

**Replies to initial written questions raised by Finance Committee Members in
examining the Estimates of Expenditure 2005-06**

**Director of Bureau : Secretary for Financial Services
and the Treasury**

Session No. : 3

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Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)001

Head: 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title):

Question Serial No.

0697

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

As the Administration will continue to actively promote the Renminbi (RMB) business in Hong Kong, is there any detailed time-table in this aspect? Will the Administration conduct a consultancy study on the mechanism to take forward the RMB business, and examine the feasibility of such mechanism? If yes, what are the estimated expenses of this study?

Asked by: Hon. LEUNG Kwan-yuen, Andrew

Reply:

The launch of RMB services helps diversify banking business in Hong Kong and facilitates cross-border spending and economic integration between Hong Kong and the Mainland. In the long term, this development will have great significance in the development of Hong Kong as an international financial centre and a major capital raising centre for the Mainland. However, further development of RMB business in Hong Kong needs to be compatible with the process of financial liberalisation in the Mainland. The Government has been exploring with Mainland authorities on ways to expand the scope of RMB business on a sound footing. There is no concrete time-table at the moment, nor any plans for external consultancy studies.

Signature _____

Name in block letters _____

Kevin Ho

Post Title _____

Permanent Secretary for Financial Services
and the Treasury (Financial Services)

Date _____

6.4.2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)002

Head: 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title):

Question Serial No.

0714

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In “Matter Requiring Special Attention in 2005-06”, it is mentioned that the Financial Services Branch will oversee the implementation of a series of measures to improve market infrastructure and enhance its security including enabling the development of a scripless securities market. Apart from this measure, are there any other measures to improve market infrastructure? What is the implication on the establishment?

Asked by: Hon. WONG Ting-kwong

Reply:

The Steering Committee on the Enhancement of the Financial Infrastructure in Hong Kong (SCEFI), set up by the Financial Secretary and chaired by the Chairman of the Securities and Futures Commission (SFC), completed a report in September 1999 with a full range of recommendations to upgrade Hong Kong’s financial infrastructure. These measures seek to reduce the cost of transactions, increase market efficiency and facilitate better risk management.

A SCEFI II Report was published in December 2002. Several Implementation Working Groups led by the SFC and the Hong Kong Exchanges and Clearing Limited (HKEx) have been set up to take forward the initiatives.

Apart from developing a scripless securities market, other major SCEFI II initiatives are –

- (a) **FinNet:** The SFC has set up a secure private network, the FinNet, connecting the regulatory authorities (including SFC, Hong Kong Monetary Authority, Office of the Commissioner of Insurance, Mandatory Provident Fund Schemes Authority and HKEx) with their registrants and licensees (including brokerages, banks and insurance companies) for electronic communication. FinNet has also been used by financial intermediaries to conduct commercial applications such as facilitating credit history sharing among Commercial Reference Credit Agency participants, and bulk payment transfer among banks.

- (b) **Enhancement of the Investor Participant (IP) Account¹ Service** – The Hong Kong Securities Clearing Company Limited (HKSCC) has implemented features to enhance the IP accounts service in August 2004 and April 2005 to increase the user-friendliness of the service. HKSCC will continue to enhance the service.
- (c) **Clearing Participantship Structure²** – HKSCC implemented the Settlement Agent model in November 2004 to allow a settlement agent to operate a CCASS Participant's CCASS terminal in Hong Kong or overseas without being a CCASS Participant. HKSCC is currently considering the possibility of introducing a pilot programme to introduce a full third party clearing model which allows a CCASS Participant to offer clearing services for transactions of other brokerages.
- (d) **Delivery versus Payment (DvP) Settlement Infrastructure** – At present, DvP occurs on T+2³. However, money settlement would only take place before 9 a.m. on the third day. To improve settlement efficiency and reduce overnight credit risk, Hong Kong needs to further integrate its payment and settlement systems to enable straight through processing. This integration might require CCASS to access to Real Time Gross Settlement (RTGS) of the banking system to perform money settlement with clearing participants. HKSCC is currently conducting research for an appropriate model to synchronise the finality of securities settlement and money payment of Continuous Net Settlement trades on T+2.

Insofar as the Government is concerned, the implication on establishment of overseeing the implementation of these initiatives will be absorbed within existing resources.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	6.4.2005

¹ An investor participant (IP) account is a direct custody account in the Central Clearing And Settlement System (CCASS) for investors. It provides investors with the convenience of electronic book-entry settlement. An investor has full control of his shares kept in his IP account and only the investor can authorise the transfer of shares out of his account.

² Under existing arrangements, Stock Exchange participants provide both trading and settlement services to their clients. The introduction of a clearing participantship structure would enable Stock Exchange participants to delegate the clearing and settlement functions to other participants. Such arrangement provides an option for Stock Exchange participants to adopt shared-services to achieve operational effectiveness and cost efficiencies.

³ Transaction date plus 2 days.

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)003

Head: 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title):

Question Serial No.

0715

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

As mentioned under Analysis of Financial and Staffing Provision, provision for 2005-06 is \$1.2 million higher than the revised estimate for 2004-05. This is mainly due to the anticipated increase in expenditure arising from hearings of tribunal cases in 2005-06 and increase in salary provision arising from staff changes. Please give an account of the reasons for an increase in expenditure arising from hearings of tribunal cases, and of the cases heard. Moreover, the establishment as at 31 March 2005 will be reduced by 33 posts to 151 posts, and it is expected that 2 permanent posts will be deleted in 2005-06. But why is it that there will be an increase in salary provision arising from staff changes as mentioned above? Please give an account of the staff changes.

Asked by: Hon. WONG Ting-kwong

Reply:

Increase in Expenditure on Tribunal Cases

A provision of \$19.6 million is earmarked under Subhead 000 Operational expenses in the estimate for 2005-06 to support the operation of the Insider Dealing Tribunal (IDT), the Market Misconduct Tribunal (MMT), and the Securities and Futures Appeals Tribunal (SFAT). A list of cases heard and completed by these tribunals in 2004-05 is at Annex.

The financial provision is required mainly for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and outside counsels for the hearings of these tribunals. The costs of hearings differ from case to case depending on the complexity of the case and the time required for the completing the hearings.

The revised estimate for 2004-05 is revised downward to \$12.9 million because some types of services such as real-time verbatim reporting, professional witnesses and ordinary witnesses are not required in some of the cases heard by the IDT in 2004-05. However, for estimate purpose, it is necessary to include such provisions for all cases to finance these services when the need arises.

In preparing the estimate for 2005-06, we assume that the IDT/MMT will handle 7 cases during the year. On the basis of past experience, we estimate each case will, on average, cost about \$2.3 million. The total cost of processing 7 cases is estimated to be \$16.1 million. The remaining provision of 3.5 million is mainly for the operation of SFAT.

Increase in Salary Provision

The revised estimate 2004-05 (\$120.6 million) for the Financial Services Branch as shown at the Controlling Officer’s Report and the Analysis of Financial Provision does not cover the relevant provisions (\$23.2 million) for economic analyses in 2004-05 which was transferred to Head 142 – Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary with effect from 1 June 2004. It therefore has already reflected the decreased salary provision arising from the reduction of 33 posts on Financial Services Branch’s establishment between 31 March 2004 and 31 March 2005 due to the transfer of these posts from the former Economic Analysis Division in the Financial Services Branch to the Financial Secretary’s Office with effect from 1 June 2004. As for the two permanent posts to be deleted in 2005-06, the salary provision is also not included in the revised estimate 2004-05 because these posts have been vacant when we prepared the revised estimate for 2004-05.

“Increased salary provision arising from staff changes” refers to the increase in requirement of salary caused by salary increment for staff, provision for officers on pre-retirement leave and provision for the filling of some vacant posts. In 2005-06, an additional provision of \$2.3 million is required to cope with the increase in requirement of salary arising from these staff changes.

The total increase of \$9.2 million for expenditure on tribunal cases and salary provision is partly offset by the decrease in cash flow requirement for non-recurrent items and full-year effect of the 2005 civil service pay cut.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	6.4.2005

Cases heard and completed by the Insider Dealing Tribunal and the Securities and Futures Appeals Tribunal in 2004-05

(A) Insider Dealing Tribunal

Cases completed

- Inquire into possible insider dealings in the listed securities of HKCB Bank Holding Company Ltd and Hong Kong China Ltd
- Inquire into possible insider dealings in the listed securities of Siu Fung Ceramics Holdings Limited
- Inquire into possible insider dealings in the listed securities of Firststone International Holdings Limited
- Inquire into possible insider dealings in the listed securities of Chinney Alliance Group Limited

Cases commenced

- Inquire into possible insider dealings in the listed securities of Easy Concepts International Holdings Limited and Easyknit International Holdings Limited
- Inquire into possible insider dealings in the listed securities of Gilbert Holdings Limited

(B) Securities and Futures Appeals Tribunal

1. Application for Review by Mr Raphael Blot
2. Application for Review by Mr Wong Ping-chung, Raymond
3. Application for Review by Pacific Sun Investment Management (Hong Kong) Limited and Mr Andrew Pieter Mantel
4. Application for Review by Mr Kwok Wai Shun
5. Application for Review by Mr Wong Wing fai, Eric
6. Application for Review by Mr Andrew John Peregrine Korner
7. Application for Review by Mr Lau Hing Hung, Joie
8. Application for Review by Mr Tong On Jimmy
9. Application for Review by Ms Wong Lee Man
10. Application for Review by Mr Cheng Wai Shan
11. Application for Review by Mr Tsang Chi Suen, Trini
12. Application for Review by Mr Wong Tin Fuk, Alex
13. Application for Review by Mr Andrew Nicholas Barber
14. Application for Review by Halsburg Asset Management Limited
15. Application for Review by Mr Hui Chiu Kit, Eddie
16. Application for Review by Ms So Wai Yin, Irene
17. Application for Review by Sharegain Development Limited
18. Application for Review by Ms Lau Yin Ying, Bonnie
19. Application for Review by International Capital Network Limited

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)004

Head: 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title):

Question Serial No.

1125

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Administration has stated under this programme that during 2005-06, it will continue to monitor the implementation of a Commercial Credit Reference Agency by the banking industry. Please advise us of the various expenses set aside for this task and its specific details.

Asked by: Hon. TONG Ka-wah

Reply:

The commercial credit reference agency (CCRA), which collates information about the indebtedness and credit history of business enterprises and makes the information available to lending institutions, came into operation on 1 November 2004.

Currently, the CCRA covers credit data of small and medium-sized enterprises (SMEs) which are defined as non-listed companies with an annual turnover not exceeding HK\$50 million. In 2005, the Hong Kong Monetary Authority (HKMA) will, in collaboration with the banking industry, consider methods to expand the coverage of the database to include sole proprietorships and partnerships.

The scheme of sharing commercial credit data is an initiative led by the banking industry. The role of the HKMA in this scheme is to provide guidance in the discussion and evaluation process, and to establish supervisory guidelines and to monitor authorized institutions' compliance with them. Since the CCRA is established and operated by the industry, its further development will not bring additional expenditure to the Administration.

Signature	_____
Name in block letters	<u>Kevin Ho</u>
Post Title	<u>Permanent Secretary for Financial Services and the Treasury (Financial Services)</u>
Date	<u>6.4.2005</u>

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)005

Head: 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title):

Question Serial No.

1130

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Administration has stated under this programme that during 2005-06, it will introduce into the Legislative Council a bill to provide for the establishment of the Independent Investigation Board and the Financial Report Review Panel, so as to further enhance the regulation of the auditing profession and ensure compliance of the financial reports of listed companies with the relevant standards. Please advise us of the various expenses set aside for this task and its specific details.

Asked by: Hon. TONG Ka-wah

Reply:

As regards the financial arrangements for the proposed Financial Reporting Council, the Administration has reached an agreement with the Hong Kong Exchanges and Clearing Limited, the Hong Kong Institute of Certified Public Accountants and the Securities and Futures Commission to contribute to the funding of the Council on an equal share basis: For the first three years, each party will contribute \$2.5 m per annum as recurrent funding, plus a one-off contribution of up to \$2.5 m as Reserve. The amount of annual contributions from the fourth year onwards will be reviewed in the third year in the light of actual experience.

The Administration's contribution will be funded by the Companies Registry Trading Fund established under the Trading Funds Ordinance (Cap. 430) and administered by the Registrar of Companies. It is therefore unnecessary for the Administration to earmark its committed contribution in the estimates of expenditure.

On 28 February 2005, the Administration issued the "Consultation Paper on the Legislative Proposals to Establish the Financial Reporting Council" for public consultation. The consultation period will end on 15 April 2005 and the Administration will consider the comments received during the consultation. Subject to the outcome of the consultation exercise, the Administration aims to introduce a Bill to the Legislative Council within the 2004-05 legislative session to take forward the initiative.

Signature	_____
Name in block letters	<u>Kevin Ho</u>
Post Title	<u>Permanent Secretary for Financial Services and the Treasury (Financial Services)</u>
Date	<u>6.4.2005</u>

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)006

Head: 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title):

Question Serial No.

1131

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The Administration has stated under this programme that during 2005-06, it will seek the early implementation of the proposal for the Official Receiver's Office to outsource the administration of summary bankruptcy cases, once the Bankruptcy (Amendment) Bill 2004 is approved by the Legislative Council. Please advise us of the various expenses set aside for this task and its specific details.

Asked by: Hon. TONG Ka-wah

Reply:

Following the passage of the Bankruptcy (Amendment) Bill 2004, we will need to prepare the relevant subsidiary legislation before the proposal to outsource the administration of summary bankruptcy cases can be implemented. This task will be handled by our existing staff who are responsible for, among other things, formulating policy and introducing legislation covering insolvency matters. No additional staff or expense has been set aside for the task.

As regards the administration of the outsourcing scheme, it will be dealt with by the Official Receiver's Office's existing staff and no additional staff or expense will be required.

Signature _____

Name in block letters _____

Kevin Ho

Post Title _____

Permanent Secretary for Financial Services
and the Treasury (Financial Services)

Date _____

6.4.2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)007

Head: 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title):

Question Serial No.

1827

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

It is mentioned under this programme that the Administration will introduce amendments to the Banking Ordinance to provide a legislative framework for implementing the new capital framework endorsed by the Basel Committee on Banking Supervision in 2005-06. Please advise us of the various expenses set aside for this task and its specific details.

Asked by: Hon. TONG Ka-wah

Reply:

The detailed work plan in 2005-2006 for implementing the new capital adequacy framework (“Basel II”) for authorized institutions (AIs) in Hong Kong includes the major tasks below –

- (a) **legislative process of the Banking (Amendment) Bill 2005.** The Bill has recently been introduced into the Legislative Council. We hope that the legislation will be enacted within this year;
- (b) **development of rules on Basel II requirements.** In accordance with the Hong Kong Monetary Authority (HKMA)’s Basel II implementation proposals and the provisions under the Banking (Amendment) Bill 2005, the Administration will prepare rules prescribing the manner in which AIs’ capital adequacy ratios (CARs) shall be calculated and information shall be disclosed to the general public by AIs. We aim to complete the drafting of the rules within 2005 and consult the industry in the first half of 2006. These rules, proposed to be subsidiary legislation made under the Banking Ordinance, would be subject to negative vetting by the Legislative Council;
- (c) **application and approval process.** The HKMA will process AIs’ applications to use particular approaches (i.e. the Basic Approach or the Internal Ratings-based Approach) for calculating capital charges for credit risk; and
- (d) **development of tools and guidelines for implementing Pillar 2 of Basel II.** The HKMA will develop scorecards for setting minimum CARs of AIs, and prepare guidance on the CAR assessment framework, in consultation with the industry.

The above work would be undertaken by the HKMA and the Financial Services and the Treasury Bureau using their existing resources. No additional manpower or expenses will be set aside for these tasks.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	6.4.2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)008

<u>Head:</u> 148 – Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch)	<u>Subhead</u> (No. & title): 700 General non-recurrent	<u>Question Serial No.</u> <div style="border: 1px solid black; padding: 5px; text-align: center;">1611</div>
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Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please provide details of all the initiatives that have been and will be implemented to co-ordinate the human resources development for the financial services sector under Item 014 and the expenses involved.

Asked by: Hon. CHAN Kam-lam

Reply:

Since its establishment in June 2000, the Advisory Committee on Human Resources Development in the Financial Services Sector (the “FinMan Committee”), has organized/coordinated a number of activities. These include an opinion survey on employers in the financial services sector (January 2001); an human resources development forum (June 2001); co-ordination of internship programmes for local university undergraduates (2002, 2003, 2004); collection of information on the manpower situation in the financial services sector (2003); and a forum on “Hong Kong as an International Asset Management Centre: Challenges and Opportunities” to explore measures on strategic development of human resources in the financial services sector (December 2004). The accumulated expenditure involved for organizing these activities is \$0.64 million.

In 2005-06, the FinMan Committee will consider how to follow up on the suggestions raised at the December 2004’s forum. In April 2005, FinMan Committee will also appeal to relevant parties for their support to provide internship opportunities for local university undergraduates. As at the end of March 2005, there is a balance of \$1.36 million for uncommitted activities of the FinMan Committee and a \$0.3 million provision has been earmarked to support activities in 2005-06.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	6.4.2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)009

Question Serial No.

0144

Head : 26 Census and Statistics Department

Subhead (No. & title) :

Programme :

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

In the analysis of financial provision, "increased salary provision arising from staff changes" has been mentioned in all programmes. Please explain the underlying meaning of this in detail and illustrate by reference to the situations in one or two specific programmes.

Asked by : Hon. CHAN Kam-lam

Reply :

The salary provision of individual programmes would be affected by creation/deletion of posts, civil service pay cut, annual salary increment and re-posting of staff among programmes. "Increased salary provision arising from staff changes" refers to the increase in requirement of salary caused by salary increment for staff and by re-posting of staff among programmes. When a staff at a higher salary point is posted from one programme to another programme, salary provision for the receiving programme will increase. With a staff at a lower salary point posted to the original position thus vacated, the programme in question will see a corresponding reduction in salary provision.

In 2005-06, staff changes will lead to increase in the salary provision of five programmes out of six. To quote as example, staff changes will increase the requirement of salary provision of Programme (4) by \$0.9 million but a reduction of \$0.6 million for Programme (3).

Signature	FREDERICK W H HO
Name in block letters	Commissioner for Census and Statistics
Post Title	2 April 2005
Date	

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)010

Question Serial No.

0147

Head : 26 Census and Statistics Department

Subhead (No. & title) :

Programme : (2) Social Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

There are a number of reasons leading to a 32% increase in the financial provision for 2005-06 over that of 2004-05, including the net creation of 10 posts. Please cite the major causes of the increase and the additional expenditure involved to explain the situation.

Asked by : Hon. CHAN Kam-lam

Reply :

The financial provision for 2005-06 under Programme (2) will increase by \$18.7 million over the revised estimate for 2004-05. The increase is associated with the additional funding of about \$25.8 million to conduct the planning work of the 2006 Population By-census. This additional funding is required mainly for creating 15 time-limited posts, acquiring equipment and conducting the Pilot Survey for the By-census. At the same time, the funding provision for other items in the Social Statistics programme is reduced by \$7.1 million following the deletion of 5 posts and the civil service pay cut in 2005. This partly offsets the additional funding required for the 2006 Population By-census.

Signature

Name in block letters

Post Title

Date

FREDERICK W H HO

Commissioner for Census and Statistics

2 April 2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)011

Question Serial No.

0148

Head : 26 Census and Statistics Department

Subhead (No. & title) :

Programme : (5) Price/Industry/Service Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The Census and Statistics Department will compile more science and technology statistics. Please give details of the plan including the coverage of these statistics, the schedule and the expenditure.

Asked by : Hon. CHAN Kam-lam

Reply :

Following the standards promulgated by the Organization for Economic Co-operation and Development, the Census and Statistics Department has devised a framework of Science and Technology (S&T) statistical indicators for Hong Kong, covering eight categories. These include : (1) research and development inputs; (2) innovation; (3) patents; (4) S&T publications; (5) trade in high technology products; (6) technology balance of payments; (7) human resources in S&T; and (8) technology transfer /technological training. While the first six categories of indicators are now compiled and released annually, the last two will be available for the first time in end 2005 and early 2006 respectively. The total expenditure required in 2005-06 for compiling all the above eight categories of indicators is about \$5 million.

Signature	_____
Name in block letters	FREDERICK W H HO
Post Title	Commissioner for Census and Statistics
Date	2 April 2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)012

Question Serial No.

0149

Head : 26 Census and Statistics Department Subhead(No. & title): 000 Operational expenses

Programme :

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau :

Question :

Please explain the increase in the general departmental expenses from \$54 million in the revised estimate of 2004-05 to \$68 million in the estimate of 2005-06.

Asked by : Hon. CHAN Kam-lam

Reply :

The provision for general departmental expenses for the Census and Statistics Department in 2005-06 is \$67.98 million, which is \$13.24 million more than the 2004-05 revised estimate at \$54.74 million. The increase is mainly attributable to the additional departmental expenses provision of \$2.49 million for conducting the Household Expenditure Survey and \$10.08 million for planning the 2006 Population By-census. Furthermore, there will be increased provision of \$3.39 million required for maintaining the expanded computer backend system for processing cargo manifests. The increase will be offset by savings of \$2.72 million from other general departmental expenses.

Signature	_____
Name in block letters	FREDERICK W H HO
Post Title	Commissioner for Census and Statistics
Date	2 April 2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)013

Question Serial No.

0410

Head : 26 Census and Statistics Department

Subhead (No. & title) :

Programme : (3) National Accounts and Balance of Payments Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Under the targets for key performance measures, the time for release of “annual statistics on international investment position” has been reducing year by year since 2003. What are the reasons? Will further reduction be expected in the future?

Asked by : Hon. CHAN Kam-lam

Reply :

Under the targets for key performance measures, the time for release of “annual statistics on international investment position (IIP)” will be reduced to 5.5 months in 2005, from 5.6 months in 2004 and 5.7 months in 2003. This is the result of continual efforts made by the Census and Statistics Department to secure more timely reporting of annual data by survey respondents via electronic means; to get respondent companies becoming more familiar with data reporting requirements; and to streamline data processing procedures.

Hong Kong follows the Special Data Dissemination Standard (SDDS) of the International Monetary Fund in compiling and disseminating IIP statistics. The SDDS stipulates that annual IIP statistics be disseminated within 9 months. The Department's performance has met the SDDS requirements fully all along. While most probably the time for release will not be reduced further in the near future, the Department will continue to make efforts to strive to enhance timeliness of the statistics.

Signature

Name in block letters

Post Title

Date

FREDERICK W H HO

Commissioner for Census and Statistics

2 April 2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)014

Question Serial No.

0690

Head : 26 Census and Statistics Department

Subhead (No. & title) :

Programme : (2) Social Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

How many social statistical surveys were outsourced in 2004-05? Please state the contract sum and the name of company engaged in respect of each survey.

Asked by : Hon. LEUNG Yiu-chung

Reply :

The Census and Statistics Department contracted out three rounds of the Thematic Household Survey (THS) to private research firms in 2004-05 through standard procedures of open tendering. The contract value and name of the contractor involved for each round of the THS are as follows:

	<u>Contract value</u>	<u>Contractor</u>
1. The first round of THS in 2004	\$1,780,000	ACNielsen (China) Ltd.
2. The second round of THS in 2004	\$1,400,000	Mercado Solutions Associates Ltd.
3. The first round of THS in 2005	\$1,480,000	ACNielsen (China) Ltd.

Signature	FREDERICK W H HO
Name in block letters	Commissioner for Census and Statistics
Post Title	2 April 2005
Date	

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)015

Question Serial No.

1143

Head : 26 Census and Statistics Department

Subhead (No. & title) :

Programme : (4) General Statistical Services

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

What were the turnovers of the print version and the download version of statistical reports or publications in 2004-05? Are there any measures to guard against any unauthorized reproduction or dissemination of downloaded statistical reports or publications?

Asked by : Hon. LEE Cheuk-yan

Reply :

From January to December 2004, some 24 000 copies of statistical reports or publications were sold, including some 22 000 copies of print versions and some 2 000 copies of download versions. The sales amounted to about \$1.07 million, with \$1.01 million (94%) from print versions and about \$65,000 (6%) from download versions.

Whether it is the print or download version, such statistical reports or publications will have their copyrights protected under the relevant legislation. For online purchase of statistical reports or publications, purchasers are required to accept a User Licence Agreement which requires them to use all reasonable efforts to protect the downloaded materials from unauthorized reproduction, distribution, disclosure or publication.

Signature	FREDERICK W H HO
Name in block letters	Commissioner for Census and Statistics
Post Title	2 April 2005
Date	

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)016

Head: 116 Official Receiver's Office

Subhead (No. & title):

Question Serial No.

0077

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In 2005, the number of new cases in the Official Receiver's Office (ORO) is estimated to drop to 14003 (a reduction of 737 cases when compared with last year) and thus the staff establishment would be cut down. Under such circumstances, why does the ORO's expenditure estimates still go up instead of fall down? How would the ORO review its working procedures so as to enhance its efficiency and productivity?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

The increase in the ORO's expenditure estimates is mainly due to the increase in the provision in the Hire of Services vote which will be used for meeting anticipated payments in the contracting out of both new summary winding-up cases in 2005/06 as well as some 3,500 cases brought forward from previous years where the relevant liquidators have yet to submit their bills for payment. Besides, part of the increase in the ORO's expenditure estimates is due to the increase in the provision for meeting the payment of legal costs of certain on-going legal proceedings.

It is the ORO's practice to review its work procedures regularly and to introduce improvement measures to enhance efficiency and productivity. The improvement measures include revision, simplification and computerization of the work procedures as far as possible to enhance efficiency. ORO may also re-prioritize the work of various Units/Sections and re-deploy the resources for best use.

Signature _____

Name in block letters _____

E T O'Connell

Post Title _____

Official Receiver

Date _____

6.4.2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)017

Head: 116 Official Receiver's Office

Subhead (No. & title):

Question Serial No.

0233

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

It's reported that only 80 per cent of the cases met the target processing time of 8 weeks in making decision to hold meetings of creditors in non-summary cases in winding-up, and 83 per cent met the target processing time of 12 weeks in holding such meetings. The explanation given was that it was due to a larger number of complex cases requiring longer processing time. Please elaborate the delay. How much longer processing time were the cases required? Will similar situation happen in the coming year? Any measures to improve the situation?

Asked by: Hon. CHAN Bernard

Reply:

In 2004, there were 30 cases with meetings of creditors held for non-summary winding-up cases (i.e. each with estimated realisable assets of more than \$200,000). Out of which, 24 had met the target of 8 weeks in making the decision to hold meetings and 25 had met the target of holding meetings within 12 weeks. Of the remaining cases, it generally took several extra weeks' time to complete the tasks because of the time required for matters such as ascertaining creditors' eligibility to vote at the meetings, and seeking court orders in relation to holding the meetings.

Only in one exceptional case, it took several extra years' time to complete the tasks. The winding-up order for that case was made in June 2001. As the estimated value of the assets of the case did not exceed \$200,000, a court order was obtained by the Official Receiver (OR) to administer the case in summary manner and the requirement for holding meetings of creditors was thus dispensed with. In April 2004, requests were received from creditors and contributories to hold meetings for the purpose of appointing an outside party as the liquidator to replace the OR. On the application of the OR, the court granted another order in October 2004 to rescind the summary procedure order, and meetings of creditors were thus required to be held. A decision was made in October 2004 to hold the first meeting of creditors, which was subsequently held in November 2004.

It is possible that similar situation would happen in the coming year because some of the cases may involve complicated issues that require more time to conduct investigations in

order to decide whether meetings of creditors should be convened. However, the Official Receiver's Office will continue to endeavour to achieve the target.

Signature	_____
Name in block letters	_____ E T O'Connell _____
Post Title	_____ Official Receiver _____
Date	_____ 6.4.2005 _____

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)018

Head: 116 Official Receiver's Office

Subhead (No. & title):

Question Serial No.

0717

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Concerning the targets of the key performance measures in 2004, the Official Receiver's Office (ORO) achieved its target of 98% in putting summary cases with insufficient assets for distribution on release programme of liquidators/trustees within the actual processing time of 12 months, but in 2005, the ORO only planned its target at 95%, a reduction of 3% when compared with 2004. Why?

Asked by: Hon. WONG Ting-kwong

Reply:

A summary case with insufficient assets for distribution is a case where the assets realized do not exceed \$200,000 and, after paying the necessary costs and expenses for administering the case in part or in full, there will be no surplus for payment of a dividend. When a case of this type is put on a release programme, it is one which is more or less completed pending a formal closure with a release order from the court. In a typical case, the ORO should be able to put it on a release program within 12 months from the making of the bankruptcy order/winding-up order. However, in the course of administration of cases, there may be factors which are beyond ORO's control and may require more time to deal with or complete. For example, we may need more time to investigate more complicated issues like disputes and complaints and to handle legal actions. Taking into account all relevant factors, ORO considers that 95% is a reasonable target. Despite the target being set at 95%, ORO will continue to endeavour to achieve the highest possible performance level.

Signature _____

Name in block letters _____

E T O'Connell

Post Title _____

Official Receiver

Date _____

6.4.2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)019

Head: 116 Official Receiver's Office

Subhead (No. & title):

Question Serial No.

1124

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Under this programme, the Official Receiver's Office indicated that they would contract out summary and non-remunerative liquidation cases and non-summary cases to insolvency practitioners in the private sector in 2005-06. Please provide

1. respective estimated savings in contracting out the two categories of cases
2. details of expenses reserved for monitoring of the Administrative Panel Scheme in 2005-06

Asked by: Hon. TONG Ka-wah

Reply:

1. We have contracted out summary and non-summary liquidation cases to private sector insolvency practitioners (PIPs) for a number of years. In principle, the PIPs will recover their costs from the assets realized in the insolvent estates. For non-summary cases, there are sufficient assets in the estates to cover PIPs' costs, and therefore there is no cost to the Government. However, for summary cases, the assets are very likely to be insufficient to meet the PIPs' costs, in which case the amounts specified in the successful bids are to be paid to PIPs to cover the shortfall. Since the complexity of the work involved in these cases can vary significantly, it is not possible to estimate the cost to the Government if they were administered by the Official Receiver's Office. Moreover, the time required to finalize the administration of cases varies considerably. Therefore, while we believe that contracting out of the two categories of cases has resulted in savings, we are not able to give an estimate on the amount involved.
2. The total amount of salaries of the Audit Section which comprises 12 staff for monitoring the Administrative Panel Scheme in 2005-06 is about \$4 million. Moreover, apart from monitoring the Administrative Panel Scheme, the Section also oversees the work of PIPs handling summary liquidation cases outsourced under section 194(1A) of Companies Ordinance and private trustees in some bankruptcy cases.

Signature	_____
Name in block letters	_____ E T O'Connell _____
Post Title	_____ Official Receiver _____
Date	_____ 6.4.2005 _____

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)020

Head: 116 Official Receiver's Office

Subhead (No. & title):

Question Serial No.

1197

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

The provision of the Official Receiver's Office for 2005-06 was 7.7% higher than that for 2004-05. Please explain every reason and the related expenses in details.

Asked by: Hon. TIEN Pei-chun, James

Reply:

The provision of the Official Receiver's Office for 2005-06 is 7.7% higher than the revised estimate for 2004-05 (i.e. \$9.34 million) mainly due to the following reasons:

- (a) increased provision of \$5.00 million for meeting anticipated payments in the contracting out of both new summary winding-up cases in 2005 as well as those cases brought forward from previous years where the liquidators have yet to submit their bills for payment;
- (b) increased provision of \$3.50 million in the general non-recurrent expenditure for conducting investigation and directors' disqualification proceedings on some major liquidation cases;
- (c) increased provision of \$4.50 million for meeting the payment of legal costs of certain on-going legal actions in exercising the regulatory power of the Official Receiver such as filing statements of misconduct of liquidators to the court and removing unfit persons to be liquidators of companies; and
- (d) increased provision of \$0.79 million for paying acting allowance arising from staff changes.

(a) to (d) above are offset partly by the full-year effect of the 2005 civil service pay cut, a net deletion of four posts in 2005-06 and a lower requirement for departmental expenses, totaling \$4.45 million.

Signature	_____
Name in block letters	E T O'Connell
Post Title	Official Receiver
Date	6.4.2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)021

Head: 116 Official Receiver's Office

Subhead (No. & title):

Question Serial No.

1613

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Given that the number of bankruptcy cases was expected to drop continuously in the coming year, why would the estimated number of cases put on small case programme at year end be increased 32.4% when compared with 2004?

Asked by: Hon. CHAN Kam-lam

Reply:

A small case is a case with realizable assets of \$50,000 or below and, after paying the necessary costs and expenses for administering the case in part or in full, there will be no surplus for payment of a dividend. A case of this type put on a small case programme is one which is more or less completed pending a formal closure with a release order from the court. The estimated number of cases put on the small case programme at year end of 2005 represents the actual number of cases brought forward from previous years plus the estimated number of new cases to be put on the small case programme in 2005 less the estimated number of cases with release orders obtained in 2005.

The increase is mainly due to the substantial rise in the number of new bankruptcy cases in previous years. Most of these cases have been for all practical purposes completed pending a formal closure with a release order from the court. However, given the need for redeployment of staff to the frontline, the number of release orders to be obtained from the court is estimated to be lower than the number of new cases to be put on the small case programme, thus leaving more cases on the programme at year end of 2005. When the business environment has improved, more resources may be redeployed to the formal closing work.

Signature _____

Name in block letters _____

E T O'Connell

Post Title _____

Official Receiver

Date _____

6.4.2005