Government as may be authorised by the Chief Executive in Council any sum or part of any sum in excess of the amount required to maintain the assets of the Fund at 105% of the total obligations of the Fund for the time being outstanding," there is no clear definition of "obligations of the Fund" under the Ordinance. To ensure effective transfer of funds to support public finances in the future, will the Government consider amending the Exchange Fund Ordinance, specifying that the amount of assets transferred from the Exchange Fund is linked to the Fund's investment return? If not, what are the reasons?

Asked by: Hon CHUNG Ki-fung, Tommy (LegCo internal reference no.: 7)

Reply:

Section 8 of the Exchange Fund Ordinance ("EFO") sets out the mechanism that empowers the Financial Secretary (FS) to transfer from the Exchange Fund ("EF"). The principal condition is the FS being satisfied that such transfer would not adversely affect his ability in using the EF in affecting the exchange value of the Hong Kong dollar and maintaining the stability and integrity of the monetary and financial systems of Hong Kong. Therefore, the asset size required to fulfil these statutory purposes of the EF is not a fixed amount, and the 105% specified in Section 8 of EFO is a minimum requirement that the EF's assets, when effecting a transfer, should be no less than 105% of the EF's total obligations for the time being outstanding. Hence, the amount that may be transferred from the EF must be dynamically assessed according to the prevailing circumstances.

The FS has reiterated that the proposed transfer of \$150 billion is on the premise of the record-breaking EF investment income last year and not affecting EF's ability to maintain Hong Kong's monetary and financial stability while optimising the use of financial resources.

This transfer is an exceptional arrangement and will not be regularised. Since 2007, the fiscal reserves placed with the EF enjoy an investment return based on the average return of the EF's Investment Portfolio of the past six years, or the three-year Government Bond yield of the previous year (subject to a minimum of 0%), whichever is higher. This established arrangement provides the Government with stable and predictable investment income, so that the swings in the performance of the financial market and the EF's investments would not intensify volatility of the Government's fiscal position. We currently believe the arrangement does not need to be changed.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)090

(Question Serial No. 3135)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 91 of the Budget Speech, Renminbi (RMB) bonds of different tenors will be issued on a regular basis to enrich product offerings in the offshore RMB market and improve the offshore RMB bond yield curve. In this connection, will the Government inform this Committee of:

1. the estimated total issuance of RMB bonds in 2026-27, and among these, the proportion of green or sustainable development bonds; and
2. whether the Government has any specific timetable and target size for annual bond issuance for the next 5 years; if so, the details?

Asked by: Hon NGAI Ming-tak, Michael (LegCo internal reference no.: 18)

Reply:

The Government expects to issue about \$160 billion to \$220 billion worth of bonds each year over the next five years (i.e. from 2026-27 to 2030-31) under the Government Sustainable Bond Programme and the Infrastructure Bond Programme. The specific parameters of bond issuance (such as currency denomination and bond type) and the selection of individual works projects to be funded by the bond proceeds will be determined having regard to factors including the Government's prevailing fiscal position, market response and works progress at the time of bond issuance.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)091

(Question Serial No. 3165)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to paragraph 265 of the 2026-27 Budget Speech, the Government will transfer a total of \$150 billion from the Exchange Fund to the Capital Works Reserve Fund in support of the Northern Metropolis (NM) and other infrastructure projects. In this connection, how will the Government, in its estimates of expenditure for 2026-27, allocate the first tranche of \$75 billion to take forward the relevant planning and works? In particular, how much will be used on the specific projects of the NM development, and what is the additional manpower or staffing arrangement involved?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 39)

Reply:

As the Government will accelerate the development of the Northern Metropolis (NM) and other public works projects relating to the economy and people's livelihood, the capital works expenditure is estimated at about \$128 billion in 2026-27, and is expected to remain at a similar level during the five-year Medium Range Forecast (MRF) period. The Chief Executive announced in the 2025 Policy Address that an additional \$30 billion would be earmarked in the next two to three years for the Government's expenditure on works projects. This amount has been included in the above estimated capital works expenditure of about \$128 billion per annum. As capital works expenditure remains at a high level, the \$150 billion to be transferred in two financial years from the Exchange Fund to the Capital Works Reserve Fund will be used entirely to meet the expenditure on the development of the NM and other public works projects, thereby preventing such projects from being hindered by fluctuations in land revenue.

The Government's capital works expenditure of about \$128 billion per annum covers a wide range of works projects. Details of expenditure for 2026-27 are set out in the Capital Works Reserve Fund Accounts in Volume II of the Estimates for the Year Ending 31 March 2027.

The Financial Services and the Treasury Bureau handles the work relevant to the financial arrangements of the NM development with existing manpower and resources, and no additional expenditure will be involved.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)092

(Question Serial No. 3166)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Paragraph 265 of the Budget: "On the premise that the Exchange Fund's function to maintain the stability and integrity of the local monetary and financial systems will not be compromised, I propose, under the Exchange Fund Ordinance, transferring \$75 billion in each of the coming two financial years, totalling \$150 billion, from the Exchange Fund to the Capital Works Reserve Fund in support of the Northern Metropolis and other infrastructure projects."

- (1) Have the Government and the Hong Kong Monetary Authority (HKMA) altered their previous strategy of "the more, the better" in maintaining the Exchange Fund reserve at a level capable of withstanding external shocks to our markets at all times? What are the reasons?
- (2) Please illustrate in table form the measures ever taken to make transfers from the Exchange Fund reserve to other Government accounts in the history of Hong Kong, including the time, the details and the reasons;
- (3) Regarding the said transfer from the Exchange Fund reserve to the Capital Works Reserve Fund, the Government has stated that such transfer is based on the fulfilment of 2 major premises, i.e., it will neither compromise the Exchange Fund's function of maintaining the stability of the Hong Kong dollar, nor undermine Hong Kong's status as an international financial centre. Apart from these 2 factors, what other considerations have the Government taken into account in making this decision?
- (4) What is the basis of determining the amount of \$150 billion and making the transfer in 2 rounds?
- (5) According to the HKMA, Section 8 of the Exchange Fund Ordinance stipulates the specific requirements on the transfer from the Exchange Fund to other funds of the Government, including the requirement to ensure that the assets of the Exchange Fund be maintained at no less than 105% of the total outstanding obligations of the Exchange Fund upon fund transfer. With regard to this restriction, please list out the respective ratios in the past 5 years (including that at end-2025), as well as the projected ratios after the 2 successive transfers of \$75 billion each.

- (6) The Financial Secretary has indicated that the said transfer is a one-off measure and not a regular practice. In the future, is it true that the Government will not rule out the possibility of repeating the practice to make transfer from the Exchange Fund reserve to other Government accounts? If so, will additional restrictions and indicators be set?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 40)

Reply:

- Section 8 of the Exchange Fund Ordinance (EFO) sets out the mechanism that empowers the Financial Secretary (FS) to transfer from the Exchange Fund (EF). The principal condition is the FS being satisfied that such transfer would not adversely affect his ability in using the EF in affecting the exchange value of the Hong Kong dollar and maintaining the stability and integrity of the monetary and financial systems of Hong Kong.

The transfer of HK\$150 billion proposed by the FS in the 2026-27 Budget represents only a very small fraction of the EF's assets. At end-January 2026, foreign exchange reserves of Hong Kong remained ample, amounted to some US\$430 billion, or around 1.7 times of Hong Kong's monetary base. The EF recorded HK\$330 billion of investment income in 2025. After deducting fees paid to the Government and statutory bodies under the income-sharing arrangement, interest payments on EF Bills and Notes, as well as other expenses, the EF's accumulated surplus will still be higher than that at end-2024 even after taking into account the proposed transfer of HK\$150 billion to the Government. Ample foreign exchange reserves remain the cornerstone of safeguarding the stability and integrity of Hong Kong's financial system. The Hong Kong Monetary Authority is capable of, and confident in, carrying out its core functions under the EFO by leveraging on its substantial reserves, continuously refined market surveillance mechanisms, and robust financial regulatory regimes.

- There were instances of transfers from the EF in 1964 and 1984 in accordance with section 8 of the EFO:

Year	Description	Reason
1964	Transfer of HK\$150 million from the EF to the Development Loan Fund	For construction of public housing and schools (Note: The transfer predated the establishment of the Linked Exchange Rate System, and the functions of the EF at that time were also different from today.)
1984	Transfer of HK\$250 million from the EF to the general revenue account	To cover the revenue foregone by the abolition of the interest withholding tax on Hong Kong dollar denominated deposits held with financial institutions in Hong Kong

		(Note: The abolition of the interest withholding tax was one of the measures taken to defend the depreciation of the Hong Kong dollar.)
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- 3&6. The transfer of HK\$150 billion from the EF to the Capital Works Reserve Fund (CWRF) is proposed on the basis that the EF achieved record-breaking performance last year, delivering an investment income of HK\$330 billion for the year. The proposal, which aims to support the development of the Northern Metropolis (NM) and other infrastructure projects, optimises the use of financial resources on the premise that the EF's function to maintain the stability and integrity of the local monetary and financial systems will not be compromised. The transfer is an exceptional arrangement and will not be regularised.

As the development of the NM requires substantial funding, the Government will not rely on one single financing option. Instead, the funding needs will be met through a variety of means, including increasing the scale of bond issuance, exploring the use of private market capital, and adopting other appropriate financial arrangements. We will take forward the relevant projects whilst maintaining prudent public finances.

4. The Government will accelerate the development of the NM and other public works projects relating to the economy and people's livelihood, with a view to driving economic growth, creating jobs, attracting talent, enhancing long-term competitiveness and improving people's quality of life. The adjustment in the property market in recent years has led to a drastic decline in land revenue, resulting in a corresponding reduction in the balance of the CWRF. As government expenditure on capital works remains at a high level, the HK\$150 billion to be transferred from the EF to the CWRF can be used to support the development of the NM and other public works projects, thereby preventing such development / projects from being hindered by fluctuations in land revenue. The transfer is to be made in two years to align with the funding requirements of the CWRF.
5. In the past 5 years, including at end-2025, the size of the EF's assets had been over 105% of the total obligations of the EF for the time being outstanding. After implementing the proposed transfer of HK\$150 billion, the relevant ratio would remain above 105%. Relevant details should not be disclosed as they pertain to the specific financial positions of the EF.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)093****(Question Serial No. 3619)**Head: (51) Government Property AgencySubhead (No. & title): ()Programme: (3) Estate UtilisationControlling Officer: Government Property Administrator (Eugene FUNG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

In 2024 and 2025, there were 6 government premises each year which were identified by the Government Property Agency as having new commercialisation opportunities. Please list the names of these 12 premises. Have the relevant departments effectively realised such commercialisation values? If not, what are the reasons? Besides, why does the Department expect to identify only 4 additional government premises this year as having new commercialisation value?

Asked by: Hon FOK Kai-kong, Kenneth (LegCo internal reference no.: 40)Reply:

As government properties are mainly used for offices, quarters, public facilities, etc. and not for commercial use, those with commercialisation potential are limited. Most of the properties suitable for commercial use have been leased out. Therefore, the number of new properties with commercialisation potential will gradually decrease.

In 2024 and 2025, the Government Property Agency (GPA) identified the following 12 government properties with commercialisation potential. The first 9 properties have already been leased, and the remaining 3 properties will be open for lease within 2026:

Item	Property	Proposed use
2024		
1	A portion of the West Wing Lobby on the Ground Floor of the Central Government Offices, Tamar, Hong Kong	Automatic vending machine
2	A building in Sheung Shui, New Territories	Fee-paying public car park
3	A portion of the Ground Floor of Shun Lee Disciplined Services Quarters, Kwun Tong, Kowloon	Parcel delivery locker kiosk

Item	Property	Proposed use
4 to 6	Portions of the Restricted Area on the Pier Level, First Floor and Second Floor of China Ferry Terminal, China Hong Kong City, Tsim Sha Tsui, Kowloon	3 advertising areas
2025		
7	First Floor, Police Driving and Traffic Training Centre Complex, Hong Kong Police College Integrated Training Centre (Kong Nga Po), Sha Ling, North District, New Territories	Government canteen
8	Portions of South Tower, Tseung Kwan O Government Offices, New Territories	Fee-paying public car park
9	A portion of the Lower Ground Floor of the Chinese Medicine Hospital of Hong Kong, Tseung Kwan O, New Territories	
10	Public car park of the public housing development at Area 99, Tung Chung, New Territories (Note)	
11	A portion of the Ground Floor of South Tower, Tseung Kwan O Government Offices, New Territories (Note)	Retail business
12	A portion of the First Floor of North Tower, Tseung Kwan O Government Offices, New Territories (Note)	

Note: To be open for lease within 2026

The GPA will continue to identify government properties with commercialisation potential and introduce commercial elements to them. Having preliminarily identified individual government properties which may have commercialisation potential, the GPA will consult the departments concerned and examine the implications of the introduction of commercial activities on the image, appearance and pedestrian flow of the government properties, as well as the impact of the change of use on fire escapes, fire services and building installations, so as to determine whether it is feasible and appropriate to put the properties to commercial use. Hence, the number of government properties with commercialisation potential identified by the GPA each year may differ. In 2026, the GPA expects to explore the commercialisation potential of 4 government properties.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)094

(Question Serial No. 3314)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (2) Supplies Management

Controlling Officer: Director of Government Logistics (Mrs Vicki KWOK)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the 2026-27 Budget, the Government will enhance government logistics and supplies management. Will the Government inform this Committee of the following:

1. What is the total estimated expenditure on Programme (1) Procurement and Programme (2) Supplies Management under Head of Expenditure 59 for 2026-27?
2. How many full-time staff are expected to be involved under the aforesaid programmes? Under which procurement or supplies areas will the said manpower be deployed?

Asked by: Hon CHOW Ho-ding, Holden (LegCo internal reference no.: 28)

Reply:

1. In 2026-27, the estimated expenditures for Programme (1) Procurement and Programme (2) Supplies Management under the Government Logistics Department are about HK\$200 million in total, among which HK\$86 million is the estimated expenditure for Programme (1) Procurement, and HK\$118 million is the estimated expenditure for Programme (2) Supplies Management.
2. In 2026-27, the estimated numbers of full-time staff under the aforementioned two programmes are as follows:

Programme (1) Procurement involves a total of 100 full-time staff. Their main duties include conducting procurement of various types of (non-works) goods and related services for bureaux/departments (B/Ds) through tendering, including formulating tendering strategies, preparing tender documents, arranging invitation of tenders, awarding contracts and monitoring contractors' performance; formulating Standard Terms and Conditions of Tenders/Contracts and related guidelines for adoption by B/Ds; and providing advisory services and training to B/Ds on procurement regulations, procedures, guidelines and related matters.

Programme (2) Supplies Management involves a total of 172 full-time staff. Their main duties include procurement, storage and distribution of essential and emergency items, and procurement of common-user items and management of related contracts for B/Ds; auditing of B/Ds' procurement and supplies related work to check if relevant procurement regulations, tendering procedures and contractual management are complied with, and stepping up of auditing of due diligence work of B/Ds. They are also responsible for grade management of supplies grade staff.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)095

(Question Serial No. 3366)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Inland Revenue Department (IRD) please provide the following information:

1. What were the numbers of cases involving surcharges on tax in default in the past 3 years and the amounts involved? What were the numbers of cases in which the tax in default was recovered and the amounts involved? Please provide a breakdown by tax type.
2. What is the number of cases in which the tax in default has not been recovered as of this February? What are the amounts involved? What are the overdue periods? What recovery actions will be taken by the IRD?
3. With regard to countering tax evasion, what were the numbers of cases in which back tax and penalties were collected by the IRD in the past 3 years and the amounts involved? Please provide a breakdown by tax type.

Asked by: Hon CHU Lap-wai (LegCo internal reference no.: 43)

Reply:

1. If a taxpayer defaults on tax payment, IRD will normally first issue a surcharge notice in respect of each outstanding demand note to the taxpayer, imposing a 5% surcharge on the tax in default. If the taxpayer does not fully settle the tax within six months from the due date, IRD will issue another surcharge notice to the taxpayer to further impose a 10% surcharge on the overdue tax and surcharge.

The statistics on the surcharge notices issued by IRD for different tax types in the three financial years from 2023-24 to 2025-26 are set out below:

Tax Type	Imposing 5% surcharge			Imposing 10% surcharge		
	No. of demand notes involved (Note)	Amount of surcharge (\$ million)	Amount of tax involved (\$ million)	No. of demand notes involved (Note)	Amount of surcharge (\$ million)	Amount of tax involved (\$ million)
2023-24						
Profits Tax	22 500	151.62	3,033	6 000	87.62	835
Salaries Tax	159 800	208.86	4,177	10 500	64.30	612
Property Tax	17 900	25.11	502	2 000	11.43	109
Personal Assessment	9 400	5.87	117	700	1.41	13
Total	209 600	391.46	7,829	19 200	164.76	1,569
2024-25						
Profits Tax	23 800	166.35	3,327	7 700	116.38	1,109
Salaries Tax	174 200	239.24	4,785	17 900	103.36	984
Property Tax	18 500	26.85	537	2 700	13.68	130
Personal Assessment	10 200	6.85	137	900	2.97	28
Total	226 700	439.29	8,786	29 200	236.39	2,251
2025-26 (up to 28 February 2026)						
Profits Tax	20 000	120.09	2,402	7 400	147.05	1,400
Salaries Tax	171 800	240.35	4,807	22 600	101.37	965
Property Tax	17 800	27.12	542	3 400	15.81	151
Personal Assessment	10 800	6.82	136	900	3.32	32
Total	220 400	394.38	7,887	34 300	267.55	2,548

Note: Rounded to the nearest hundred

IRD does not maintain statistics on the tax in default successfully recovered through recovery actions.

- Up to 28 February 2026, the numbers of demand notes with tax due in the financial years 2023-24 and 2024-25 but remain outstanding despite the recovery actions taken by IRD were around 25 000 and 43 000 respectively. The respective amounts of tax involved were about \$2.2 billion and \$2.8 billion. Since some of the taxpayers who failed to pay tax on time due to financial difficulties have been approved by IRD to pay tax by instalments, and it takes time to process certain cases which involve legal proceedings, recovery of the overdue taxes could not be completed in the relevant financial year. IRD will continue to take follow-up actions against tax defaulters to protect government tax revenue.

As for the demand notes issued by IRD in the financial year 2025-26, the taxes concerned are generally due in January 2026. For the overdue taxes, IRD will take

recovery actions, including imposing surcharges as mentioned above, issuing recovery notices to third parties (e.g. employers and banks) and undertaking civil litigation in the District Court. Since various tax recovery actions are still in progress, statistics on demand notes that remain outstanding despite the recovery actions taken by IRD are not available at this stage.

3. IRD is committed to combating tax evasion and avoidance. It leverages information technology to enhance work efficiency and effectiveness, such as using computer-assisted data analyses to identify high-risk cases for tax audit. Officers of the Field Audit and Investigation Unit will conduct on-site inspections of taxpayers' business premises and examine their accounting records to ascertain whether the profits reported and information submitted were correct. In the financial years from 2023-24 to 2025-26, the total numbers of audit cases completed by the IRD and the relevant amounts of back tax and penalties assessed are as follows:

	2023-24	2024-25	2025-26 (up to 28 February 2026)
Total number of cases completed	1 802	1 803	1 707
Back tax and penalties assessed	\$3.304 billion	\$2.811 billion	\$2.651 billion

IRD does not maintain a breakdown of investigation cases by tax type.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)096

(Question Serial No. 3660)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The 2026-27 Budget proposes a series of concessionary tax measures, including increasing the basic allowance, the married person's allowance and the dependent parent allowance, as well as continuing the reduction in salaries tax and tax under personal assessment by 100 per cent. The said measures provide some relief for the "sandwich generation", who shoulder multiple family responsibilities. However, given the current uneven pace of economic recovery in Hong Kong and the varying financial pressures actually faced by households of different family structures, the coverage and precision of the existing concessionary tax measures remain to be reviewed. Regarding the beneficiaries and coverage of these concessionary tax measures, will the Government inform this Committee of the following:

1. the numbers of taxpayers claiming the (i) basic allowance, (ii) married person's allowance, and (iii) dependent parent allowance, and the percentages of these taxpayers out of the total number of taxpayers by annual income groups (e.g. below \$100,000, \$100,000 to \$200,000, \$200,000 to \$300,000, \$300,000 to \$500,000, above \$500,000, etc.) in each of the past 3 years of assessment;
2. the numbers of taxpayers who were granted the dependent parent allowance, and the average annual income of these taxpayers by the number of dependent parents maintained (i.e. 1, 2, or 3 or more dependent parent(s) maintained) in each of the past 3 years of assessment;
3. the numbers of taxpayers who were not required to pay salaries tax, and the proportions of these taxpayers who claimed all 3 of the said allowances at the same time in each of the past 3 years of assessment.

Asked by: Hon LEE Ka-kui, Elvin (LegCo internal reference no.: 1)

Reply:

1. For the three years of assessment from 2022/23 to 2024/25 (up to 28 February 2026), the numbers of taxpayers across four income groups who were granted (i) basic allowance; (ii) married person's allowance; and (iii) dependent parent allowance, and their respective percentages out of total number of taxpayers in each year of assessment, are set out below:

Year of Assessment 2022/23

Annual income (\$)	Basic allowance		Married person's allowance		Dependent parent allowance (Note 2)	
	No. of taxpayers (Note 3)	Percentage out of total no. of taxpayers (Note 4)	No. of taxpayers (Note 3)	Percentage out of total no. of taxpayers (Note 4)	No. of taxpayers (Note 3)	Percentage out of total no. of taxpayers (Note 4)
132,001 – 200,000 (Note 1)	143 300	7.9%	0	0%	2 500	0.1%
200,001 – 300,000	374 800	20.8%	7 400	0.4%	79 800	4.4%
300,001 – 500,000	507 700	28.1%	66 700	3.7%	260 200	14.4%
500,001 or above	515 200	28.5%	191 800	10.6%	405 100	22.4%
Total	1 541 000	-	265 900	-	747 600	-

Year of Assessment 2023/24

Annual income (\$)	Basic allowance		Married person's allowance		Dependent parent allowance (Note 2)	
	No. of taxpayers (Note 3)	Percentage out of total no. of taxpayers (Note 4)	No. of taxpayers (Note 3)	Percentage out of total no. of taxpayers (Note 4)	No. of taxpayers (Note 3)	Percentage out of total no. of taxpayers (Note 4)
132,001 – 200,000 (Note 1)	156 000	8.0%	0	0%	2 400	0.1%
200,001 – 300,000	408 900	21.1%	10 500	0.5%	80 300	4.1%
300,001 – 500,000	530 400	27.4%	80 200	4.1%	267 900	13.8%
500,001 or above	547 500	28.3%	205 000	10.6%	434 800	22.4%
Total	1 642 800	-	295 700	-	785 400	-

Year of Assessment 2024/25 (up to 28 February 2026)

Annual income (\$)	Basic allowance		Married person's allowance		Dependent parent allowance (Note 2)	
	No. of taxpayers (Note 3)	Percentage out of total no. of taxpayers (Note 4)	No. of taxpayers (Note 3)	Percentage out of total no. of taxpayers (Note 4)	No. of taxpayers (Note 3)	Percentage out of total no. of taxpayers (Note 4)
132,001 – 200,000 (Note 1)	141 200	7.1%	0	0%	2 000	0.1%
200,001 – 300,000	426 500	21.4%	11 000	0.6%	80 400	4.0%
300,001 – 500,000	542 400	27.2%	89 000	4.5%	273 200	13.7%
500,001 or above	568 600	28.5%	213 200	10.7%	450 500	22.6%
Total	1 678 700	-	313 200	-	806 100	-

Notes:

1. The basic allowance is \$132,000. Individuals with income below this level are not required to pay tax.
2. A taxpayer can be concurrently granted two types of dependent parent tax allowances (i.e. (a) dependents are parents who are 60 years old or above, or are eligible to claim an allowance under the Government's Disability Allowance Scheme; and (b) dependents are parents who are 55 years old or above but below 60). As the Inland Revenue Department (IRD) does not maintain separate statistics on the number of such taxpayers, there may be overlap in the numbers of taxpayers involved.
3. Rounded to the nearest hundred.
4. "Total number of taxpayers" refers to the total number of taxpayers assessed at progressive rates.

2. For the three years of assessment from 2022/23 to 2024/25 (up to 28 February 2026), the numbers of taxpayers who were granted dependent parent allowance and their respective average annual income in each year of assessment, broken down by the number of dependent parents maintained, are set out below (Note 1):

Number of dependent parent(s) maintained	2022/23		2023/24		2024/25 (up to 28 February 2026)	
	No. of taxpayers (Note 2)	Average annual income (Note 2)	No. of taxpayers (Note 2)	Average annual income (Note 2)	No. of taxpayers (Note 2)	Average annual income (Note 2)
1	514 000	603,000	535 800	611,400	549 100	617,100
2	216 300	771,400	230 900	782,200	238 200	792,200
3 or above	17 300	1,125,600	18 700	1,131,100	18 800	1,143,900
Total	747 600	-	785 400	-	806 100	-

Notes:

1. A taxpayer can be concurrently granted two types of dependent parent tax allowances (i.e. (a) dependents are parents who are 60 years old or above, or are eligible to claim an allowance under the Government's Disability Allowance Scheme; and (b) dependents are parents who are 55 years old or above but below 60). As the IRD does not maintain statistics on the number of such taxpayers, there may be overlap in the numbers of taxpayers involved.
2. Rounded to the nearest hundred.

3. For the three years of assessment from 2022/23 to 2024/25 (up to 28 February 2026), (i) the numbers of individuals who had salaries income but were not required to pay salaries tax after being granted deductions for outgoings and expenses as well as allowances; and (ii) the numbers of individuals who were concurrently granted basic or married person's

allowance and dependent parent allowance, and their respective percentages out of individuals who were not required to pay salaries tax, are set out below:

Year of Assessment	No. of individuals who had salaries income but were not required to pay salaries tax after being granted deductions for outgoings and expenses as well as allowances (Note 3)	Concurrently being granted the basic or married person's allowance and dependent parent allowance (Notes 1 & 2)	
		No. of individuals (Note 3)	Percentage out of individuals who were not required to pay salaries tax
2022/23	1 050 000	397 000	37.8%
2023/24	908 000	337 000	37.1%
2024/25 (up to 28 February 2026)	761 000	286 000	37.6%

Notes:

1. Each taxpayer assessed at progressive rates can only be granted either the basic allowance or the married person's allowance (as the case may be).
2. A taxpayer can be concurrently granted two types of dependent parent tax allowances (i.e. (a) dependents are parents who are 60 years old or above, or are eligible to claim an allowance under the Government's Disability Allowance Scheme; and (b) dependents are parents who are 55 years old or above but below 60). As the IRD does not maintain separate statistics on the number of such taxpayers, there may be overlap in the numbers of individuals involved.
3. Rounded to the nearest thousand.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)097

(Question Serial No. 3313)

Head: (188) Treasury

Subhead (No. & title): ()

Programme: (1) Central Accounting, Collections and Payments

Controlling Officer: Director of Accounting Services (Raymond NG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding Programme (1) "Central Accounting, Collections and Payments" under Head 188 (Treasury), will the Director of Accounting Services inform this Committee of the following:

1. What is the estimated expenditure of the programme in 2026-27? What are the respective manpower and operating costs for maintaining the central accounting system and processing collections and payments?
2. What are the staffing establishment (full-time equivalent) and the estimated expenditures on emoluments under the programme?

Asked by: Hon CHOW Ho-ding, Holden (LegCo internal reference no.: 27)

Reply:

1. Regarding Programme (1) "Central Accounting, Collections and Payments" of the Treasury, the estimated expenditure for 2026-27 is \$188 million, of which approximately \$78 million represents expenditure on emoluments and \$110 million represents other recurrent expenditure. The scope of work under the Programme includes producing the accounts of the Government and arranging for the provision of centralised collection and payment services for government departments. The maintenance of the centralised accounting system falls under the scope of Programme (3) "Accounting and Financial Information Systems". Its estimated expenditure is \$167 million, of which approximately \$78.8 million represents expenditure on emoluments and \$88.5 million represents other recurrent expenditure.
2. In 2026-27, the staffing establishment under Programme (1) "Central Accounting, Collections and Payments" of the Treasury is 122, and the estimated expenditure on emoluments is approximately \$78 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)098

(Question Serial No. 3316)

Head: (188) Treasury

Subhead (No. & title): ()

Programme: (3) Accounting and Financial Information Systems

Controlling Officer: Director of Accounting Services (Raymond NG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government mentioned in the estimates for 2026-27 that the financial information systems and the efficiency of accounting services will be enhanced. Please advise on the following:

1. What is the estimated expenditure in 2026-27 for Programme 18803 "Accounting and Financial Information Systems" under Head of Expenditure 188? Among others, what are the respective costs for system upgrade and maintenance?
2. What is the estimated number of staff to be employed under the Programme? How to ensure that the provision will not exceed the actual needs for implementing the related financial management policies?

Asked by: Hon CHOW Ho-ding, Holden (LegCo internal reference no.: 30)

Reply:

1. The estimated expenditure for Programme (3) "Accounting and Financial Information Systems" of the Treasury in 2026-27 is approximately \$167 million. As system upgrade and maintenance are closely related and jointly undertaken by the Treasury's staff and service contractors, the Treasury does not maintain a separate breakdown of the estimated expenditure for these two items.
2. As at 31 March 2027, the staffing establishment under Programme (3) "Accounting and Financial Information Systems" of the Treasury is estimated at 112 posts. When preparing the estimates, the Treasury conducted detailed planning and assessment of the actual requirements for different items to ensure that the financial provision would meet the actual needs. In addition, the Treasury has established procedures for the continuous monitoring of expenditure, ensuring that the resources under its purview are used properly and in a cost-effective manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)099

(Question Serial No. 3315)

Head: (106) Miscellaneous Services

Subhead (No. & title): ()

Programme: (1) Miscellaneous Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding Programme (1) "Miscellaneous Services" under Head 106, will the Secretary for Financial Services and the Treasury inform this Committee of the following:

1. What is the estimated total expenditure of the programme in 2026-27? What financial and treasury-related support services is the expenditure primarily used for?
2. What are the manpower establishment (full-time equivalent) and the expenditures involved under the programme?

Asked by: Hon CHOW Ho-ding, Holden (LegCo internal reference no.: 29)

Reply:

1. Details of the estimated expenditure under Head 106 (Miscellaneous Services) in 2026-27 are set out below:

	Amount (\$ million)
(i) Additional commitments (Note 1)	6,089
(ii) Compensation (Note 2)	176
(iii) Contribution to the 11th to 13th replenishment of the Asian Development Fund	35
Total	6,300

Note 1: Additional commitments are intended to reserve for supplementary provisions that may possibly arise during the financial year, e.g. initiatives under planning. If supplementary provisions are approved by the Finance Committee of the Legislative Council, the Government will follow established procedures to transfer the required provisions from additional commitments to the relevant heads of expenditure of bureaux and departments for meeting the actual expenditure.

Note 2: Compensation is mainly intended for settlement of compensation or damages ordered by the court (other than compensation associated with land, public works and mail, and for government employees under the Employees' Compensation Ordinance (Cap. 282)).

2. There is no staff establishment under Head 106 (Miscellaneous Services), and hence no related expenditure on salaries and manpower resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)100

(Question Serial No. 3344)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the past, bureaux and departments established 42 funds outside the Government's accounts for specific purposes in the light of their policy needs. These funds vary significantly in terms of their basis of establishment, regulatory standards and performance indicators. Monitoring efforts are inadequate and some funds with sustained increases in their balances lack clear outcomes or mechanisms for adjusting their purposes. Is there a need for a review?

Asked by: Hon HO Kwan-yiu, Junius (LegCo internal reference no.: 44)

Reply:

In the past, bureaux and departments (B/Ds) established funds outside the Government's accounts for specific purposes in the light of their policy needs. Generally speaking, these funds are established either by legislation, in the form of a trust, or with the approval of the Finance Committee (FC) of the Legislative Council. Controlling Officers of the B/Ds concerned must ensure that the funds' operation complies with the relevant requirements of the legislation or provisions in the trust deed, and put in place an appropriate monitoring mechanism to ensure effective use of public financial resources. Controlling Officers will formulate and update strategies and work plans for achieving the purposes of the funds and develop appropriate performance measures for the funds under their purview. Controlling Officers will also conduct reviews on the use and effectiveness of the funds from time to time, and contemplate appropriate financial arrangements having regard to the policy objectives, financial position of the funds, views of stakeholders, etc., with a view to ensuring effective and flexible use of public financial resources.

The Government continues implementing the reinforced fiscal consolidation programme put forward in the 2025-26 Budget, and strives to further consolidate and optimise the use of financial resources. As announced in the 2025-26 Budget, upon consultation of the FC, we brought back \$61.5 billion from 6 seed capital funds to the Government's accounts in August 2025 so as to better reflect and utilise the Government's financial resources. The

Financial Secretary has also instructed various policy bureaux to conduct a full review of the remaining 36 funds established outside the Government's accounts.

The Financial Services and the Treasury Bureau (FSTB), in consultation with relevant B/Ds, has conducted a full review of the policy objectives, modes of operation and financial arrangements of the remaining 36 funds established outside the Government's accounts, and has carefully assessed the individual circumstances of these funds. The arrangements for bringing back or consolidating 13 of these funds as proposed in the 2026-27 Budget are as follows:

- (i) bringing back the unspent balances of 4 seed capital funds, viz. the Environment and Conservation Fund, the Self-financing Post-secondary Education Fund, the HKSAR Government Scholarship Fund and the Beat Drugs Fund, to the Government's accounts after setting aside resources to support their operations in the coming 5 years. The policy objectives, modes of operation, as well as management and control of the relevant funds will remain unchanged after the transfers;
- (ii) closing the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas, which has accomplished its policy objectives, and bringing back its remaining balances;
- (iii) closing the Hong Kong Paralympians Fund and the Arts Development Fund for Persons with Disabilities and bringing back their remaining balances, and provide the Social Welfare Department with an additional recurrent provision under the established allocation mechanism with a view to continuing to take forward the relevant policy objectives in a more cost-effective manner;
- (iv) consolidating the 6 funds established under the Sir David Trench Fund for Recreation Ordinance (Cap. 1128) and transferring the entire balances of 3 of the funds to be closed to the Sir David Trench Fund for Recreation (Main Fund) to enhance efficiency in the use of resources; and
- (v) maintaining the financial arrangements of the remaining 23 funds.

With the implementation of the arrangements mentioned in (i) to (iii) above, we expect to bring back about \$15.8 billion to the Government's accounts in 2026-27.

Relevant B/Ds will continue to ensure effective use of public financial resources through appropriate monitoring mechanisms established under the various purpose-specific funds, striving to achieve the highest cost-effectiveness and ensure prudent spending of public moneys. The FSTB will continue to monitor the latest developments and financial position of the funds, and assist B/Ds in devising the most suitable financial arrangements.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)101

(Question Serial No. 3345)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Hong Kong has dozens of “specific purposes funds”, which vary significantly in terms of their basis of establishment, regulatory standards and performance indicators. There are some funds with no expenditure recorded in recent years (such as the J.E. Joseph Trust Fund and the Kadoorie Agricultural Aid Loan Fund) as they are loan funds in nature. Therefore, even though these funds are still in normal operation and loans are being granted in the accordance with the purposes of the funds, expenditure will only be recorded in the year when there are bad debts written off. As for the other funds (including the Sports Aid for the Disabled Fund and the Sports Aid Foundation Fund established under the Sir David Trench Fund for Recreation), the bureaux/departments concerned should review their financial position and examine whether there is a need to retain them.

There are queries that some funds are used to “artificially inflate surpluses” or lock money in designated accounts. As a result, the Government claims that it faces significant pressure from recurrent expenditures and severe fiscal deficits on the one hand, while failing to address truly urgent public needs despite having a huge fiscal surplus on the other. Will flexibility be introduced in this regard?

Asked by: Hon HO Kwan-yiu, Junius (LegCo internal reference no.: 45)

Reply:

The Government continues implementing the reinforced fiscal consolidation programme put forward in the 2025-26 Budget, and strives to further consolidate and optimise the use of its financial resources. As announced in the 2025-26 Budget, upon consultation of the Finance Committee of the Legislative Council, we brought back \$61.5 billion from 6 seed capital funds to the Government’s accounts in August 2025 so as to better reflect and utilise the Government’s financial resources. The Financial Secretary has also instructed various policy bureaux to conduct a full review of the remaining 36 funds established outside the Government’s accounts.

The Financial Services and the Treasury Bureau (FSTB), in consultation with relevant policy bureaux/departments (B/Ds), has conducted a full review of the policy objectives, modes of operation and financial arrangements of the remaining 36 funds established outside the Government's accounts, and has carefully assessed the individual circumstances of these funds. The arrangements for bringing back or consolidating 13 of these funds as proposed in the 2026-27 Budget are as follows:

- (i) bringing back the unspent balances of 4 seed capital funds, viz. the Environment and Conservation Fund, the Self-financing Post-secondary Education Fund, the HKSAR Government Scholarship Fund and the Beat Drugs Fund, to the Government's accounts after setting aside resources to support their operations in the coming 5 years. The policy objectives, modes of operation, as well as management and control of the relevant funds will remain unchanged after the transfers;
- (ii) closing the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas, which has accomplished its policy objectives, and bringing back its remaining balances;
- (iii) closing the Hong Kong Paralympians Fund and the Arts Development Fund for Persons with Disabilities and bringing back their remaining balances, and provide the Social Welfare Department with an additional recurrent provision under the established allocation mechanism with a view to continuing to take forward the relevant policy objectives in a more cost-effective manner;
- (iv) consolidating the 6 funds established under the Sir David Trench Fund for Recreation Ordinance (Cap. 1128) and transferring the entire balances of 3 of the funds to be closed to the Sir David Trench Fund for Recreation (Main Fund) to enhance efficiency in the use of resources; and
- (v) maintaining the financial arrangements of the remaining 23 funds.

With the implementation of the arrangements mentioned in (i) to (iii) above, we expect to bring back about \$15.8 billion to the Government's accounts in 2026-27.

Relevant B/Ds will continue to ensure effective use of public financial resources through appropriate monitoring mechanisms established under the various purpose-specific funds, striving to achieve the highest cost-effectiveness and ensure prudent spending of public moneys. The FSTB will continue to monitor the latest developments and financial position of the funds, and assist B/Ds in devising the most suitable financial arrangements.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)102

(Question Serial No. 3347)

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

Subhead (No. & title): ()

Programme: (1) Director of Bureau's Office

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

There are comments that this is not a misjudgment confined to a single year, but rather a long-standing adherence to "incremental budgeting", which relies excessively on the extrapolation of trends from the past few years and lacks scenario analysis and stress testing, thereby constituting a structural defect. How will the Government respond to this issue?

Asked by: Hon HO Kwan-yiu, Junius (LegCo internal reference no.: 47)

Reply:

In preparing the Budget, the Government takes into account a range of factors comprehensively, including future social needs, service quality, price changes, economic development, new policies and work plans, as well as the overall fiscal position of the Government, etc. Various government revenue and expenditure items are forecast by taking an objective and forward-looking approach, rather than solely by extrapolation from the trends over the past few years. Also, the government expenditure is not a one-way street with increment only, under the Productivity Enhancement Programme, the Government sets a target to cut 2% of the recurrent government expenditure for each of the three fiscal years from 2025-26 to 2027-28. For details of the major assumptions and budgetary criteria adopted by the Government in the process of preparing the Budget, please refer to the relevant notes in Appendix A to the 2026-27 Budget.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)103

(Question Serial No. 3365)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In paragraph 268 of the Budget Speech, the Government stated that about \$160 billion to \$220 billion worth of bonds will be issued in each of the next 5 years, about half of which will be used for re-financing the short-term debts incurred in recent years. Please advise on:

1. the scales, tenors, interest rates and interest expenses of bonds issued by the Government in the past 3 years under the Government Bond Programme, the Government Sustainable Bond Programme and the Infrastructure Bond Programme, as well as the subscription amounts and major investors;
2. the principals and interests of bonds which will be due in the coming 5 years;
3. the targeted issuance size of this year and the details; and whether there are any contingency plans in place to raise funds in case of undersubscription.

Asked by: Hon CHU Lap-wai (LegCo internal reference no.: 42)

Reply:

- (1) The sizes, tenors, interest rates, interest expenses and subscription amounts of bonds issued by the Government in the past three financial years (2023-24 to 2025-26) under the Government Bond Programme (GBP), the Government Sustainable Bond Programme (GSBP) (previously known as the Government Green Bond Programme) and the Infrastructure Bond Programme (IBP) are as follows:

GBP

Financial year	Issuance size (HK\$)	Tenor	Interest rate	Interest expenses (HK\$)	Subscription rate (times)
2023-24	82 billion	1 to 20 years	1.25% to 5.00%*	6,977 million	2.3 to 5.0
2024-25	3 billion	1 year	floating rate*	6,825 million	3.2 to 4.6
2025-26 [^]	-	-	-	4,903 million	-

* 1-year floating rate bonds carry interest indexed to the Hong Kong Dollar Overnight Index Average (HONIA).

[^] Since September 2024, the Government has not issued any bonds under the GBP, which is being gradually replaced by the IBP and GSBP.

GSBP

Financial year	Issuance size (HK\$)	Tenor	Interest rate	Interest expenses (HK\$)	Subscription rate (times)
2023-24	72.6 billion	2 to 10 years	2.7% to 4.75%	3,767 million	1.5 to 5.3
2024-25	24.9 billion	2 to 30 years	2.6% to 4.25%	6,123 million	4.8
2025-26	31.5 billion	2 to 20 years	1.9% to 4.125%	6,068 million	3.3 to 25.2

IBP

Financial year	Issuance size (HK\$)	Tenor	Interest rate	Interest expenses (HK\$)	Subscription rate (times)
2024-25	105.2 billion	1 to 20 years	2.04% to 4.00%*	17 million	0.9 to 7.2
2025-26	124.1 billion	1 to 30 years	1.48% to 3.99%*	4,103 million	1.4 to 14.0

* 1-year floating rate bonds carry interest indexed to the HONIA.

The issuance of government bonds on an appropriate scale will not only promote the development of the bond market, but will also enable us to leverage market capital to invest in our future, thereby driving Hong Kong's sustainable and infrastructure development. The institutional bonds issued by the Government have consistently attracted a wide range of global investors and have been oversubscribed, reflecting investors' recognition of the development of Hong Kong's bond market and their confidence in Hong Kong's long-term development. In addition, the Government issues retail infrastructure bonds (including Silver Bonds) to provide members of the public with a reliable investment option with steady returns, while enabling them to

participate in infrastructure development. The bonds have been well-received by the public.

- (2) As at 31 March 2026, the principals and interests of bonds issued under the GSBP and IBP due in the coming five years are tabulated as follows:

Financial year	Government bond repayment (\$)	Interest rate
2026-27	HKD26 billion	floating rate (Note 1)
	RMB12 billion	1.48% to 3.00%
	EUR1.25 billion	0% (Note 2)
	USD0.5 billion	4.25%
2027-28	HKD81.91 billion	2.50% to 2.89%; floating rate (Note 3)
	RMB12.75 billion	1.54% to 3.30%
	EUR0.75 billion	3.375%
	USD2 billion	4.25% to 4.50%
2028-29	HKD67.27 billion	2.76%; floating rate (Note 4)
	RMB10.75 billion	1.59% to 2.95%
	USD1.05 billion	3.625% to 4.00%
2029-30	HKD4.5 billion	3.23%
	RMB4.5 billion	2.37% to 2.70%
	EUR0.8 billion	2.50% to 3.875%
2030-31	HKD9.5 billion	2.70%
	RMB7.5 billion	1.90% to 1.97%
	USD2 billion	1.375% to 4.125%

Notes:

1. Includes HKD6 billion worth of 1-year floating rate bonds carrying interest indexed to the HONIA, and HKD20 billion worth of Retail Green Bonds with a rate linked to inflation in Hong Kong, subject to a minimum rate of 4.75%.
2. The coupon rate of the EUR bonds is 0% as they were issued at a discount below face value. Investors will be repaid the face value of the bonds upon redemption at maturity.
3. Includes about HKD55 billion worth of Silver Bonds and HKD17.7 billion worth of retail infrastructure bonds with rates linked to inflation in Hong Kong, subject to a minimum rate of 4% and 3.5% respectively.
4. Includes about HKD55 billion worth of Silver Bonds with a rate linked to inflation in Hong Kong, subject to a minimum rate of 3.85%.

- (3) The Government plans to issue a total of about \$160 billion worth of bonds under the GSBP and IBP in 2026-27. Arrangements including the bond issuance parameters and the selection of individual works projects to be funded by the bond proceeds will be determined having regard to factors such as the Government's prevailing fiscal position, market response and works progress at the time of bond issuance.

In formulating and implementing the Government's overall bond issuance plan, there is flexibility to adjust the issuance arrangements and final issuance size of each bond issuance based on various factors including market response. While the final issuance size of an individual bond issuance may differ from the target issuance size, this will not

affect the implementation of the Government's bond issuance plan and overall fiscal planning.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)104

(Question Serial No. 3379)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

On consolidating funds established outside the Government's accounts, will the Government advise this Committee on the following:

1. The Government expects to revise the financial arrangements of 4 funds to bring back their unspent balances, on the premise of supporting their operations in the next 5 years. What are the details of the 4 funds? What are the respective amounts to be brought back from and remaining balances of each of these funds?
2. The Government expects to close a fund which has accomplished its policy objectives and 2 funds for which objectives can be met more effectively under the established funding mechanism, and bringing back their unspent balances. What are the details?
3. The Government expects to consolidate 6 funds into 3 for enhanced efficiency in the use of resources. What are the details of the consolidation?
4. What are the remaining balances of the 23 funds with financial arrangements to be maintained? Will the Government give further consideration to bringing back the resources of these funds in the future?

Asked by: Hon WONG Kam-fai, William (LegCo internal reference no.: 42)

Reply:

1. and 2.

The Financial Services and the Treasury Bureau (FSTB), in consultation with relevant policy bureaux/departments (B/Ds), has conducted a full review of the policy objectives, modes of operation and financial arrangements of the remaining 36 funds established outside the Government's accounts, and has carefully assessed the individual circumstances of these funds.

Seed capital funds are primarily established through substantial government injections and use investment returns to meet their annual expenditure. This mode of operation has resulted in the locking up of an enormous amount of public financial resources, thereby limiting the Government's flexibility in allocating resources to different policy areas according to the prevailing priorities. We propose bringing back the unspent balances of 4 seed capital funds, viz. the Environment and Conservation Fund, the Self-financing Post-secondary Education Fund, the HKSAR Government Scholarship Fund and the Beat Drugs Fund, to the Government's accounts after setting aside resources to support their operations in the coming 5 years. The policy objectives, modes of operation, management and control of the relevant funds will remain unchanged after the transfers.

We also propose closing 3 funds and bringing back their remaining balances to the Government's accounts. 2 of them, viz. the Hong Kong Paralympians Fund and the Arts Development Fund for Persons with Disabilities, are seed capital funds and their balances and annual expenditure are relatively limited. Closing these 2 funds can streamline administrative procedures and reduce the workloads and expenditures on investment management, auditing, report compilation, etc. To ensure that the Social Welfare Department (SWD) can continue to take forward the relevant policy objectives in a more cost-effective manner, we propose, starting from 2027-28, providing the SWD with an additional recurrent provision with reference to the expenditure level of the 2 funds in recent years under the established allocation mechanism, with a view to continuing to support the sustainable development of persons with disabilities in arts and sports. As for the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas, considering that its policy objectives have been accomplished with the completion of all 190 reconstruction projects, we propose closing it as well.

For the 7 funds to be brought back in 2026-27 as proposed in the 2026-27 Budget, their policy objectives, modes of operation, management and control, amounts expected to be brought back and balances to be retained are set out in Annex 1.

3. We propose consolidating the 6 funds established under the Sir David Trench Fund for Recreation Ordinance (Cap. 1128). Among these funds, the Sports Aid Foundation Fund and the Sports Aid for the Disabled Fund have been respectively succeeded since 2007-08 by the Elite Training Grant and the Sports Aid Grant for Athletes with Disabilities introduced by the Hong Kong Sports Institute. Furthermore, as the Hong Kong Arts Development Council has taken up the responsibilities of providing funding support for local arts groups and artists to participate in outbound cultural exchange activities since 1 April 2020, the Arts Development Fund no longer accepts funding applications. To reduce duplication of effort and enhance efficiency in the use of resources, we propose closing the above 3 funds and transferring their entire balances to the Sir David Trench Fund for Recreation (Main Fund). The operation of the Main Fund, the Arts and Sport Development Fund, and the Hong Kong Athletes Fund will remain unchanged.
4. Of the 23 funds with financial arrangements proposed to be maintained, 17 are non-seed capital funds. Upon review, we consider that these funds have no excessive balance and have been operating in a cost-effective manner. We therefore propose that they continue to operate in accordance with their current financial arrangements in order to achieve the respective policy objectives. For the remaining 6 funds, which are seed

capital funds, we propose maintaining their financial arrangements taking into account their individual circumstances, such as the need to set aside the entire balance to meet the necessary expenditure for the coming 5 years, the operation of the fund being supported on a fee-charging and self-financing basis, and the fact that the fund balances comprise mainly non-Government contributions. All relevant B/Ds will continue to closely monitor the operation of the funds under their purviews to ensure effective implementation of their policy objectives. The FSTB will continue to monitor the latest developments and financial position of the funds, and assist B/Ds in devising the most suitable financial arrangements. The latest audited balances of the 23 funds are set out in **Annex 2**.

7 funds proposed to be brought back in 2026-27
(in descending order of the latest audited balance)

(i) 4 seed capital funds with unspent balances proposed to be brought back to the Government’s accounts

	Name of fund	Policy objective	Mode of operation	Management and control	Amount expected to be brought back (\$ million)	Balance to be retained (\$ million)
1	Environment and Conservation Fund	To provide funding for publicity, educational, research and other projects and activities in relation to environment and nature conservation.	The principal is placed with the Exchange Fund (EF). The primary income source is investment returns.	The fund was established under the Environment and Conservation Fund Ordinance (Cap. 450), with its trustee being the Secretary for Environment and Ecology. The Environment and Conservation Fund Committee appointed by the Chief Executive advises the Trustee on the manner and extent of using the Fund. The Environment and Ecology Bureau submits annually to the Legislative Council (LegCo) a statement of accounts of the Fund audited and signed by the Director of Audit.	4,120	2,010

	Name of fund	Policy objective	Mode of operation	Management and control	Amount expected to be brought back (\$ million)	Balance to be retained (\$ million)
2	HKSAR Government Scholarship Fund	To support on an on-going basis the provision of scholarships for outstanding local and non-local students studying in full-time publicly-funded programmes at sub-degree or above levels in Hong Kong.	The principal is mainly invested in securities, and placed with banks and EF. The primary income sources are government injections and investment returns.	The fund is managed by EDB, with its trustee being the Permanent Secretary for Education Incorporated (PSEdI). EDB established the Steering Committee of the HKSAR Government Scholarship Fund to advise on the overall strategy and policy pertaining to the administration and development of the fund. The HKSAR Government Scholarship Fund Investment Committee has been set up under the Steering Committee to formulate policies for and to monitor the investment of the fund. EDB submits the fund's financial statements to the Director of Audit and LegCo annually.	4,130	1,010

	Name of fund	Policy objective	Mode of operation	Management and control	Amount expected to be brought back (\$ million)	Balance to be retained (\$ million)
3	Self-financing Post-secondary Education Fund	To support appropriate initiatives and schemes that aim to enhance the quality of self-financing post-secondary education.	The principal is mainly invested in securities, and placed with banks and EF. The primary income sources are government injections and investment returns.	The fund is managed by EDB, with its trustee being PSEdI. EDB established the Committee on Self-Financing Post-secondary Education to advise the Secretary for Education on the policy, strategy and administration of the fund. The Self-Financing Post-secondary Education Fund Investment Committee has also been set up to formulate policies for and to monitor the investment of the fund. EDB submits the fund's financial statements to the Director of Audit and LegCo annually.	4,030	910

	Name of fund	Policy objective	Mode of operation	Management and control	Amount expected to be brought back (\$ million)	Balance to be retained (\$ million)
4	Beat Drugs Fund (BDF)	To provide financial support to community-wide anti-drug projects so as to sustainably combat drug problem.	The principal is mainly invested in securities, and placed with banks and EF. The primary income sources are government injections and investment returns.	The fund is administered by the BDF Association, which is a non-profit-making limited company incorporated under the Companies Ordinance (Cap. 622). A Governing Committee under the chairmanship of the Permanent Secretary for Security is set up to oversee the administration and investment of BDF, consider applications for financial support from BDF and decide on the grants having regard to the recommendations by the Action Committee Against Narcotics. An Investment Sub-committee chaired by the Director of Accounting Services is also set up to provide expert advice on the investment of BDF.	3,000	1,600

(ii) Closing 3 funds which have accomplished their policy objectives or for which objectives can be met more effectively under the established mechanisms, and bringing back their unspent balances to the Government's accounts

	Name of fund	Policy objective	Mode of operation	Management and control	Estimated balance to be brought back (\$ million)	Balance to be retained (\$ million)
1	Hong Kong Paralympians Fund	To foster the development of sports for people with disabilities (PWDs) and support athletes with disabilities in their pursuit of sporting excellence in international events by providing financial assistance in all stages of their sporting career.	The principal is mainly placed with EF and banks, and also invested in securities. The primary income sources are government injections and investment returns.	The fund is held in trust and managed by the Director of Social Welfare Incorporated (DSWI) as the trustee, and is overseen by the Hong Kong Paralympians Fund Management Committee. The Director of Social Welfare (DSW) submits the fund's financial statements to the Director of Audit and LegCo annually.	260	10

	Name of fund	Policy objective	Mode of operation	Management and control	Estimated balance to be brought back (\$ million)	Balance to be retained (\$ million)
2	Arts Development Fund for Persons with Disabilities	To provide funding to organise elementary and continuing arts programmes for PWDs to enhance their arts knowledge, foster their interests in arts and unleash their potential, and support PWDs with great artistic potential to pursue excellence and develop their careers in performing, visual or creative arts.	The principal is mainly placed with EF and banks. The primary income sources are government injections and investment returns.	The fund is held in trust and managed by DSWI as the trustee, and is overseen by the Arts Development Fund for Persons with Disabilities Management Committee. DSW submits the fund's financial statements to the Director of Audit and LegCo annually.	220	20

	Name of fund	Policy objective	Mode of operation	Management and control	Estimated balance to be brought back (\$ million)	Balance to be retained (\$ million)
3	Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas	To provide funding for purposes in support of the reconstruction in the Sichuan earthquake affected areas for the relieving and rehabilitation of victims.	The fund is mainly placed with banks. The primary income sources are government injections and public donations.	The fund is a trust fund established under the Secretary for Home Affairs Incorporation Ordinance (Cap. 1044) (currently Secretary for Home and Youth Affairs Incorporation Ordinance), with its trustee being the Secretary for Home Affairs Incorporated (currently known as the Secretary for Home and Youth Affairs Incorporated). The Steering Committee on the Hong Kong Special Administrative Region's Support for Reconstruction in the Sichuan Earthquake Stricken Areas ¹ decides on the policies and modus operandi relating to the release of funds under the fund in support of the reconstruction work, resolve on the actual amount allocated to the subsidised bodies and monitor the use of funds. The Home and Youth Affairs Bureau is responsible for handling the accounting matters of the fund and submits statements of accounts of the fund to the Director of Audit and LegCo annually.	70	0

¹ The matters handled by the Steering Committee on the Hong Kong Special Administrative Region's Support for Reconstruction in the Sichuan Earthquake Stricken Areas have been taken up by the Steering Committee on Co-operation with the Mainland.

23 funds with financial arrangements proposed to be maintained
(in descending order of the latest audited balance)

	Name of fund	Fund balance (\$ million) (Note)
Seed capital fund		
1	Community Care Fund	10,336
2	Quality Education Fund	9,692
3	Elite Athletes Development Fund	9,622
4	Queen Elizabeth Foundation for the Mentally Handicapped	226
5	Supplementary Legal Aid Fund	216
6	Social Work Training Fund	21
	<i>Balance of 6 seed capital funds:</i>	<i>30,113</i>
Non-seed capital fund		
7	Employees Retraining Fund	13,498
8	Samaritan Fund	7,729
9	Anti-epidemic Fund	3,561
10	Construction Innovation and Technology Fund	1,698
11	Traffic Accident Victims Assistance Fund	1,405
12	Occupational Deafness Compensation Fund	649
13	Social Innovation and Entrepreneurship Development Fund	453
14	Emergency Relief Fund	130
15	Cantonese Opera Development Fund	123
16	Elder Academy Development Foundation	53
17	AIDS Trust Fund	28
18	J.E. Joseph Trust Fund	22
19	Consumer Legal Action Fund	20
20	Pneumoconiosis Ex Gratia Fund	19
21	Kadoorie Agricultural Aid Loan Fund	17
22	Trust Fund for Severe Acute Respiratory Syndrome	15
23	Hong Kong Arts Development Council Fund	2
	<i>Balance of 17 non-seed capital funds:</i>	<i>29,422</i>
	Total balance of 23 funds:	59,535

Note: "Fund balance" refers to the balance shown in the latest audited financial statements of each fund.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)105

(Question Serial No. 3400)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As regards the new item under “Matters Requiring Special Attention in 2026–27” for attracting targeted industries through preferential policies in support of the development of the Northern Metropolis, please inform this Committee of the following:

1. When is the latest expected date for the official announcement of the details regarding the preferential policies?
2. Which specific targeted industries are these preferential policies expected to focus on?
3. Has the Government assessed the number of enterprises that these preferential policies can attract to set up operations in Hong Kong, and the amount of capital investment that can be drawn to Hong Kong in the coming 3 years? If so, what are the findings? If not, what are the reasons?

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 53)

Reply:

The Chief Executive announced in his 2025 Policy Address the formulation of preferential policy packages to attract high value-added industries and high-potential enterprises to set up their businesses in Hong Kong. The Financial Secretary announced in the 2026-27 Budget that the Government has formulated a preliminary framework regarding the preferential policy packages, which would take into account a series of factors such as the enterprise's industry and its technology level, as well as the potential economic contributions and employment opportunities it can bring to Hong Kong. Policy tools include land grant arrangements, financial subsidies and tax incentives. The preferential tax rates will be half-rate or 5%.

(1) and (2)

We are working out the details such as the targeted industries eligible for tax incentives and the implementation plans. We plan to announce the details and submit an amendment bill regarding these tax incentives in the second half of this year.

(3)

Invest Hong Kong (InvestHK) and the Office for Attracting Strategic Enterprises (OASES) have been committed to attracting businesses to Hong Kong through various means. InvestHK will work towards the performance indicator set out in the 2025 Policy Address to attract at least 1 200 Chinese Mainland or overseas enterprises to set up or expand businesses in Hong Kong between 2026 and 2027. OASES has attracted 102 strategic enterprises since its establishment, and these companies are expected to bring in about \$60 billion of investment over the next few years. In late April this year, OASES will announce a new batch of about 20 strategic enterprises, which will introduce substantial new capital and create more high-end jobs, thereby further strengthening Hong Kong's innovation and technology ecosystem. In addition, the Hong Kong Special Administrative Region Government's Economic and Trade Offices in the Mainland and overseas, as well as organisations such as the Hong Kong Science and Technology Parks Corporation, have also been assisting in attracting enterprises to Hong Kong.

As the details of the relevant preferential policies are still being formulated and will apply only to eligible enterprises, we are currently unable to assess the number of enterprises that will be drawn to establish their presence in Hong Kong by these policies. However, we anticipate that the preferential policies will be effective and further facilitate Hong Kong's future efforts to attract businesses and investment.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)106

(Question Serial No. 3402)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under Matters Requiring Special Attention in 2026-27, the Bureau will, on overseeing the procurement policy, update or streamline the prevailing procurement procedures and guidelines having regard to “best practices in the market”, which is a newly added approach. Will the Government inform this Committee:

- (1) which local or overseas “best practices in the market” the Bureau is taking reference from; and
- (2) whether shortening of the average processing time of general tendering exercises can be expected upon implementation of the streamlined procurement procedures, and whether specific key performance indicators have been established to assess the achievement of anticipated efficiency of the procurement procedures?

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 54)

Reply:

- (1) The Treasury Branch of the Financial Services and the Treasury Bureau (The Treasury Branch) has been reviewing the government procurement policy and enhancing the government procurement regime on various fronts in response to evolving circumstances. The Government established the Task Force on Review of Government Procurement Regime in August 2025. The Treasury Branch, together with the Government Logistics Department (GLD) and relevant bureaux and departments, conducted a comprehensive review of the government procurement regime and relevant procedures. In formulating the enhancement measures, the Treasury Branch and GLD exchanged views with industry stakeholders and took into account the experience in market operations and industry best practices to ensure that the proposed measures are operationally feasible and can achieve optimal effectiveness. At meetings with practitioners from the information technology and procurement/supply chain sectors, GLD noted that electronic tools were widely used by enterprises to collect background information on tenderers and contractors online. Recognising this good

market practice, GLD has been developing an artificial intelligence tool suitable for government procurement since January this year to facilitate retrieval of information on tenderers and contractors from online open sources.

- (2) In 2026-27, the Treasury Branch will continue to work with GLD to explore ways to update and streamline the prevailing procurement procedures and guidelines, with a view to continuously enhancing the government procurement regime. As departments procure goods and services according to their operational needs, the nature and scale of procurement exercises vary significantly, and the time required for tendering cannot be subject to direct comparison. Therefore, we currently have no plan to set relevant key performance indicators.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)107

(Question Serial No. 3403)

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

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the Budget, efforts will be made to “collaborate with relevant bureaux and departments” to ensure that fees and charges are reviewed in a timely manner based on the “cost recovery” and “user pays” principles. When compared with previous years, it has specifically added the wording “collaborate with relevant bureaux and departments”. Please advise this Committee of the following:

- (1) How will the Treasury Branch lead and co-ordinate the reviews of fees and charges of other bureaux and departments? Has an inter-departmental co-ordination mechanism been put in place?
- (2) Is there a priority list of government services or departments for the review of fees and charges in 2026-27? If yes, what are the details? If no, what are the reasons?
- (3) During the review process, what criteria will be used to assess the financial burden of fee increases on the general public and the business sector under the current economic climate?

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 55)

Reply:

In general, fees and charges of government services are determined based on the “cost recovery” principle. This is to ensure that service users pay for the service costs, thereby avoiding subsidisation by taxpayers at large. As the costs of providing government services change over time, relevant fees and charges should be reviewed and revised as and when necessary.

The Financial Services and the Treasury Bureau (FSTB) has issued internal guidelines requiring policy bureaux and departments (B/Ds) to review fees and charges in a timely manner. To avoid delay and revenue loss, B/Ds should accord priorities to the reviews of

fees and charges which have a greater impact on government revenue. Policy bureaux should also oversee the fee revisions of the departments under their purview to ensure they are properly formulated and timely implemented. In addition, policy bureaux should seek acceptance from the public and the Legislative Council regarding the fee revisions, with a view to achieving the target of cost recovery.

Apart from cost considerations, B/Ds should fully consider the views of those enterprises or individuals being affected, as well as their affordability and acceptability, economic situations, and other factors when determining the fee adjustments. The Government will not require fee increases to recover the full costs of all government services in one go. If it is not feasible to attain full cost recovery through a one-off fee increment, B/Ds may consider increasing the fees and charges in phases. B/Ds should also exercise stringent cost control to minimise the need for fee increases.

B/Ds will review the fees and charges under their purview in accordance with the above mechanism and principles. If it is necessary to revise the fees and charges, B/Ds will make announcements accordingly. FSTB will continue to monitor B/Ds' reviews of fees and charges and remind them to conduct fee reviews in a timely manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)108

(Question Serial No. 3640)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2026-27, the Government will accelerate the development of the Northern Metropolis (NM) through transferring \$150 billion from the Exchange Fund and expanding the scale of bond issuance. The Financial Secretary stated that the investment in the NM will not exceed \$100 billion in each of the coming years, and it is expected that private and public sector investment will each account for half of the investment. In this connection, will the Government inform this Committee of the following:

1. How much of the \$150 billion to be transferred from the Exchange Fund is expected to be used for supporting the NM works projects in the coming 5 years? What are the specific allocation arrangements of the amounts (such as the proportions of amounts used for land resumption, infrastructure or industry development)?
2. Given the significant decrease in revenue from land sales in recent years, land revenue in 2026-27 is estimated at \$18 billion only, and there is a marked difference between the estimated land revenue and the estimated capital works expenditure of \$128 billion for the same year. Has the Government assessed whether the arrangements of bond issuance and transferring the amounts from the Exchange Fund are adequate to fill the gap? If the assessment result indicates that they are inadequate, what are the response plans of the Government?

Asked by: Hon FAN Hoi-kit, Alex (LegCo internal reference no.: 4)

Reply:

As the Government will accelerate the development of the Northern Metropolis (NM) and other public works projects relating to the economy and people's livelihood, the capital works expenditure is estimated at about \$128 billion in 2026-27, and is expected to remain at a similar level throughout the five-year Medium Range Forecast (MRF) period. The Chief

Executive announced in the 2025 Policy Address that an additional \$30 billion would be earmarked in the next two to three years for the Government's expenditure on works projects. This amount has been included in the above estimated capital works expenditure of about \$128 billion per annum. The \$150 billion to be transferred in two financial years from the Exchange Fund to the Capital Works Reserve Fund will be used entirely to meet the expenditure on the development of the NM and other public works projects, and not for meeting the expenditure on land resumption or other expenses.

The Government expects to issue about \$160 billion to \$220 billion worth of bonds each year over the next five years (i.e. from 2026-27 to 2030-31) and raise the total borrowing ceiling of the Government Sustainable Bond Programme and the Infrastructure Bond Programme to \$900 billion, thereby providing greater flexibility in leveraging market resources to take forward infrastructure projects that are conducive to Hong Kong's long-term development. Taking into account the transfer from the Exchange Fund, the Government is confident that the development of the NM and other strategic infrastructure works projects may proceed on schedule.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)109

(Question Serial No. 3657)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Northern Metropolis has entered a peak period of “land resumption and commencement of construction”. Given that the Government is financing this project through bond issuance, what impact will the current financing costs (interest payment) have on the soundness of our public finances over the next 5 years?

Asked by: Hon HO Kwan-yiu, Junius (LegCo internal reference no.: 30)

Reply:

The Government expects to issue about \$160 billion to \$220 billion worth of bonds each year over the next five years (i.e. from 2026-27 to 2030-31). The ratio of government debt to Gross Domestic Product (GDP) is projected to rise from 14.4% to 19.9%, a level that remains highly prudent and well below the levels of most advanced economies. As always, the Government will adhere strictly to fiscal discipline, and ensure that the bond proceeds will only be used to finance public works projects and eligible sustainable projects, but not for government's recurrent expenditure. Such proceeds will not be used to pay compensation for land resumption, which has always been funded by other government revenue sources.

The issuance of government bonds on an appropriate scale will not only promote the development of the bond market, but will also enable us to leverage market capital to invest in our future, thereby driving Hong Kong's sustainable and infrastructure development. The bonds issued by the Government have consistently attracted a wide range of global investors and have been oversubscribed, reflecting investors' recognition of the development of Hong Kong's bond market and their confidence in Hong Kong's long-term development.

The actual amount of bonds to be issued and interest expenses will depend on the Government's prevailing fiscal position, market response and works progress. The estimated interest expenses on bond issuance in 2026-27 will be around \$16.6 billion, equivalent to 0.5% of GDP. From 2027-28 to 2030-31, annual interest expenses on bond

issuance are expected to account for less than 1% of GDP. Hence, the impact on public finances will be minimal.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)110

(Question Serial No. 3701)

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Andrew LAI)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the central resource allocation mechanism, could the Government inform this Committee of the following:

- (1) the number of applications submitted by various departments for additional resources under the central resource allocation mechanism to meet additional operational needs in each of the past 2 years and in the current year to date; and
- (2) for the applications mentioned in item (1), the percentages of successful and unsuccessful applications.

Asked by: Hon CHAU Siu-chung (LegCo internal reference no.: 8)

Reply:

The Government's internal resource allocation exercise (RAE) aims to review and assess the resource requirements for new policy initiatives or operational needs as requested by bureaux and departments (B/Ds) and determines the allocation of limited new resources available each year, taking into consideration such factors as the importance, specific measures, and priority of initiatives, as well as the Government's financial position. Based on the new resources allocated and other relevant considerations, B/Ds draw up their respective expenditure estimates for the following year, which fully reflect the co-ordinated outcomes of the RAE. The RAE is an internal co-ordination procedure within the Government and, hence, we are not able to disclose details. The expenditure estimates of B/Ds reflecting the above outcomes are submitted in the form of an Appropriation Bill to the Legislative Council for scrutiny and passage.

- End -