

**Replies to initial written questions raised by Finance Committee Members in  
examining the Estimates of Expenditure 2006-07**

**Director of Bureau : Secretary for Financial Services and the Treasury  
Session No. : 3**

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Examination of Estimates of Expenditure 2006-07  
**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):  
 000 Operational  
 expenses

Question Serial No.

0022

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 2006-07, there will be a creation of 2 directorate posts and 2 non-directorate posts in the Financial Services and the Treasury Bureau. There is also an increase in the operational expenses from the revised estimate of \$102,186,000 for 2005-06 to the estimate of \$122,816,000 for 2006-07, representing an increase of some \$20 million. In this respect, please list in detail the reasons for creation of those new posts and provide details of their areas of work.

Asked by: Hon. TONG Ka-wah

Reply:

The Financial Services Branch will create at most 6 posts and delete 2 posts in 2006-07. There is a net increase of 4 posts. The details are as follows:

**Posts to be created**

<u>Post</u>	<u>Nature</u>	<u>Number</u>	<u>Reasons</u>
<i>Directorate post</i>			
Administrative Officer Staff Grade B	Supernumerary post (5 years)	1	Rewrite the Companies Ordinance (See note 1)
Administrative Officer Staff Grade C	Supernumerary post (4 years)	1	
Senior Administrative Officer	Permanent post (4 years)	1	
Chief Executive Officer	Permanent post (3 years)	1	Assist in implementing the proposal of turning the Office of the Commissioner of Insurance into an agency independent of the Government (See note 2)
Executive Officer I	Permanent post (3 years)	1	
Clerical Officer	Permanent post (3 years)	1	

**Posts to be deleted**

<u>Post</u>	<u>Nature</u>	<u>Number</u>
<i>Non-directorate post</i>		
Assistant Insurance Officer	Permanent post	1
Assistant Clerical Officer	Permanent post	1

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	8.3.2006

- Note 1 With the approval of the Finance Committee of the Legislative Council on 13 January 2006, we plan to create one supernumerary post of Administrative Officer Staff Grade B (D3) and one supernumerary post of Administrative Officer Staff Grade C (D2) in the first half of 2006-07 for a period of 60 months and 48 months respectively. In addition, one post of Senior Administrative Officer for a period of 48 months will be created to provide the necessary support. Major tasks involved in the rewrite exercise include conducting research into the existing provisions of the Companies Ordinance, as well as the comparable provisions and recent developments in company law in other major common law jurisdictions; identifying issues associated with the operation of the provisions; working out options on how to tackle them; analysing their advantages and disadvantages; formulating recommendations; consulting the stakeholders and the general public; drafting the new Companies Bill; and assisting the Legislative Council to scrutinise the new Companies Bill.
- Note 2 The Administration is studying the proposal to turn the Office of the Commissioner of Insurance into an agency independent of the Government. Such an arrangement is in line with international regulatory trends, and aims to enhance the effectiveness of the Office of the Commissioner of Insurance. If the study proposal is to be proceeded, a task force comprises 1 Chief Executive Officer, 1 Executive Officer I and 1 Clerical Officer will be formed to assist in implementing the proposal. The work of the task force includes the appointment of consultants to conduct studies on the regime of the new organisation, staff consultation, legislative amendment, and making transitional arrangements such as office establishment and staff recruitment.

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)002**

<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;">0023</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 :

In respect of the consultancy study on the feasibility of establishing policyholders' protection funds under Item 019, please inform this Council:

- (a) How is the consultant selected and why? What are the qualifications required of the selected consultant?
- (b) Which part of the study has been completed so far?
- (c) Which part is expected to be completed during 2006-07?
- (d) What is the expected completion time of the whole study? And
- (e) Will the consultancy report be released to the public? If not, what are the reasons?

Asked by: Hon. TONG Ka-wah

Reply:

- (a) The consultant was selected in accordance with established Government tendering procedure, namely, the requirements of the study were specified by the Office of the Commissioner of Insurance ("OCI") and tenders were invited from interested consultancy firms. An assessment panel was formed comprising representatives from OCI and Financial Services and the Treasury Bureau to evaluate the tenders according to a number of predetermined factors including past performance of consultancy firm, whether the proposal complies with the tender specifications, qualifications of key officers nominated by the consultancy firm to lead the study and proposed fee. The successful consultancy firm was selected because it scored overall higher than the other competitive bids.

The qualifications required of the consultancy firm selected include its experience and expertise in conducting public sector consultancy studies, its understanding and knowledge of policyholders' protection funds ("PPFs") and its experience in providing consultancy study on public and financial service. In particular, the lead consultant should be an expert with qualification in the field of accounting, insurance, finance or actuarial science, and possess more than ten years of proven experience in financial consultancy, insurance management or insurance regulatory service, as well as relevant knowledge on PPFs.

- (b) The aim of the consultancy study is to examine the need and feasibility of establishing PPFs in Hong Kong. The study includes review of the existing arrangements for policyholders protection in the event of insurer insolvency, comparison of overseas PPF schemes, examination of the feasibility of introducing PPFs in Hong Kong, public consultation, analysis of the result of public consultation and identification of preferred PPFs options.

The consultant has completed the public consultation stage of the study. It is analysing the result and is preparing a final report.

- (c) During 2006-07, the consultant is expected to complete the analysis of the result of public consultation and to make a recommendation on the feasibility of introducing PPFs in Hong Kong including, where necessary, identifying the preferred PPFs options for consideration by Government.
- (d) According to current progress, it is estimated that the consultancy study will be completed in 2007-08.
- (e) The government will consider releasing the major findings of the consultancy report.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	7.3.2006

Examination of Estimates of Expenditure 2006-07  
**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):  
700 General non-  
recurrent operating  
account

Question Serial No.

0262

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 : 11. Provision of \$154,000 is estimated to be spent on educational campaign on insurance policy replacement for 2005-06, leaving \$235,000 balance for the item. Please give an account of how the money was spent or is going to be spent in 2005-06. Please also advise on whether there will be any evaluation of the project?

Asked by: Hon. Bernard Chan

Reply: The educational campaign aimed to provide guidance to policyholders to help safeguard their interests when they are approached by insurance intermediaries or persuaded by them to replace their existing insurance policies. During 2004-05, over 500,000 copies of the updated pamphlet “Life Insurance Policy Replacement – What you need to know” were printed and distributed to the general public. A provision of \$154,000 was set aside for printing additional copies in 2005-06 if necessary. As there is still sufficient stock on hand, no additional copies of the pamphlet have been printed so far. Evaluation by the Office of the Commissioner of Insurance and feedback from various insurance industry bodies show that the insuring public are now more aware of the potential consequences of replacing a life insurance policy.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

Kevin Ho

Post Title \_\_\_\_\_

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

Date \_\_\_\_\_

7.3.2006

Examination of Estimates of Expenditure 2006-07  
**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):  
 000 Operational  
 expenses

Question Serial No.

0741

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 expected that there will be a creation of 2 permanent and 2 supernumerary posts in the Financial Services Branch this financial year. Please inform this committee of the justifications for creation of the above posts and the remuneration package and contract details of the posts concerned.

Asked by: Hon. CHAN Kam-lam

Reply:

The Financial Services Branch will create at most 6 posts and delete 2 posts in 2006-07. There is a net increase of 4 posts. The details are as follows:

**Posts to be created**

<u>Post</u>	<u>Nature</u>	<u>Number</u>	<u>Reasons</u>
<i>Directorate post</i>			
Administrative Officer Staff Grade B	Supernumerary post (5 years)	1	Rewrite the Companies Ordinance (See note 1)
Administrative Officer Staff Grade C	Supernumerary post (4 years)	1	
<i>Non-directorate post</i> Senior Administrative Officer	Permanent post (4 years)	1	
Chief Executive Officer	Permanent post (3 years)	1	Assist in implementing the proposal of turning the Office of the Commissioner of Insurance into an agency independent of the Government (See note 2)
Executive Officer I	Permanent post (3 years)	1	
Clerical Officer	Permanent post (3 years)	1	

**Posts to be deleted**

<u>Post</u>	<u>Nature</u>	<u>Number</u>
<i>Non-directorate post</i>		
Assistant Insurance Officer	Permanent post	1
Assistant Clerical Officer	Permanent post	1

The remuneration package of these posts is based on the general civil service standards.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	8.3.2006

Note 1 With the approval of the Finance Committee of the Legislative Council on 13 January 2006, we plan to create one supernumerary post of Administrative Officer Staff Grade B (D3) and one supernumerary post of Administrative Officer Staff Grade C (D2) in the first half of 2006-07 for a period of 60 months and 48 months respectively. In addition, one post of Senior Administrative Officer for a period of 48 months will be created to provide the necessary support. Major tasks involved in the rewrite exercise include conducting research into the existing provisions of the Companies Ordinance, as well as the comparable provisions and recent developments in company law in other major common law jurisdictions; identifying issues associated with the operation of the provisions; working out options on how to tackle them; analysing their advantages and disadvantages; formulating recommendations; consulting the stakeholders and the general public; drafting the new Companies Bill; and assisting the Legislative Council to scrutinise the new Companies Bill.

Note 2 The Administration is studying the proposal to turn the Office of the Commissioner of Insurance into an agency independent of the Government. Such an arrangement is in line with international regulatory trends, and aims to enhance the effectiveness of the Office of the Commissioner of Insurance. If the study proposal is to be proceeded, a task force comprises 1 Chief Executive Officer, 1 Executive Officer I and 1 Clerical Officer will be formed to assist in implementing the proposal. The work of the task force includes the appointment of consultants to conduct studies on the regime of the new organisation, staff consultation, legislative amendment, and making transitional arrangements such as office establishment and staff recruitment.



Examination of Estimates of Expenditure 2006-07  
**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.

0759

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 advise on the expenditure and staffing required in 2005-06 and the estimates for 2006-07 respectively to be used by the Financial Services Branch for “assisting the Financial Secretary in overseeing the relevant regulatory authorities, namely, the Hong Kong Monetary Authority, the Securities and Futures Commission, the Insurance Authority and the Mandatory Provident Fund (MPF) Schemes Authority”.

Asked by: Hon. TO Kun-sun, James

Reply:

Assisting the Financial Secretary in overseeing the relevant regulatory authorities is one of the daily duties undertaken by various policy units of the Financial Services Branch (FSB). These policy units are also vested with other responsibilities such as developing policies on financial services matters, processing amendments of ordinances and implementing other improvement measures. Subject to staffing requirement, FSB's establishment of 149 permanent posts in the 2005-06 financial year will increase to 153 posts in the 2006-07 financial year.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

Kevin Ho

Post Title \_\_\_\_\_

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

Date \_\_\_\_\_

8.3.2006

Examination of Estimates of Expenditure 2006-07  
**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.

0760

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 advise:

(a) What specific measures will the Financial Services Branch adopt in 2006-07 to facilitate the initiatives taken by relevant authorities to enhance the quality of the capital market in Hong Kong and how much resources will be involved in these measures respectively? Are the following items included in those measures:

- To urge the Hong Kong Exchanges and Clearing Limited to request listed companies to be more proactive in disclosing information on any arrest of their important members overseas, with a view to enhancing the transparency of listed companies.
- To cooperate with Mainland regulatory authorities so as to assist local regulatory authorities to investigate the corporate governance of Hong Kong-listed companies incorporated in the Mainland, with a view to protecting the interests of local investors.

b) If not, what are the reasons?

Asked by: Hon. TO Kun-sun, James

Reply:

Under the existing regulatory regime, it is the responsibility of the Government to provide an appropriate legal regulatory framework, and the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEx) are responsible for the regulatory functions. The SFC is the regulator of the securities market and is responsible for the regulation of the market and enforcement of the relevant statutory requirements. The HKEx is the front-line regulator of the market. The regulatory authorities have the flexibility to allocate their resources for the purpose of market regulation and further enhancement of the quality of the capital market in Hong Kong. Under sections 13 and 15 of the Securities and Futures Ordinance, the estimates and

financial statements of the SFC for each financial year shall be laid on the table of the Legislative Council.

As regards the quality of financial reporting, the Financial Services Branch will continue to give full support to the Bills Committee of the Legislative Council in scrutinising the Financial Reporting Council Bill so that the Financial Reporting Council (FRC) can be established as soon as possible. This will further enhance the regulation of the audit profession and the quality of financial reporting by listed companies. The HKEx, Hong Kong Institute of Certified Public Accountants, SFC and Companies Registry Trading Fund will contribute to the funding of the FRC on an equal share basis. Discussions on the details of funding arrangements are underway. The Companies Registry Trading Fund will provide free accommodation for the FRC.

As regards requesting listed companies to be more proactive in disclosing information, one of the Administration's key initiatives in 2006-07 is giving statutory backing to major listing requirements so that the SFC can impose direct civil sanctions on listed companies and their directors and officers for breaches of the statutory listing rules, or deal with breaches of the statutory listing rules through civil proceedings before the Market Misconduct Tribunal or criminal prosecutions. Depending on the final shape of the statutory listing rules, the relevant legislative amendments will create a positive statutory obligation for disclosing price-sensitive information by issuers and concerned parties, thus enhancing the transparency of listed companies.

Regarding the monitoring of companies registered in the Mainland and listed in Hong Kong, the HKSFC has maintained an excellent working relationship with the China Securities Regulatory Commission (CSRC) which has been rendering assistance to the SFC to the extent that it can and has assisted the SFC in conducting interviews in the Mainland. The SFC has entered into a Memorandum of Understanding with the CSRC, which provides for exchange of non-public information. The SFC will continue to discuss with CSRC to further strengthen co-operation.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	8.3.2006

Examination of Estimates of Expenditure 2006-07  
**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.

0761

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 advise: In 2006-07, what specific measures will the Financial Services Branch adopt to promote Hong Kong as the first offshore Renminbi (RMB) clearing centre for moving towards full RMB convertibility so as to maintain and enhance Hong Kong's status as a major international financial centre? If the Branch does not have any related measures in 2006-07, what is(are) the reason(s)?

Asked by: Hon. TO Kun-sun, James

Reply:

In the year 2005-06, the Government, through the Hong Kong Monetary Authority, had discussion with the relevant Mainland authorities and successfully sought their agreement to expand the scope of renminbi business in Hong Kong. The measures included: (i) relaxing the limits applicable to exchange of renminbi cash and remittance; (ii) widening the definition of designated merchants and allowing designated merchants to open renminbi deposit accounts; (iii) removing the cap on credit limits for renminbi cards; and (iv) allowing Hong Kong residents to open renminbi current accounts and make payments for consumer spending in Guangdong Province by cheque.

In the year 2006-07, the Government will continue its discussion with the relevant Mainland authorities on further expansion of renminbi business in Hong Kong, and specifically, the proposals to allow cross-boundary trade to settle in renminbi and to establish a renminbi debt issuance mechanism in Hong Kong. If implemented, the two proposals would enhance the capability of Hong Kong's financial system in handling conversion and other transactions denominated in renminbi, thereby helping enhance the status of Hong Kong as an international financial centre.

That said, it should be noted that the issues of renminbi convertibility and the use of renminbi outside the Mainland are matters related to Mainland's capital account liberalisation. Our proposals in this regard have to progress in tandem with the pace of the relevant reforms on the Mainland.

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>8.3.2006</u>

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)008**

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

Subhead (No. & title):  
000 Operational  
expenses

Question Serial No.

0786

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 :

With regard to the Analysis of Financial and Staffing Provision, there will be an increased provision for 2006-07 to meet the expenses for the hearing of tribunal cases involving insider dealing and market misconduct etc. What is the estimated increase in the number of such cases in 2006-07 as compared with 2005-06, so much so that additional provision is warranted? Are the 4 posts to be created responsible for handling the work arising from the aforesaid tribunal cases? If not, what is the scope of duties of these posts?

Asked by: Hon. WONG Ting-kwong

Reply:

Increase in Expenditure on Tribunal Cases

A provision of \$20.79 million is earmarked under Subhead 000 Operational expenses in the estimate for 2006-07 to support the operation of the Insider Dealing Tribunal (IDT), the Market Misconduct Tribunal (MMT), and the Securities and Futures Appeals Tribunal (SFAT). The provision is comparable to the approved estimate for the same purpose in 2005-06 (\$19.64 million).

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 completing the hearings.

In preparing the estimates for 2005-06, we estimated the IDT would handle 7 cases. However, in 2005-06, two insider dealing inquires were adjourned due to the applications for judicial review by the implicated parties. Another case has been adjourned in view of a possible application for judicial review on the grounds similar to those of the two cases mentioned above.

In preparing the estimate for 2006-07, we expect that the 3 cases that were adjourned in 2005-06 will resume hearing in 2006-07. Coupled with 4 cases waiting to be heard, we expect the IDT/MMT to handle a total of 7 cases during the year. On the basis of past experience, we estimate each case will, on average, cost about \$2.5 million. The total cost of processing 7 cases is estimated to be \$17.5 million. The remaining provision of \$3.3 million is mainly for the operation of SFAT and administrative overhead of the tribunals.

Responsibilities of the new posts to be created

It is expected that the Financial Services Branch will create at most 6 posts and delete 2 posts in 2006-07. There is a net increase of 4 posts. The main duties of these newly created posts will be to assist in the rewrite of the Companies Ordinance and implementation of the proposal to turn the Office of the Commissioner of Insurance into an agency independent of the Government.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	8.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)009**

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

Subhead (No. & title):

Question Serial No.

0787

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 Financial Secretary said that the financial services industry is the main areas for development. However, under the Analysis of Financial and Staffing Provision, it seems that the additional provision for 2006-07 is not mainly related to the development of the financial services industry. Please give an account of the allocation of resources which would be in line with, as put forward by the Financial Secretary, having the financial services industry as the main area for development.

Asked by: Hon. WONG Ting-kwong

Reply:

The Financial Services Branch aims to maintain and enhance Hong Kong's status as a major international financial centre; maintain the integrity and stability of the financial system of Hong Kong; ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets; and provide a business environment which is open, fair and conducive to financial market developments. All its provisions will be used to achieve the above-mentioned aims. For example, under "Analysis of Financial and Staffing Provision", it is stated that there will be a net creation of 4 posts in 2006-07. These posts will be responsible for the rewrite of the Companies Ordinance, and the examination of the feasibility of forming a working group to assist with the study proposal of turning the Office of the Commissioner of Insurance into an agency independent of the Government. In addition, the increased provision for hire of services and professional fees is for providing sufficient funding for meeting the expenses on the hearing of tribunal cases involving insider dealing and market misconduct, etc.. All these measures help to achieve the above-mentioned aims.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

Kevin Ho

Post Title \_\_\_\_\_

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

Date \_\_\_\_\_

8.3.2006



Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)010**

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

Subhead (No. & title):  
000 Operational  
expenses

Question Serial No.

0865

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 :

There is an increase of 20.2% in the estimate of financial provision under Subhead 000 Operational expenses for 2006-07 over the revised estimate for 2005-06. It is explained that the increase is mainly due to the increased provision for the hearing of tribunal cases as well as an increase in salary provision arising from staff changes. Please set out the details of expenditure incurred in those two areas.

Asked by: Hon. LEUNG Kwan-yuen, Andrew

Reply:

Increase in Expenditure on Tribunal Cases

A provision of \$20.79 million is earmarked under Subhead 000 Operational expenses in the estimate for 2006-07 to support the operation of the Insider Dealing Tribunal (IDT), the Market Misconduct Tribunal (MMT), and the Securities and Futures Appeals Tribunal (SFAT). The provision is comparable to the approved estimate for the same purpose in 2005-06 (\$19.64 million).

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 completing the hearings.

The revised estimate for 2005-06 is revised downward to \$9.77 million because the implicated parties of two insider dealing inquiries that commenced in 2005-06 had applied for judicial review and the proceedings were adjourned pending conclusion of the judicial review. Another case has been adjourned in view of a possible application for judicial review on the grounds similar to those of the two cases mentioned above. As the hearings did not proceed as scheduled, the costs of hearing were substantially reduced.

In preparing the estimate for 2006-07, we expect that the 3 cases that were adjourned will resume hearing in 2006-07. Coupled with 4 cases waiting to be heard, we estimate the IDT/MMT will handle a total of 7 cases during the year. On the basis of past experience, we estimate each case will, on average, cost about \$2.5 million. The total cost of processing 7 cases is estimated to be \$17.5 million. The remaining provision of \$3.3 million is mainly for the operation of SFAT and administrative overhead of the tribunals.

Increase in salary provision

“Increase in salary provision arising from staff changes” refers to the increase in salary provision required for increments granted to staff, staff deployment, retirees taking pre-retirement leave and the filling of vacancies or newly created posts. For the Financial Services Branch, personal salary provision arising from staff changes for 2006-07 is \$5.1 million higher than the revised estimate for 2005-06. Breakdown of the increase in expenditure is set out as follows :

	<u>Increase</u>
(a) Filling of existing vacancies	\$2.22 million
(b) Filling of newly created posts	\$1.52 million
(c) Other changes such as increments granted, staff deployment and pre-retirement leave, etc.	\$1.36 million
	<hr/> <u>\$5.1 million</u>

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	8.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)011

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

Subhead (No. & title):  
000 Operational  
expenses

Question Serial No.

1856

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 :

There is a two fold increase in the 2006-07 estimate for the Hire of services and professional fees over the revised estimate for 2005-06. What are the specific reasons for the increase?

Asked by: Hon. TAM Heung-man

Reply:

Increase in Expenditure on Tribunal Cases

A provision of \$20.79 million is earmarked under Subhead 000 Operational expenses in the estimate for 2006-07 to support the operation of the Insider Dealing Tribunal (IDT), the Market Misconduct Tribunal (MMT), and the Securities and Futures Appeals Tribunal (SFAT). The provision is comparable to the approved estimate for the same purpose in 2005-06 (\$19.64 million).

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 completing the hearings.

The revised estimate for 2005-06 is revised downward to \$9.77 million because the implicated parties of two insider dealing inquiries that commenced in 2005-06 had applied for judicial review and the proceedings were adjourned pending conclusion of the judicial review. Another case has been adjourned in view of a possible application for judicial review on the grounds similar to those of the two cases mentioned above. As the hearings did not proceed as scheduled, the costs of hearing were substantially reduced.

In preparing the estimate for 2006-07, we expect that the 3 cases that were adjourned will resume hearing in 2006-07. Coupled with 4 cases waiting to be heard, we estimate the IDT/MMT will handle a total of 7 cases during the year. On the basis of past experience, we estimate each case will, on average, cost about \$2.5 million. The total cost of processing 7 cases is estimated to be \$17.5 million. The remaining provision of \$3.3 million is mainly for the operation of SFAT and administrative overhead of the tribunals.

Signature	_____
Name in block letters	_____ Kevin Ho _____
Post Title	_____ Permanent Secretary for Financial Services and the Treasury (Financial Services) _____
Date	_____ 8.3.2006 _____

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)012**

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

Subhead (No. & title):  
000 Operational  
expenses

Question Serial No.

1857

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 estimate for general departmental expenses for 2006-07 is higher than the revised estimate for 2005-06 by one-third. Please provide more details on the need for the increase.

Asked by: Hon. TAM Heung-man

Reply:

Strengthening co-operation with the Pan-Pearl River Delta region on financial services and continuing to enhance Hong Kong's position as a major asset management centre in Asia are two key initiatives of the Financial Services Branch in 2006-07. We need to make provision under "General Departmental Expenses" for possible activities relating to these two tasks.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

Kevin Ho

Post Title \_\_\_\_\_

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

Date \_\_\_\_\_

8.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)013

Question Serial No.

0225

Head : 26 Census and Statistics Department

Subhead (No. & title) :

Programme : (1) Trade Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

At present, a number of services provided by the Census and Statistics Department have far exceeded their performance targets. Will the Government consider raising the performance targets to further enhance these services?

Asked by : Hon. TAM Heung-man

Reply :

Data published each year by the Census and Statistics Department on its performance refer to the average time per case taken in providing services to members of the public in the year. However, as the nature and complexity of services involved vary among cases, the time required for processing cases which are more complicated or involve more data requirements will exceed the average figure. It is considered that the targets set already represent realistic and reasonable performance pledges to members of the public.

The department will continue to strive to provide quality, convenient and efficient statistical services to members of the public, in accordance with the long-standing objective of serving the community. For some service items which do not involve too many complicated cases, the department will consider raising the performance targets where appropriate.

Signature	_____
Name in block letters	FUNG Hing-wang
Post Title	Commissioner for Census and Statistics
Date	8 March 2006

Reply Serial No.

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

**FSTB(FS)014**

Question Serial No.

0324

Head : 26 Census and Statistics Department

Subhead (No. & title) :

Programme : (6) Labour Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

For cost-effectiveness, the Census and Statistics Department will reduce the sample size of the Quarterly Survey of Employment and Vacancies from 55 000 to 32 000 as from 2006 while ensuring the representativeness of the statistics at aggregate level. Detailed statistics for important industries and industries of growing significance will nevertheless continue to be compiled for relevant users. In this regard, would the Government advise the Council:

- (a) What will be the impacts on the reliability and credibility of the Quarterly Survey of Employment and Vacancies after a reduction of the sample size by 23 000?
- (b) What are the industries referred to as important industries and industries of growing significance? Please give details.

Asked by : Hon. WONG Kwok-hing

Reply :

- (a) After the sample reduction of the survey, some detailed industries which are of less importance will be combined and the number of detailed industries with published employment estimates will be reduced. In this way, the overall sample size can be reduced on the one hand and the precision of employment estimates published can be ensured on the other hand.
- (b) In deciding the industries to be retained or combined, consideration has been given to the developments over the past years, in particular the restructuring of the local economy. Important industries or industries of growing significance mainly include trading and logistics, information technology services, banking and financial services, and professional services.

Signature  
Name in block letters  
Post Title  
Date

\_\_\_\_\_  
FUNG Hing-wang  
\_\_\_\_\_  
Commissioner for Census and Statistics  
\_\_\_\_\_  
8 March 2006  
\_\_\_\_\_

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)015

Question Serial No.

0331

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 :

The Government will conduct a five-yearly population census/by-census in 2006-07. Would the Government please advise the Council:

- (a) What is the expenditure involved?
- (b) What are the social topics covered in the survey? Please give details.

In addition, what contents are covered in the Thematic Household Survey? Please give details.

Asked by : Hon. LAM Kin-fung, Jeffrey

Reply :

- (a) The estimated total expenditure for the 2006 Population By-census is about \$155 million, including \$96 million for salary provision, \$34 million for expenses on computer equipment and services and \$25 million for other miscellaneous expenses (e.g. equipment, printing and electricity expenses).
- (b) A total of 41 topics will be included in the 2006 Population By-census, covering demographic, educational, geographical distribution, internal migration, economic, housing and household characteristics.

As regards the Thematic Household Survey, the topics covered in 2006-07 include crime and its victims in Hong Kong, information technology usage and penetration, enforcement of order for payment of alimony, and public awareness of and perception on the work of the Office of The Ombudsman.

Signature	
Name in block letters	FUNG Hing-wang
Post Title	Commissioner for Census and Statistics
Date	8 March 2006



Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)016

Question Serial No.

0332

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 Government will conduct an annual survey to collect data on innovation activities, including research and development, in the business sector. Would the Government please specify the objective of the survey concerned? What areas are covered in the survey? What is the expenditure involved?

Asked by : Hon. LAM Kin-fung, Jeffrey

Reply :

The objectives of the survey are to collect data on innovation activities, including research and development (R&D), in the business sector, for reference in innovation and technology policy formulation and evaluation in Hong Kong. Areas covered in the survey include the size and distribution of resources devoted to R&D, the development and diffusion of innovation activities, and the factors that foster or hinder the innovation process.

The expenditure involved for the survey is estimated to be \$3.4 million in 2006-07.

Signature	FUNG Hing-wang
Name in block letters	Commissioner for Census and Statistics
Post Title	8 March 2006
Date	

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)017**

Question Serial No.

0333

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 Government will conduct an annual survey to collect both data and views of companies in Hong Kong representing parent companies located outside Hong Kong. Would the Government please specify the objective of the survey? How many companies will be interviewed? What are the contents of the survey? What is the expenditure involved?

Asked by : Hon. LAM Kin-fung, Jeffrey

Reply :

The main objective of the survey is to obtain information on regional headquarters, regional offices and local offices in Hong Kong set up by their parent companies outside Hong Kong, for reference in investment promotion policy formulation and evaluation. In the 2005 survey, some 6 300 relevant companies were interviewed. The contents of the survey include the basic information of these companies, like number of persons engaged, major line of business, and country/territory of location of the parent company, as well as their views on the attractiveness of Hong Kong as a location for setting up regional headquarters/regional offices/local offices. The expenditure involved was about \$2.1 million.

Signature	_____
Name in block letters	FUNG Hing-wang
Post Title	Commissioner for Census and Statistics
Date	8 March 2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)018**

Question Serial No.

0470

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

Programme :

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Please advise the Council : What are the details and savings from the 62 permanent posts to be deleted in the Census and Statistics Department in 2006-07?

Asked by : Hon. LEUNG Yiu-chung

Reply :

The 62 posts to be deleted in 2006-07 include 33 project-related posts which will be deleted upon completion of the relevant projects and 29 posts which will be deleted to achieve the pledged target of reducing the civil service establishment to 160 000. The breakdown is as follows :

- (a) 3 posts (\$1.1m) for the 2004-05 Household Expenditure Survey;
- (b) 30 posts (\$4.2m) for the 2006 Population By-census; and
- (c) 29 posts (\$4.1m) which are currently vacant.

Signature	FUNG Hing-wang
Name in block letters	Commissioner for Census and Statistics
Post Title	8 March 2006
Date	

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)019

Question Serial No.

0817

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 :

Regarding "compile more science and technology statistics", please advise:

- (a) What types of science and technology statistics will be compiled by the Government in 2006-07? Which of these are based on annual/regular surveys? Which of these are based on one-off surveys?
- (b) Would the Government consult the information technology and telecommunications sector and take their views for reference in determining the types of science and technology statistics to be compiled?

Asked by : Hon. SIN Chung-kai

Reply :

Based on the international standards promulgated by the Organisation for Economic Cooperation and Development, the Census and Statistics Department (C&SD) will compile six major types of science and technology (S&T) statistics in 2006-07, viz. (i) research and development; (ii) innovation in the business sector; (iii) external technology flow; (iv) human resources in science and technology; (v) patent; and (vi) research outputs. Types (i) to (iii) are mainly based on annual surveys supplemented by administrative data from other government bodies. Type (iv) is based on data from the Population Census/By-census conducted every five years, while types (v) and (vi) are mainly based on administrative records of other government bodies.

Prior to compiling S&T statistics for the first time in 2001-02, C&SD had extensively consulted the views of the business community, including the information technology and telecommunications sector.

Signature	
Name in block letters	FUNG Hing-wang
Post Title	Commissioner for Census and Statistics
Date	8 March 2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)020**

Question Serial No.

0818

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 :

Concerning the strategic IT projects launched by the Census and Statistics Department, please advise:

- (a) What projects were launched by the Government in 2005-06? What was the sum involved in each project?
- (b) What projects will be launched by the Government in 2006-07? Which parts will be developed by the Government? Which parts will be outsourced to the private sector for development? Upon completion of all projects, what aspects of operational effectiveness are expected to be enhanced in the Census and Statistics Department? What is the expenditure involved in each project?
- (c) By when does the Government expect the strategic IT projects to be completed?

Asked by : Hon. SIN Chung-kai

Reply :

(a) The Census and Statistics Department launched six strategic IT projects in 2005-06. The projects and their costs are given below:

- (i) Implement data input sub-system (\$1.4m);
- (ii) Conduct process review and feasibility study for data capturing (\$2m);
- (iii) Replace the Quarterly Survey of Construction Output System and the Wage and Payroll System and develop common data processing and analysis tools (\$9m);
- (iv) Implement management information system (\$4.3m);
- (v) Enhance departmental IT infrastructure (\$7.7m); and
- (vi) Conduct process review for output production and implement output production system (the project cost will be confirmed after funding application).

(b) While the first project listed above has been completed in 2005-06, the remaining five will continue in 2006-07. Except for the process reviews of the second and sixth projects which are conducted by the Government, the other tasks are out-sourced to the private sector. Upon completion of all these projects, work efficiency in such areas as input, capture, processing and analysis of data as well as the production of statistical outputs will be enhanced. In addition, knowledge management will be strengthened.

(c) There are a total of 16 strategic IT projects. According to the implementation plan, the six projects listed above will be completed by 2007-08. Another three projects will be launched in 2007-08. For the remaining seven projects, a mid-term review will be conducted in 2007, based on which implementation plans will be drawn up.

Signature  
Name in block letters  
Post Title  
Date

\_\_\_\_\_  
FUNG Hing-wang  
\_\_\_\_\_  
Commissioner for Census and Statistics  
\_\_\_\_\_  
8 March 2006  
\_\_\_\_\_

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)021

Head: 116 Official Receiver's Office

Subhead (No. & title):

000 Operational  
expenses

Question Serial No.

0744

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

“The general departmental expenses” under the departmental expenses of the estimate for 2005-06 was \$12.633 million, representing an increase of 30% of the original estimate. Why?

Asked by: Hon. CHAN Kam-lam

Reply:

This is mainly due to the employment of more temporary staff to cope with the backlog consequent upon the substantial increase in the number of bankruptcy cases in the past few years. (Note: the average number of temporary posts employed for 2005-06 is 28 and the estimated number of temporary posts as at 31 March 2006 is 36.) This has been partly offset by the reduced requirement for other operational expenses (such as bank search).

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

E T O'Connell

Post Title \_\_\_\_\_

Official Receiver

Date \_\_\_\_\_

9.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)022**

Head: 116 Official Receiver's Office

Subhead (No. & title):

000 Operational  
expenses

Question Serial No.

0745

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

"The general departmental expenses" of the coming year will further increase to \$17.788 million from \$12.633 million last year. Why?

Asked by: Hon. CHAN Kam-lam

Reply:

This is mainly due to the employment of more temporary staff to cope with the backlog consequent upon the substantial increase in the number of bankruptcy cases in the past few years. (The average number of temporary posts employed for 2005-06 is 28 while the estimated average number of temporary posts will be 50 for 2006-07.)

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

E T O'Connell

Post Title \_\_\_\_\_

Official Receiver

Date \_\_\_\_\_

9.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)023**

Head: 116 Official Receiver's Office

Subhead (No. & title):

Question Serial No.

0758

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise on the following:

- (a) The Official Receiver's Office will implement the scheme for outsourcing of liquidation cases in the year 2006-07. What is the estimated number of cases to be outsourced to private-sector insolvency practitioners (PIPs) under the scheme for the coming year? What is the expenditure on and the staffing establishment required for the monitoring of the operation of the scheme?
- (b) The administration estimates that the average active caseload per Insolvency Officer will drop to 385 in the year 2006-07 as compared with 418 cases in 2005. What is the reason for that?

Asked by: Hon. TO Kun-sun, James

Reply:

- (a) Under the existing scheme of outsourcing of summary liquidation cases (assets likely not exceeding \$200,000), the estimated number of cases to be outsourced to private insolvency practitioners (selected through open tender) in 2006-07 is 900. For the cases with assets likely exceeding \$200,000 or complicated cases, they will not be outsourced. Instead, meetings of creditors and contributories will be convened for the creditors and contributories to resolve on the appointment of liquidators. The staffing establishment assigned for the monitoring of the operation of the scheme is 10 Insolvency Officers, 8 Treasury Accountants/Accounting Officers and 11 clerical staff, at a total annual expenditure of about \$11 million.
- (b) The average active caseload per Insolvency Officer refers to the total number of active cases at the year-end (active cases carried forward plus new cases in the year less inactive cases in the year) divided by the number of Insolvency Officers. In 2006, it is estimated that the number of new cases with insolvency orders made would drop gradually and, on the other hand, the number of cases estimated to become inactive cases would be more or less the same as in 2005. Thus, the estimated average active caseload per Insolvency Officer in 2006 is anticipated to drop. Although there has been a drop in the number of active cases per Insolvency Officer, the estimated figure for 2006 (385) is still much higher than that in, say, 2000 (131).

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

E T O'Connell

Post Title \_\_\_\_\_

Official Receiver

Date \_\_\_\_\_

9.3.2006



Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)024**

Head: 116 Official Receiver's Office

Subhead (No. & title):

000 Operational  
expenses

Question Serial No.

0784

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Concerning the analysis of financial and staffing provision, the provision for the year 2006-07 is \$18.2 million (16.1%) higher than the revised estimate for 2005-06. This is mainly due to the increased provision for meeting legal costs, employment of contract staff and anticipated payments in the contracting out of summary winding-up cases, and increased cash flow requirement for non-recurrent items. What is the amount that the four items account for respectively in the financial provision? What are the percentage shares in the estimated overall expenditure?

Asked by: Hon. WONG Ting-kwong

Reply:

The increased provision of \$18.2 million is mainly to meet (a) legal costs (\$9.6 million); (b) employment of contract staff (\$4.8 million); (c) payments in the contracting out of summary winding-up cases (\$1 million); and (d) cash flow requirement for non-recurrent items (\$2.5 million).

The percentage shares of the above four items (amount in bracket) in the estimated overall expenditure of \$131.0 million in 2006-07 are (a) 11% (\$14.6 million); (b) 7.6% (\$10.0 million); (c) 4.6% (\$6 million); and (d) 3.5% (\$4.6 million) respectively.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

E T O'Connell

Post Title \_\_\_\_\_

Official Receiver

Date \_\_\_\_\_

9.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)025**

Head: 116 Official Receiver's Office

Subhead (No. & title):

000 Operational  
expenses

Question Serial No.

0785

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What is the staffing requirement for the implementation of the scheme for outsourcing of summary liquidation cases? What is the progress of the work?

Asked by: Hon. WONG Ting-kwong

Reply:

The staffing requirement for the implementation of the scheme for outsourcing of summary liquidation cases is 10 Insolvency Officers, 8 Treasury Accountants/Accounting Officers and 11 clerical staff.

Since 2001, the Official Receiver's Office has been outsourcing summary liquidation cases (with assets unlikely to exceed \$200,000) to private insolvency practitioners (PIPs) selected. In 2005-06 (up to January 2006), 651 summary liquidation cases were outsourced. A two-year tender exercise has recently been conducted for outsourcing such cases in 2006-2008. In 2006-07, the estimated number of cases to be outsourced is 900.

ORO will continue to monitor the PIPs appointed to ensure that they perform their duties according to the requirements imposed on them by statute and rules as well as the terms of the tender.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

E T O'Connell

Post Title \_\_\_\_\_

Official Receiver

Date \_\_\_\_\_

9.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)026**

Head: 116 Official Receiver's Office

Subhead (No. & title):

000 Operational  
expenses

Question Serial No.

0961

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise that:

The estimate for 2005-06 of the Official Receiver's Office (ORO) has been revised from the original estimate of \$130 million to some \$110 million which was comparable to the actual expenditure for the year 2004-05. The figures of the last two years showed that the actual expenses of the Administration was not as much as estimated, the estimated expenditure for the year 2006-07, however, still remains at some \$130 million. Please state the reason.

Asked by: Hon. TIEN Pei-chun, James

Reply:

The drop in the revised estimate for 2005-06 (\$112.8 million) against approved estimate (\$130.3 million) is mainly due to less than expected bills received from the liquidators for the contracting out cases.

The increase in the estimate for 2006-07 (\$131.0 million) over the revised estimate for 2005-06 (\$112.8 million) is mainly due to (a) growing number of bills from the liquidators for the contracting out cases brought forward from the previous years; (b) increase in provision for meeting the legal costs of certain on-going legal proceedings; (c) employment of more contract staff to cope with the backlog consequent upon the substantial increase in the number of bankruptcy cases in the past few years; and (d) increased cash flow requirement for non-recurrent items.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

E T O'Connell

Post Title \_\_\_\_\_

Official Receiver

Date \_\_\_\_\_

9.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)027**

Head: 116 Official Receiver's Office

Subhead (No. & title):

000 Operational  
expenses

Question Serial No.

1799

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please give details of the four permanent posts to be deleted in the year 2006-07 and the anticipated savings.

Asked by: Hon. LEUNG Yiu-chung

Reply:

In 2006-07, the four permanent posts proposed for deletion are as follows:

<u>Post</u>	<u>No.</u>
Insolvency Officer II	1
Personal Secretary I	1
Personal Secretary II	1
Assistant Clerical Officer	1

The anticipated savings in terms of notional annual mid-point salary value will be around \$0.9 million per annum.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

E T O'Connell

Post Title \_\_\_\_\_

Official Receiver

Date \_\_\_\_\_

9.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)028**

Head: 116 Official Receiver's Office

Subhead (No. & title):

000 Operational  
expenses

Question Serial No.

2033

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise that:

Hong Kong's economy maintains sustainable growth and continuous improvement. However, the Administration estimates that the number of new bankruptcy cases for the year 2006-07 will not be reduced. On what grounds does the Administration make such an estimation?

Asked by: Hon. TAM Heung-man

Reply:

As the economy has shown some improvement in the recent years, it is anticipated that the numbers of new bankruptcy and liquidation cases are likely to fall gradually in 2006. Hence, based on an estimate of decrease by 5%, the numbers of new bankruptcy and liquidation cases in 2006 are estimated to be 9,319 (9,810 in 2005) and 807 (849 in 2005) respectively. It is difficult to come up with more precise estimates in this regard. Nevertheless, we believe that the wider use of outsourcing is a means to help the Official Receiver's Office to cope with any fluctuations in the number of insolvency cases.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

E T O'Connell

Post Title \_\_\_\_\_

Official Receiver

Date \_\_\_\_\_

9.3.2006

Examination of Estimates of Expenditure 2006-07  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)029**

Head: 116 Official Receiver's Office

Subhead (No. & title):

Question Serial No.

000 Operational  
expenses

2034

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Based on the figures provided, there is no significant increase in the workload of the Official Receiver's Office. Please explain why it is necessary for the Government to increase the expenditure.

Asked by: Hon. TAM Heung-man

Reply:

Although the number of new cases (bankruptcy and liquidation) seems to stabilize from 2005 (10,659) to 2006 (estimated 10,126), there is still a need to increase the provision for 2006-07. This is mainly due to -

- (a) employment of more contract staff to cope with the backlog consequent upon the substantial increase in the number of bankruptcy cases in the past few years. The tasks involved will include review of all cases as they approach the automatic discharge date to see if there are grounds to object to the discharge from bankruptcy and assistance in the payments of dividends to creditors before the discharge date;
- (b) growing number of bills from the liquidators for the contracting out cases brought forward from the previous years;
- (c) increase in provision for meeting the legal costs of certain on-going legal proceedings; and
- (d) increased cash flow requirement for non-recurrent items.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

E T O'Connell

Post Title \_\_\_\_\_

Official Receiver

Date \_\_\_\_\_

9.3.2006