

**LegCo Panel on Financial Affairs**

**List of follow-up actions arising from discussions in previous sessions**  
(Position as at 1 April 2005)

<b>Subject</b>	<b>Date(s) of relevant meeting(s)</b>	<b>Follow-up actions</b>	<b>Outcome</b>
1. Reinsurance cover for employee compensation insurance policies	20 December 2001	The Administration was requested to provide written reports, on a quarterly basis, on the up-to-date market situation of reinsurance coverage for terrorist activities on treaty arrangements and the Administration's assessment of the continued need for the \$10 billion facility as approved by Finance Committee on 11 January 2002.	The eleventh quarterly report provided by the Administration was circulated to members vide LC Paper No. CB(1)650/04-05(01) on 7 January 2005.
2. Loan Guarantee Scheme for Severe Acute Respiratory Syndrome Impacted Industries	Referred by the Finance Committee at its meeting held on 25 April 2003	The Administration undertook to report the operation of the Scheme to the Panel one year after its implementation, and to submit progress report at six month intervals thereafter.	The second report on the operation of the Scheme was circulated to members vide LC Paper No. CB(1)356/04-05(01) on 29 November 2004.
3. Briefing by Financial	6 December 2003	The Administration was requested to provide	According to Financial

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Secretary on Hong Kong's latest overall economic situation		information in due course regarding the estimated number of jobs created in Hong Kong as a result of the "individual visit" scheme for the Mainland visitors to Hong Kong and the Closer Economic Partnership Arrangement (CEPA) between the Mainland and Hong Kong.	Secretary's Office's interim reply dated 8 October 2004, the Administration is following up the request. It advises that given the complexity of the subject, the Administration needs more time to compile the information.
4. Briefing on the work of the Hong Kong Monetary Authority (HKMA)	1 November 2004	HKMA was requested to provide information in due course on the outcome of its review of findings by authorized institutions (AIs) regarding the terms and conditions for banking services, including safe deposit box service.	The response provided by HKMA on its findings of banks' review on the terms and conditions for safe deposit box service was circulated to members vide LC Paper No. CB(1)546/04-05(01) and (02) on 20 December 2004.
	17 February 2005	Given that 24 AIs were required to make appropriate changes to their safe deposit agreements to rectify inconsistencies of the exemption of liability clauses with the Code of Banking Practice by 31 March 2005, HKMA was requested to consider disclosing the names of the AIs concerned, and to provide a written report to the Panel after 31 March 2005 on the compliance situation of the AIs concerned, as well as the actions taken/to be taken by HKMA on them.	The interim reply from HKMA was circulated to members vide LC Paper No. CB(1)1026/04-05(01) on 1 March 2005.
5. Proposal of re-structuring	3 January 2005	The Administration was requested to report to the	Information awaited.

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the filing fees for non-Hong Kong companies		Panel in due course on the situation about non-Hong Kong companies' compliance with the new requirement for them to file a full annual return. The report should include, inter alia, the statistics on compliance, non-compliance and late returns, enforcement actions taken/to be taken (if any), and measures proposed by the Administration to improve the situation.	
6. The Securities and Futures Commission Budget for the Financial Year 2005-06	7 March 2005	The Securities and Futures Commission had undertaken to provide information on the annual expenses incurred by its Chairman's Office in the previous few years.	The information was circulated to members vide LC Paper No. CB(1)1189/04-05(02) on 1 April 2005.
7. Proposals to enhance the oversight of public interest activities of auditors and establish a Financial Reporting Council (FRC)	7 March 2005	<p>The Administration was requested to provide a paper covering the following items:</p> <ul style="list-style-type: none"> <li>(a) The unique circumstances in Hong Kong that justified the establishment of a FRC;</li> <li>(b) Experience of overseas jurisdictions in the regulation of accounting profession, including the following aspects - <ul style="list-style-type: none"> <li>(i) the regulatory regime, in particular, whether the accounting profession was subject to a self-regulatory regime;</li> </ul> </li> </ul>	Information awaited.

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		<p>(ii) whether the self-regulatory body or other bodies were responsible for:</p> <ul style="list-style-type: none"><li>● investigating suspected irregularities of auditors of listed corporations in relation to the audit of published accounts or financial statements of such corporations and the preparation of any auditors' reports for inclusion in prospectuses (i.e. the functions of the Audit Investigation Board proposed by the Administration); and</li><li>● enquiring into suspected non-compliance of the financial reports of listed corporations with relevant accounting requirements under the legislation and rules (i.e. the functions of the Financial Reporting Review Committee proposed by the Administration);</li></ul> <p>(iii) the funding arrangements for performing the functions mentioned in item (ii) above.</p>	

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8. Management of Government investment incomes	7 March 2005	<p>I. The Administration was requested to provide a paper to address the following issues raised by members:</p> <p><u>Dividend payout policy</u></p> <p>(a) To provide the reasons why the Kowloon-Canton Railway Corporation (KCRC), Airport Authority (AA) and Hong Kong Science and Technology Parks Corporation (HKSTPC) had not paid any dividends to the Government in some of the years where profits were recorded;</p> <p>(b) The Administration should put in place a proper mechanism to govern the dividend payout policy of public corporations. The mechanism should cover the circumstances under which the dividends payable to the Government should be paid or waived; and</p> <p>(c) It was noted that HKSTPC signed a shareholder agreement, which covered the dividend payout policy, with the Government in 2004. The same arrangement should be adopted for other public corporations.</p>	<p>The Administration's paper responding to item I was circulated to members vide LC Paper No. CB(1)1189/04-05(03) on 1 April 2005.</p>

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		<p><u>Role of public officers appointed to boards of public corporations</u></p> <p>(d) The Administration should strengthen the role of public officers appointed to public corporations in ensuring the protection of Government investment interests;</p> <p><u>Value for money audit</u></p> <p>(e) Apart from the MTR Corporation Limited (MTRCL) which was a listed company, other public corporations should be required to conduct value for money audit to ensure that the public moneys invested in the corporations were properly used, and the audit reports should be published to enhance transparency.</p> <p>II. The Administration was requested to provide a paper to address the following points of concern raised by members on the land grant policy and the impact of the policy on government revenue:</p> <p>(a) Land and revenue generated from its sale were important sources of income for the Government. The Administration should</p>	

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		<p>ensure the effective use of the limited land resources and that its land grant policy was able to safeguard public interest, maximize financial gains for the community, achieve fair competition and maintain market stability;</p> <p>(b) The Administration should ensure that the land granted to public corporations was put into effective use for the development of their core business, such as the large piece of land on the Airport Island granted to AA. It was suggested that any part of the land which had not been used for the core business of AA should be returned to the Government and put up for sale through open bidding;</p> <p>(c) The policy of subsidizing commercially operated infrastructural projects in the form of land was in contravention of the Basic Law;</p> <p>(d) The policy of subsidizing commercially operated infrastructural projects in the form of land, which was a remnant of the colonial era, no longer suited the present day circumstances. In particular, it was unjustified for the Government to apply the policy to MTRCL since the listing of the</p>	

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		<p>corporation in October 2000;</p> <p>(e) The Government, in considering whether it should subsidize a commercially operated infrastructural project in the form of land, should ensure that the granting of such a subsidy would be in the interest of the public. In this connection, the Administration should set up a transparent and professional mechanism for:</p> <p>(i) assessing the value of the land involved and the financial gains to be achieved by putting up the land for sale through open bidding; and</p> <p>(ii) assessing the rate of return for the Government on the assumption that such a subsidy has been granted to the project.</p> <p>(f) As pointed out by the Hong Kong Institute of Surveyors, the application of the “green field site” principle in the premium assessment for the two railway corporations imposes an important assumption (i.e. no railway development) into the valuation process and thus would have significant implications for</p>	



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		<p>the premium assessment. Other things being equal, the availability of railway development would normally enhance accessibility and thus land values. In other words, the application of the “green field site” principle in the premium assessment for the two railway corporations had resulted in the loss of revenue. The Administration was requested to address this concern and provide the justifications for applying the principle in premium assessment; and</p> <p>(g) On the land premia paid by MTRCL and KCRC for each of the development projects set out in Appendices II and VII to the Administration’s paper issued in February 2005 (LC Paper No. CB(1)1020/04-05(07)), the Administration was requested to explain the basis for calculating the amounts of the land premia involved.</p>	