

Bills Committee on Companies (Amendment) Bill 2004
Second meeting on 16 December 2004

List of follow-up actions to be taken by the Administration

1. Exclusion of subsidiaries from group accounts
In the light of the latest change in the International Accounting Standards and latest legislative change in the United Kingdom (UK) regarding conditions for exclusion of subsidiaries from consolidation, the Administration has undertaken to take follow-up actions, as follows-
 - (a) To consider proposing Committee Stage amendments (CSAs) to the proposed section 124(2A)(a) of the Companies Ordinance (Cap. 32) (CO);
 - (b) To review the proposed section 124(2A)(b) of the CO and consider proposing a CSA, if necessary; and
 - (c) To review whether amendments to the existing section 124(2) of the CO are necessary.

2. Impact of the Bill on the asset-securitization market in Hong Kong
Given the concern about the possible negative impact of the Bill on the development of asset-securitization market in Hong Kong, the Administration is requested to provide a paper on the subject covering the following aspects-
 - (a) Administration's assessment on the impact of the Bill on the asset-securitization market in Hong Kong;
 - (b) Administration's further response to the following proposals raised by the Hong Kong Mortgage Corporation Limited (HKMCL)-
 - (i) Carve-out for securitization special purpose entities (SPEs);
 - (ii) Adoption of the UK's "link-presentation" format for group accounts; and
 - (iii) Deferring the Bill until the IAS Board has completed the review of whether the "control" model for subsidiaries should also be applied to SPEs.
 - (c) In connection with item (b) above, any other proposals put forward by the Administration to address the concern about the impact of the Bill on the asset-securitization market in Hong Kong.

- (d) Provisions for SPEs in the preparation of group accounts in relevant legislation, rules and practices adopted by other jurisdictions, including but not limited to, the UK, the United States (US), Australia and Singapore. Please specify whether carve-outs and off-balance sheet treatment are provided for SPEs in other jurisdictions.
3. Comparison of the Bill with relevant provisions in other jurisdictions
The Administration is requested to provide relevant information in US by expanding the comparison table attached in Annex A to the Administration's paper on "Follow-up actions arising from the discussion at the meeting on 8 November 2004"(LC Paper No. CB(1)453/04-05(16)).
4. Proposed "true and fair view override" provisions
The Administration is requested to consider how HKMCL's concerns over the proposed "true and fair view override" provisions could be addressed.

Council Business Division 1
Legislative Council Secretariat
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