

Bills Committee on
Kowloon-Canton Railway Corporation (Amendment) Bill 2001
(4 December 2001)

PURPOSE

This paper provides information on the supplementary questions raised by Members at the meeting on 29 November 2001.

The Administration to give further consideration to adding a new provision in the Bill to require the KCRC Board Chairman and the new Chief Executive Officer (CEO) to attend meetings of the committees and sub-committees of the Legislative Council upon request.

2. At the meeting on 29 November 2001, Members noted that the senior management of the Kowloon-Canton Railway Corporation (KCRC), including the Chairman cum chief executive, has always been obliging in response to requests for attendance at meetings of the committees and sub-committees of Legislative Council (LegCo).

3. Some Members, however, considered that there should be a provision to require their attendance just in case KCRC senior management may one day decline to attend a meeting of the committees or sub-committees of LegCo.

4. Members are requested to note that there is already a provision in the law to deal with this possible concern. Section 9(1) of the Legislative Council (Powers and Privileges) Ordinance (Cap. 382) provides that the Legislative Council and its Standing Committees may order **any person** to attend meetings and to give evidence or produce any document in his possession or under his control. Under section 9(2), similar powers may be exercised by **any** other committee of the Council if it is specially authorised by a resolution of the Council (**Annex A**).

5. The attendance of KCRC senior management at meetings of the committees and sub-committees of LegCo should be in accordance with sections 9(1) and 9(2) of the Legislative Council (Powers and Privileges) Ordinance, which applies to any person in Hong Kong. To add a provision into the Kowloon-Canton Railway Corporation (Amendment) Bill 2001 (the Bill) to compel the Chairman and the CEO of KCRC to comply with any request for attendance would result in a differential legal treatment for them. There is no particular reason for such a differential legal treatment, particularly given the very good track record of KCRC senior management in attending meetings of the committees and sub-committees of LegCo.

6. We, therefore, hope that Members will accept that, in the unlikely event of any refusal by the KCRC Chairman and the CEO to attend a meeting of the committees or sub-committees, such an unlikely situation should be dealt with under section 9 of the Legislative Council (Powers and Privileges) Ordinance.

7. However, if Members still consider it important to have a specific provision in the Bill, we are ready to consider adding a provision that is in line with section 9 of the Legislative Council (Powers and Privileges) Ordinance.

The Administration to provide information on whether and how other statutory organisations disclose the remuneration of their CEOs.

8. At the meeting of the Bills Committee on 29 November 2001, Members were advised that :-

- (a) KCRC maintains the same high standard of disclosure observed by companies listed on the Hong Kong Stock Exchange, the Listing Rules of which require the disclosure of the aggregate amount of employees' remuneration, together with banding analysis for the five highest paid employees in a number of bands in multiples of \$500,000. An extract of the relevant disclosure section in the KCRC Annual Report is at **Annex B**; and
- (b) the Corporation is committed to disclose the remuneration of the new CEO on the same basis.

9. Members have asked for information on whether and how other similar organisations disclose the remuneration of their Chairmen and CEOs. The MTR Corporation Limited (formerly the Mass Transit Railway Corporation which was a statutory body) which is a listed company, and the major statutory bodies such as the Monetary Authority, the Airport Authority, the Hospital Authority and the Mandatory Provident Fund Schemes Authority all adopt disclosure arrangements similar to that of KCRC in their annual reports (see **Annex C**).

The Administration to provide information on the reasons for the appointment of the Secretary for Transport and the Secretary for the Treasury to the KCRC Board in 1995 and their respective roles and responsibilities on the KCRC Board as set out in the initial documents/agreements.

10. The Secretary for Transport (S for T) and the Secretary for the Treasury (S for Tsy) were appointed to the KCRC Board since it was considered that the appointments would be beneficial to both the Corporation and the

Government. In 1994, the Railway Development Strategy was announced and KCRC was tasked with the implementation of the West Rail. Having regard to the KCRC's future involvement in this major railway project and Government equity in the project, the Government made the two appointments in 1995 to facilitate the planning and decision making process of the Board.

11. The Government did not compile any specific agreement or document which set out the roles and responsibilities of S for T and S for Tsy as Board Members. Similar to other KCRC Board Members, S for T and S for Tsy are required to act honestly and in good faith for the benefit of the Corporation and exercise a reasonable standard of skill and care in the performance of their powers.

12. The functions of the Board are jointly exercised by all Members of the Board. As such, S for T and S for Tsy have the same roles and responsibilities as other Board Members as set out in paragraphs 14 to 16 of the paper submitted to the Bills Committee on 23 November 2001 (LC Paper No. CB(1)389/01-02(01)).

Transport Bureau
3 December 2001

Annex B
Kowloon-Canton
Railway Corporation

4 **TURNOVER, OPERATING COSTS AND OPERATING PROFIT** *continued*

(d) Managing Board and Executive Directors' remuneration *continued*

The numbers of Board Members and Executive Directors whose remuneration fell within the following bands were:

	<u>Number of individuals</u>	
	2000	1999
Nil - \$150,000	8	9
\$ 500,001 - \$1,000,000	1	1
\$1,500,001 - \$2,000,000	1	-
\$2,500,001 - \$3,000,000	1	-
\$3,000,001 - \$3,500,000	1	1
\$3,500,001 - \$4,000,000	2	3
\$4,000,001 - \$4,500,000	1	1
\$4,500,001 - \$5,000,000	2	1
\$6,000,001 - \$6,500,000	1	-
\$6,500,001 - \$7,000,000	-	1

The above includes the remuneration of the five highest paid employees.

NCTES TO ACCOUNTS (CONTINUED)

5 Members of the Board and the Executive Directorate (continued)

The gross emoluments of the Members of the Board and the Members of the Executive Directorate were within the following bands:

in HK\$	2000	1999
Emoluments	Number	Number
\$0 - \$200,000	9	10
\$2,500,001 - \$3,000,000	-	1
\$4,000,001 - \$4,500,000	-	6
\$4,500,001 - \$5,000,000	6	-
\$6,500,001 - \$7,000,000	-	1
\$7,500,001 - \$8,000,000	1	-
	16	18

The information shown in the above table includes the five highest paid employees. The independent non-executive directors' emoluments are included in the first remuneration bracket.

B Loans to Members of the Executive Directorate

The following are loans to Members of the Executive Directorate disclosed pursuant to section 161B of the Companies Ordinance.

The Company operates a Staff Housing Loan Scheme for its staff to facilitate the purchase of their self-occupied principal residence. The loan granted by the Company to Mr. Thomas Ho Hang-kwong under the Scheme carries interest at the prevailing Best Lending Rate less 1.75% per annum and is secured by a first charge on the property. The maximum outstanding balance of the loan during the year was HK\$2.6 million (1999: HK\$3.4 million) and the balance as at 31 December 2000 was HK\$2.2 million (1999: HK\$2.6 million) with a remaining term of 52 months. The loan granted by the Company to Mr. Clement Kwok King-man under the same

Scheme has been fully repaid during the year, with nil balance as at 31 December 2000 (1999: HK\$7.9 million). The maximum outstanding balance during the year was HK\$7.9 million (1999: HK\$8.0 million). This loan also carried interest at the prevailing Best Lending Rate less 1.75% per annum and was secured by a first charge on the property. There were no outstanding unpaid interest nor any doubtful debt provision made against these loans as at 31 December 1999 and 2000.

C Share options

Under the Pre-Global Offering Share Option Scheme ("Share Option Scheme") described in note 38, Mr. Jack So Chak Kwong and each of the other Members of the Executive Directorate were granted options on 12 September 2000 to acquire 1,599,000 and 1,066,000 shares respectively.

Under the terms of the Share Option Scheme, each Member of the Executive Directorate must continue to beneficially own (i) at all times after 26 October 2001, at least 40,000 shares in the case of the Chairman and at least 23,000 shares in the case of other Members of the Executive Directorate, and (ii) at all times after 26 October 2002, at least 80,000 shares in the case of the Chairman and at least 46,000 shares in the case of other Members of the Executive Directorate.

6 Profit on property developments

in HK\$ million	2000	1999
Profit on property developments comprises:		
Transfer from deferred income	3,386	2,260
(Note 16B)		
Additional development costs	-	(224)
Other overhead costs	(10)	(6)
	3,376	2,030

Exchange Fund – Notes on the Accounts (cont.)

The numbers of senior staff (Executive Directors and above) of the HKMA whose emoluments fell within the following bands were:

HKS	2000	1999
1,000,000 or below	2	1
2,000,001 to 2,500,000	1	—
3,000,001 to 3,500,000	1	4
3,500,001 to 4,000,000	3	2
4,000,001 to 4,500,000	—	1
4,500,001 to 5,000,000	2	1
5,000,001 to 5,500,000	1	1
5,500,001 to 6,000,000	1	—
6,000,001 to 6,500,000	1	1
8,500,001 to 9,000,000	—	1
9,000,001 to 9,500,000	1	—
	13	12

(c) Interest expense

	2000	1999
Interest on placements by other HKSAR government funds:		
With interest at market-based rates	880	484
With interest at rates determined by reference to the investment income of the Fund	18,052	45,407
Other interest expense	8,945	8,110
TOTAL	27,877	54,001

4. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2000	1999
Placements with banks and other financial institutions in respect of resale agreements	21,379	30,527
Other placements with banks and other financial institutions	34,714	71,942
TOTAL	56,093	102,469

5. INVESTMENT SECURITIES

Investment securities comprise 3,000 unlisted shares of the Bank for International Settlements with a nominal value of 2,500 Swiss gold francs each (25% paid).

賬項報告附註
(以港幣計)

NOTES ON THE ACCOUNTS
(Expressed in Hong Kong dollars)

3. 營運費用

在一九九八年七月六日機場啓用前有關的新機場興建中費用已全部納入資本賬內。

本集團及本局的營運費用包括：

3. OPERATING EXPENSES

All expenditure incurred prior to the opening of the new airport on 6 July 1998 related to the new airport under development was capitalised.

Included in operating expenses of the group and the Authority are:

		集團 The group		本局 The Authority	
		二零零零年 2000	一九九九年 1999	二零零零年 2000	一九九九年 1999
		港幣千元 \$'000	港幣千元 \$'000	港幣千元 \$'000	港幣千元 \$'000
核數師酬金	Auditors' remuneration	2,216	2,680	1,965	2,500
已消耗的存料及零件	Stores and spares consumed	26,977	2,805	26,977	2,805

4. 董事會成員及執行總監酬金

4. MEMBERS OF THE BOARD AND EXECUTIVE DIRECTORS' REMUNERATION

		二零零零年 2000	一九九九年 1999
		港幣千元 \$'000	港幣千元 \$'000
董事會主席及非執行成員袍金	Fees paid to non-executive Members of the Board	1,274	1,714
執行總監酬金	Executive Directors' remuneration		
- 薪金、津貼及其他實物收益	- salaries, allowances and other benefits in kind	17,792	28,778
- 退休福利計劃供款	- retirement scheme contributions	825	1,041
- 代替退休福利計劃供款的約滿酬金	- gratuities in lieu of retirement scheme contributions	696	2,563
		19,313	32,382

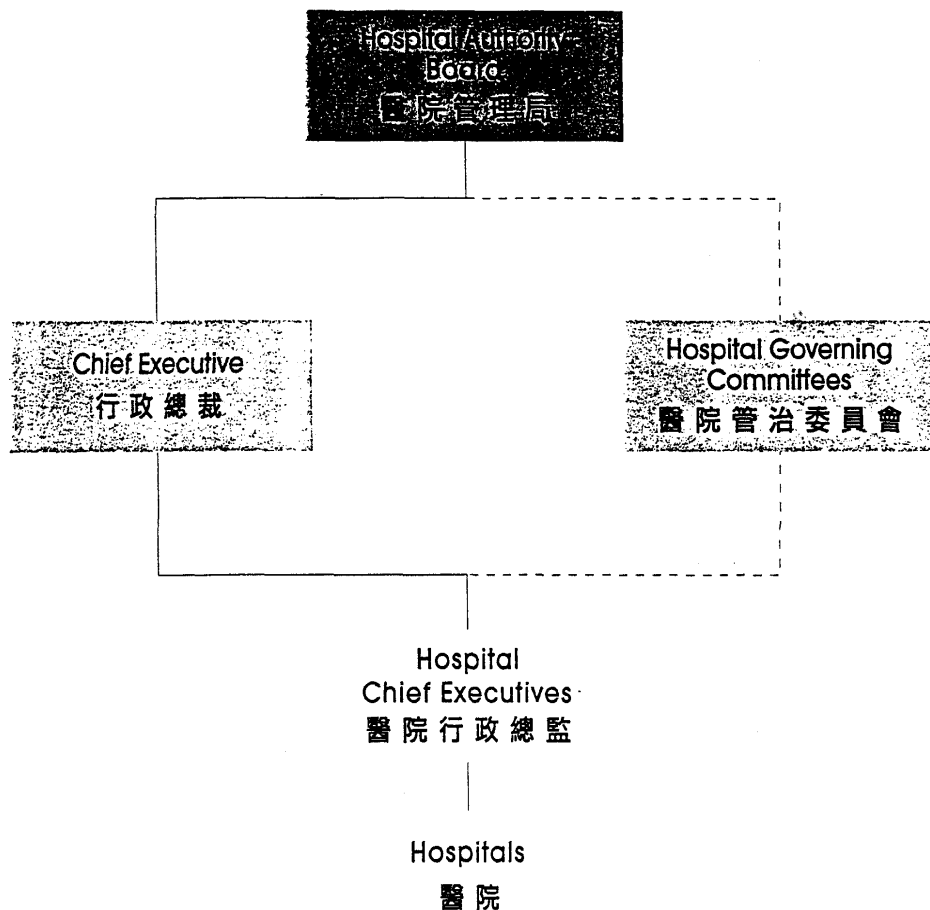
上述酬金包括應付予身為政府公職人員的董事會成員酬金，這部分是直接支付予政府，並非支付予成員本身。

The fees disclosed include those payable in respect of Members who are public officers which are paid directly to the Government rather than to the individual concerned.

為了方便比較有關數額，上述代替退休福利計劃供款的約滿酬金數額是按應計制計算，並沒有理會合約所定權益及款項的發放日期。上列薪金，津貼及其他實物收益包括支付予政府的行政總監借調費用。

For purposes of meaningful comparison, gratuities in lieu of retirement scheme contributions are disclosed on an accruals basis, notwithstanding the contractual entitlement and date of payment. Salaries, allowances and other benefits in kind include secondment fees paid to the Government in respect of the services of the Chief Executive Officer.

Organisation Structure of the Hospital Authority
醫院管理局行政架構



During 1999/2000, the number of five highest paid executives whose remuneration fell within the following ranges were:
一九九九年至二零零零年度內，最高薪的五名行政人員的薪酬幅度如下：

Range of remuneration 薪酬幅度	No. of executives 行政人員數目
\$3,000,000 - \$3,750,000	2
\$3,750,001 - \$4,500,000	3
	5

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) RECOGNITION OF REVENUE

(i) Fee income

Fee income consists of application fees and annual fees arising from the Occupational Retirement Schemes Ordinance (“ORSO”) Schemes and Mandatory Provident Fund schemes and is accounted for on an accrual basis.

(ii) Interest income

Interest income from time deposits with the Hong Kong Monetary Authority and banks is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(iii) Dividend

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(f) OPERATING LEASE

Rental payable under operating leases is accounted for on a straight line basis over the periods of the respective leases.

(g) RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the MPFA if the MPFA has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the MPFA and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(h) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash at bank and in hand and also include short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were either within three months of maturity when acquired or maturing within three months of the balance sheet date.

4 TAXATION

The MPFA is exempt from taxation pursuant to section 88 of the Hong Kong Inland Revenue Ordinance and accordingly no provision has been made for taxation in these financial statements.

5 DIRECTORS’ EMOLUMENTS

Directors’ emoluments are as follows:

	2001	2000
	(HK\$)	(HK\$)
Fees	-	-
Other emoluments	15,608,238	10,426,314