

# Hong Kong and Cambodia enter into tax pact

The Secretary for Financial Services and the Treasury, Mr James Lau, on behalf of the Hong Kong Special Administrative Region Government, signed a comprehensive avoidance of double taxation agreement (CDTA) with Cambodia today (June 26), promoting further bilateral investment and trade between the two jurisdictions.

This CDTA is the 41st agreement that Hong Kong has concluded. It sets out the allocation of taxing rights between the two jurisdictions and will help investors better assess their potential tax liabilities from cross-border economic activities.

Mr Lau said, "Cambodia was Hong Kong's 38th largest trading partner in 2018. We have all along treasured our economic and trade ties with Cambodia and I have every confidence that this agreement will encourage more bilateral investments and bring our co-operation to a new level."

Under the Hong Kong-Cambodia CDTA, double taxation will be avoided in that any tax paid in Cambodia by Hong Kong companies in accordance with the CDTA will be allowed as a credit against the tax payable in Hong Kong on the same income, subject to the provisions of the tax laws of Hong Kong. Likewise, for Cambodian companies, the tax paid in Hong Kong will be allowed as a deduction from the tax payable on the same income in Cambodia.

Moreover, the Hong Kong-Cambodia CDTA also provides the following tax relief arrangements:

- (a) Cambodia's withholding tax rates for Hong Kong residents on dividends, interest, royalties and fees for technical services will be reduced from the current level of 14 per cent to 10 per cent;
- (b) Hong Kong airlines operating flights to and from Cambodia will be taxed at Hong Kong's corporation tax rate, and will not be subjected to tax on income in Cambodia; and
- (c) Hong Kong residents deriving profits from international shipping transport in Cambodia will enjoy 50 per cent reduction in tax on income in Cambodia in respect of the profits subject to tax there.

The Hong Kong-Cambodia CDTA has also incorporated an article on exchange of information, which enables Hong Kong to fulfil its international obligations on enhancing tax transparency and combating tax evasion.

This CDTA will come into force after the completion of ratification procedures by both jurisdictions. In the case of Hong Kong, it will be implemented by way of an order to be made by the Chief Executive in Council under the Inland Revenue Ordinance. The order is subject to negative vetting by the Legislative Council.

Details of the Hong Kong-Cambodia CDTA are available on the website of the Inland Revenue Department ([www.ird.gov.hk/eng/pdf/Agreement\\_Cambodia\\_HongKong.pdf](http://www.ird.gov.hk/eng/pdf/Agreement_Cambodia_HongKong.pdf)).

Hong Kong will continue to negotiate with trading and investment partners with a view to expanding its CDTA network.

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## **LCQ8: Supply of water to Hong Kong**

Following is a question by the Hon Lau Kwok-fan and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (June 26):

Question:

The new agreement on the supply of Dongjiang (DJ) water to Hong Kong from 2018 to 2020, signed by the Government and the Guangdong provincial authorities in December 2017, continues to adopt the "package deal lump sum" approach in calculating water prices. However, both parties have agreed to conduct a review of the future payment approach for water supply. In addition, it has been reported that the Pearl River Delta Water Resources Allocation Project (commonly known as the "West to East Water Diversion Project") commenced last month and is expected to be completed in 2024. In this connection, will the Government inform this Council:

(1) whether it has started discussing with the Mainland authorities the arrangements for making Xijiang water a backup supply for Hong Kong; if so, of the details; if not, the reasons for that;

(2) given that the quality standard of DJ water supplied to Hong Kong is in compliance with Type II waters in the Environmental Quality Standards for Surface Water (GB3838-2002), which is the highest national standard for surface water quality applicable for the abstraction for human consumption, and the quality standard of Xijiang water supplied to Macao from 2014 to 2016 was in compliance with the national standard at a grade lower (i.e. Type III waters), whether the Government has conducted studies and made preparation in this regard to ensure that the quality of Xijiang water to be supplied to Hong Kong meets the highest standard; if so, of the details; if not, the reasons for that; and

(3) of the details, specific timetable and progress in respect of the review of the payment approach for DJ water; as the Democratic Alliance for the Betterment and Progress of Hong Kong has suggested switching to the adoption of a combined payment approach for the purpose of securing stable water supply and reasonable charges, whether the Government has assessed if Xijiang water as a backup supply may provide a better assurance for water supply, so

that the feasibility of adopting a combined payment approach is enhanced; if it has conducted such an assessment and the outcome is in the affirmative, whether the Government will discuss with the Guangdong provincial authorities the adoption of a combined payment approach?

Reply:

President,

In all the Dongjiang (DJ) water supply agreements signed with the Guangdong (GD) authorities since 2006, the "package deal lump sum" approach has been adopted to ensure reliable and flexible supply of DJ water to Hong Kong. As Hong Kong's fresh water resources come from local yield and DJ water, the "package deal lump sum" approach allows us to import DJ water as needed based on the actual local yield and up to an annual supply ceiling specified in the supply agreements. This not only ensures adequate water supply for Hong Kong under the drought condition with a return period of 1 in 100 years, but also avoids wastage of the DJ water resources and saves related operating costs when more local yield is available in a particular year. Nevertheless, given the "package deal lump sum" approach has been adopted for more than 10 years, it is considered an appropriate time to review the payment approach. To this end, we set up a working group with the GD authorities in August 2017 to take forward the review on the "package deal lump sum" payment approach.

Moreover, since the water resource utilisation rate of DJ has already reached a level very close to its exploitation limit, the Pearl River Delta Water Resources Allocation Project is to divert water from Xijiang to the eastern part of the Pearl River Delta (including Guangzhou Nansha, Shenzhen and Dongguan) to alleviate the pressure of demand for DJ water in those areas. At the same time, the Project will provide an opportunity for the provision of emergency backup to areas including Hong Kong, Panyu, Shunde to further safeguard the reliability of water supply in these areas.

The responses to the Hon Lau's three queries are as follows:

(1) The Pearl River Delta Water Resources Allocation Project will provide an opportunity for the provision of emergency backup to the DJ water imported to Hong Kong. As the works of the Project have just started, details of the emergency backup arrangements have not yet been worked out by the GD authorities. We will follow up with the Water Resources Department of the GD Province on the related arrangements in due course.

(2) The Pearl River Delta Water Resources Allocation Project takes water from the main branch of Xijiang at Liyuzhou in Shunde district of Foshan, which is different from the location where Macao takes water from Xijiang. Based on our understanding, the quality of the water near the water intake point at Liyuzhou meets the Type II waters in the "Environmental Quality Standards for Surface Water (GB3838-2002)" (i.e. the highest national standard for surface water applicable for the abstraction for human consumption) which is the same as the water quality standard of DJ water specified in the DJ water supply

agreements.

(3) A working group has been set up with the GD authorities for reviewing the "package deal lump sum" payment approach. Apart from reviewing the existing "package deal lump sum" payment approach, the review will explore other payment approaches. As the review is still ongoing, it is premature to disclose the details at this stage. However, no matter which payment approach is to be adopted, we will ensure that it will not affect the reliability of water supply to Hong Kong. We will strive to complete the review before the negotiation of the next supply agreement in 2020.

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## LCQ18: Management of streets

Following is a question by the Hon Paul Tse and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 26):

Question:

In early years, the Government signed, with the owners of the land adjoining a number of streets in Causeway Bay such as Great George Street, Paterson Street, East Point Road, Kingston Street and Cleveland Street, agreements under which the land owners would replace the facilities on the streets concerned at their own cost and be responsible for the future repair and maintenance of such facilities (but excluding street management). At present, some of such streets are full-time or part-time pedestrian streets. Some members of the public have complained that there are often busking and commercial promotion stalls on those streets, and that some groups occupy the road space for holding activities, which have caused serious nuisance to the residents in the vicinity and pedestrians. In this connection, will the Government inform this Council:

(1) of the total number of complaints received by the various government departments in the past three years about the noise nuisance, road obstruction, environmental hygiene problems, etc. which were caused by hawking, busking and other activities on the aforesaid streets, and the follow-up actions taken;

(2) if it has gained an understanding about whether the aforesaid land owners have made profits from the commercial activities conducted on the pedestrian streets; if it has, of the details;

(3) whether, apart from the aforesaid streets in Causeway Bay, the Government signed in the past three years/will sign in the coming three years similar agreements with other land owners and, thereafter, designated/designate the streets concerned as pedestrian streets; if so, of the details; and

(4) of the existing channels and procedure through which individuals and groups who intend to organise commercial, political or performing activities on pedestrian streets may make applications for such activities?

Reply:

President,

The lot owners of the developments adjacent to Paterson Street, Kingston Street and Cleveland Street in Causeway Bay had earlier proposed to the Government to replace the road facilities including paving blocks, pedestrian railings and bollards on the public footpaths of the above-mentioned streets at their own cost in order to enhance street ambience. After consulting the relevant government departments and stakeholders, the lot owners signed a deed of undertaking in August 2013, pledging to the Highways Department (HyD) to carry out the replacement works of the above-mentioned road facilities, as well as the proper maintenance and repair of these replaced facilities. Replacement works were then carried out and completed in March 2016. Matters other than the replacement, maintenance and repair works of the above road facilities (such as street management of the road concerned) are taken care by relevant government departments, in the same way as other public roads.

As regards the Causeway Bay Pedestrian Zone covering the whole or parts of Lockhart Road, East Point Road, Paterson Street, Great George Street, Pak Sha Road and Lee Garden Road, etc., relevant government departments regulate the activities and conditions therein in accordance with the statutory power vested with them. For instance, the Food and Environmental Hygiene Department (FEHD) handles matters relating to environmental hygiene, street hygiene and hawking; and the Hong Kong Police Force (HKPF) is responsible for maintaining public safety and order. Upon receipt of noise complaints regarding pedestrian zones, HKPF deploys officers to handle the complaints in accordance with the Noise Control Ordinance (Cap. 400) (the Ordinance); the Environmental Protection Department (EPD) provides professional advice and suggestions to the Police with respect to the requirements of the Ordinance where necessary; the Transport Department (TD) is responsible for formulating traffic management measures having regard to the pedestrian and vehicular traffic of the relevant streets; and the District Offices coordinate among relevant government departments for cooperative efforts on district issues and reflect the views of local residents and district councils where necessary. Government departments have been working closely together to manage, regulate and monitor the pedestrian zones.

Having consulted the Home Affairs Bureau (HAB) / Home Affairs Department, Food and Health Bureau / FEHD, EPD, Security Bureau / HKPF, Development Bureau / Lands Department (LandsD), as well as HyD and TD, our reply to the Hon Paul Tse's question is as follows:

(1) With respect to the five streets mentioned in the question, the complaints received by relevant departments over the past three years regarding the noise nuisance, street obstruction, environmental hygiene problems, etc. caused by sales activities, performances, and other activities are as follows:

The Wan Chai District Office (WCDO) received a total of 4 complaints in relation to environmental hygiene and street obstruction, including 2 cases concerning street obstruction at Great George Street, 1 case concerning street obstruction at East Point Road, and 1 case concerning environmental hygiene and street obstruction at Kingston Street. WCDO already referred the complaints to FEHD, HKPF and EPD for follow-up.

FEHD received 784, 293, 15 and 404 complaints against environmental hygiene, unlicensed hawking, street obstruction by food premises, and street obstruction caused by publicity materials respectively. FEHD's enforcement actions include:

- (i) instituted 161 prosecutions for littering and 5 prosecutions for unlicensed hawking, and made 74 seizures of hawker goods;
- (ii) instituted 20 prosecutions against persons causing street obstruction by setting up promotional booths at public places;
- (iii) instituted a total of 9 prosecutions against irregularities such as street obstruction by food premises or unauthorised extension of business; and
- (iv) issued 314 fixed penalty notices to persons illegally displaying commercial publicity material, and seized a total of 672 pieces of publicity materials, including commercial easy-mount frames.

EPD received 1 complaint in respect of Paterson Street, 1 complaint relating to East Point Road and 2 complaints relating to Great George Street. Upon receipt of a public complaint, the Police will immediately deploy officers to the scene to conduct investigations. If it is confirmed that the noise concerned causes annoyance, the Police will take enforcement action against the offender. EPD will also provide professional advice to the Police to facilitate the Police's enforcement.

The Police does not have the breakdown of the number of complaints received in respect of the five streets mentioned in the question.

Apart from handling complaints and taking enforcement actions by relevant departments, the District Management Committee (DMC) of WCDO has been concerned about the noise nuisances, street obstruction and environmental hygiene problems in Causeway Bay Pedestrian Zone. These issues have been included under the agenda of DMC meetings for regular follow-up.

(2) and (4) Any organisation who wishes to set up street counters on Government land for holding non-profit making activities may submit an application to LandsD. LandsD considers and approves each application in accordance with established mechanism. Generally speaking, LandsD will not approve applications for setting up street counters on Government land for commercial activities. LandsD has not received any complaint regarding the conduct of profit-making commercial activities by relevant lot owners on relevant streets.

According to HAB, the Government and residents are in general taking a tolerant attitude towards street performances which are not causing complaints over noise, environmental hygiene, street obstruction, or public

order. As long as there is no contravention of the law, there is no regulation of the content and artistic level of the performances. Matters relating to street performances are subjected to the prevailing laws in Hong Kong such as the Summary Offences Ordinance (Cap. 228), the Crimes Ordinance (Cap. 200) and the Ordinance as mentioned in the preceding paragraph. Should any street performance breach any statutory provisions, relevant enforcement departments may give advice or take appropriate actions in accordance with the relevant ordinances, having regard to the specific circumstances of each case.

(3) The Hong Kong Jockey Club also signed an undertaking in 2018, pledging to HyD that it would be responsible for the replacement, maintenance and repair of paving blocks on the public footpath at Wong Nai Chung Road near Happy Valley Racecourse. The Government has no plans to designate the footpath at Wong Nai Chung Road near the Happy Valley Racecourse as pedestrian zone. The Government is not aware that other lot owners have any plan to undertake to replace, maintain and repair road facilities on public footpaths at their own costs.

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## **LCQ5: Caring and Sharing Scheme**

Following is a question by the Hon Kwong Chun-yu and a reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (June 26):

Question:

Applications for the Caring and Sharing Scheme, under which each eligible member of the public will be granted up to \$4,000, closed on April 30. Last month, the Government indicated that the Working Family Allowance Office (WFAO), which is responsible for implementing the Scheme, had received about 3.44 million applications and issued to all applicants acknowledgements of their applications. In this connection, will the Government inform this Council:

(1) as some members of the public have indicated that they have not yet received any acknowledgement, of the to-date number of members of the public who have indicated that they submitted an application but had yet to receive any acknowledgement;

(2) whether the WFAO has uncovered any case of missing application forms; if so, of the number of forms involved and the causes for that, as well as the remedial measures put in place; if not, why some applicants have not received any acknowledgement; and

(3) of the current average number of applications that the WFAO completes

processing each day, and the expected date for completion of the processing of all the applications?

Reply:

President,

The Caring and Sharing Scheme, announced by the Government last year, is implemented by the Working Family Allowance Office (WFAO) of the Working Family and Student Financial Assistance Agency. Upon receiving the applications, the WFAO will first enter the basic personal information of applicants for issuing an SMS to acknowledge receipt. The WFAO will then verify the applicants' information with relevant government departments, vet the applications against the eligibility criteria and disburse payments to successful applicants. As at June 25, the WFAO has given bank instructions to disburse payments or encash cash cheques for more than 617 000 successful applications.

My consolidated reply to various parts of the question is as follows:

The WFAO has received about 7 000 enquiries concerning applicants not receiving the acknowledgement. According to the computer system records, the WFAO confirms that about 10% of the cases are related to non-receipt of applications. The WFAO will allow the applicants concerned to re-submit their applications.

The WFAO issues acknowledgements to applicants based on the information entered. Applicants who have yet received the acknowledgement after submission of application form may make enquires with the WFAO. For those applicants who have not received acknowledgements, we found that some may have been caused by the provision of incomplete mobile phone number or residential address in the application form and some may be attributable to inaccurate mobile phone number entered by the WFAO staff. When handling enquiries of those applicants who have not received any acknowledgement, the WFAO staff will verify all the relevant information with the applicants and make the necessary update to ensure that the applicants can be reached in future.

Currently, the WFAO give out bank instructions to disburse payments to about 28 000 successful applications on a daily basis. With the completion of certain parts of the workflow, which would enable more flexible deployment of manpower, and with the WFAO staff becoming more familiar with the workflow, the number of daily disbursements made will rise gradually. With re-arranged workflow, the latest aim of the WFAO is to complete the processing of all applications by late September this year.

Thank you President.

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## LCQ15: Evening secondary courses

Following is a question by the Hon Ho Kai-ming and a written reply by the Secretary for Education, Mr Kevin Yeung, in the Legislative Council today (June 26):

Question:

The Government currently provides, through the Financial Assistance Scheme for Designated Evening Adult Education Courses (FAEAEC), financial assistance for adult students taking evening secondary courses offered by approved course providers. Eligible students may receive 30%, 50% or 100% reimbursement of the tuition fees paid. Students who are unable to pay tuition fees in advance due to financial difficulties may apply for loans under the Extended Non-Means-Tested Loan Scheme (ENLS) to settle tuition fees. In this connection, will the Government inform this Council:

- (1) of the respective numbers of students at various grades taking evening secondary courses under FAEAEC, in each of the past five years;
- (2) of the number of evening secondary students taking the Hong Kong Diploma of Secondary Education Examination and, among them, the number of those whose examination results met the general entrance requirements for subsidised undergraduate programmes, in each of the past five years;
- (3) of the respective numbers of students whose applications made under FAEAEC were received and approved in each of the past five years; in respect of the number of students whose applications were approved, (i) a breakdown by the percentage of tuition fees reimbursed and (ii) its percentage in the total number of evening secondary students;
- (4) of the number of eligible students applying for loans under ENLS, in each of the past five years;
- (5) of the current average annual tuition fee of the evening secondary courses offered under FAEAEC; as the Government has implemented for years free day secondary education, whether the Government will implement free evening secondary education;
- (6) given that evening secondary students have to compete with day secondary students for admission to subsidised undergraduate programmes, but support in the areas of finance and learning, etc. provided by the Government for the former is less than that for the latter, whether the Government will relax the eligibility criteria of the various subsidy schemes set up for the latter so as to cover the former, and launch scholarship and bursary schemes for the former to encourage them to study; and
- (7) whether it will comprehensively review and strengthen the support provided for evening secondary students, with a view to encouraging people

with low educational attainment to complete secondary education programme while working at the same time?

Reply:

President,

The Government launched the Financial Assistance Scheme for Designated Evening Adult Education Courses (FAEAEC) in 2005/06 school year with the aim of providing an affordable pathway to facilitate adult learners to complete mainstream secondary school courses and helping those learners with financial difficulties pursue their studies.

Our reply to the question raised by the Hon Ho Kai-ming is as follows:

(1) The respective numbers of learners at various grades taking courses offered by evening secondary schools participating in the FAEAEC from the 2014/15 to 2018/19 school years are as follows:

School year	S1	S2	S3	S4	S5	S6
2014/15	58	53	105	455	476	589
2015/16	54	62	112	354	446	525
2016/17	56	54	103	338	428	423
2017/18	41	46	108	362	429	440
2018/19#	46	47	114	352	433	465

Note: The figures refer to the respective numbers of learners at various grades as at June 30 of the school years concerned, including those who have withdrawn from the courses.

# The figures in the 2018/19 school year refer to the numbers of learners as at April 30, 2019, including those who have withdrawn from the courses.

(2) According to the information provided by the approved course providers participating in the FAEAEC, the respective numbers of evening secondary learners taking the Hong Kong Diploma of Secondary Education Examination (HKDSE) through these providers in the 2016/17, 2017/18 and 2018/19 school years are tabulated as follows:

School year	Number of evening secondary learners taking the HKDSE through the approved course providers
2016/17	255
2017/18	261
2018/19	366

Note: Since not all approved course providers can provide relevant information on the period before the 2016/17 school year, we can only provide the figures regarding the past three school years.

The Education Bureau (EDB) does not maintain information on the examination results of evening secondary learners who took the HKDSE.

(3) The FAEAEC aims to reduce the financial burden on adult learners and provide incentives to encourage them to complete the courses. Under the FAEAEC, adult learners who are enrolled in junior and senior secondary courses provided by approved course providers and who meet the eligibility criteria are eligible for 30% reimbursement of the tuition fees, irrespective of their financial situation. To assist those with financial difficulties, full reimbursement or half reimbursement of the tuition fees are provided for eligible learners who are assessed to be eligible for full grant or half grant respectively in the means test administered by the Working Family and Student Financial Assistance Agency (WFSFAA). The Student Finance Office of the WFSFAA processes the reimbursement of tuition fees based on the institutions' information on the number of eligible learners under the FAEAEC and other relevant information. The information on the reimbursement of tuition fees to learners under the FAEAEC in the past five school years is tabulated as follows:

School year	2014/15	2015/16	2016/17	2017/18	2018/19@
Total number of learners	1 736	1 553	1 402	1 426	1 457
Total number of learners with tuition fee reimbursement (As a percentage of the total number of learners)	765 (44.1%)	751 (48.4%)	631 (45.0%)	640* (44.9%)	537 (36.9%)
Number of learners broken down by percentage of tuition fee reimbursement (As a percentage of the total number of learners):					
(a) Full reimbursement	240 (13.8%)	206 (13.3%)	164 (11.7%)	157 (11.0%)	121 (8.3%)
(b) Half reimbursement	90 (5.2%)	75 (4.8%)	54 (3.9%)	56 (3.9%)	46 (3.2%)
(c) 30% reimbursement	435 (25.1%)	470 (30.3%)	413 (29.5%)	427* (29.9%)	370 (25.4%)

@ The figures refer to the information as at May 31, 2019. Some applications for tuition fee reimbursement are being processed.

\* The figures do not include two eligible learners who did not collect the

tuition fee reimbursement cheques by the specified date.

Note: The percentages in (a) to (c) may not add up to the percentages shown in the second row due to rounding.

(4) Learners attending eligible courses under the FAEAEC may apply for student loans under the Extended Non-Means-Tested Loan Scheme. The numbers of loan applicants in the 2014/15 to 2018/19 school years are tabulated below:

School year	2014/15	2015/16	2016/17	2017/18	2018/19*
Number of loan applicants	1	1	0	2	0

\* As at May 31, 2019.

(5)-(7) At present, the Lutheran Church Hong Kong Synod Limited, the Hong Kong College of Technology Group Limited and the Kwun Tong Lutheran Evening School are approved course providers participating in the FAEAEC for the provision of evening secondary courses in designated centres. The average annual tuition fees of the evening secondary courses offered by these providers in the 2018/19 school year are as follows:

Grade	Average annual tuition fee	Average additional cost for taking Applied Learning course (if applicable)
S1 to S3	\$10,950	N/A
S4	\$12,737	N/A
S5	\$12,737	\$10,877
S6	\$12,717	Such courses are not offered

In addition to the FAEAEC, to provide more support for learners taking evening secondary courses, the EDB has, since 2014/15 school year, earmarked an annual provision for approved course providers to provide support services to learners and teachers, such as conducting enriched learning activities, enhancing language training, providing Other Learning Experiences, student guidance and professional development and training of teachers. The amount of provision is calculated based on the number of learners. In the 2018/19 school year, the amount of funding for each learner was capped at \$1,000.

As learners attending evening secondary courses for adults are different from secondary students, it is difficult to make a comparison. Currently, there are different government financial assistance schemes for learners with different educational attainment/taking different courses. As pointed out in the first paragraph of the reply, the objective of the FAEAEC is to provide

an alternative form of financial assistance to assist adult learners in completing mainstream secondary school courses and help those learners with financial difficulties pursue their studies. We believe that needy learners are already provided with appropriate financial assistance through the FAEAEC and the support services funded by the EDB. The Bureau has no plan to offer free evening secondary education at the current stage.