

**Replies to initial written questions raised by Finance Committee Members in  
examining the Estimates of Expenditure 2007-08**

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

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Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)001**

Question Serial No.

0882

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

Subhead (No. & title) :

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 :

Provision for 2007-08 is 18% higher than the revised estimate for 2006-07, partly due to additional requirement for general departmental expenses and increased cash flow requirement for non-recurrent items. Please explain in details the specific reasons for the increased cash flow requirement for them.

Asked by : Hon. CHAN Kam-lam

Reply :

The reasons for increased provisions for “departmental expenses” and “non-recurrent expenditure” for 2007-08 are as follows:

<u>Subhead</u>	<u>Increase in expenditure</u>	<u>Remarks</u>
(i) Subhead 000 Operational expenses – Hire of services and professional fees	\$11 m	Mainly to provide for expenditure for a consultancy study related to establishment of an independent Insurance Authority, and operation of hearings of the Insider Dealing Tribunal, the Market Misconduct Tribunal and the Securities and Futures Appeals Tribunal.

(ii) Subhead 000 Operational expenses – General departmental expenses	\$1.9 m	For recruiting temporary staff to fill the vacancies arising from the retirement of some Insurance Officers and meeting the expenditure of activities to promote the financial services of Hong Kong.
(iii) Subhead 700 General non-recurrent	\$1.1 m	The total cash flow requirement for these projects is higher than that for 2006-07.
(a) Initiatives to coordinate the human resources development for the financial services sector		
(b) Consultancy study on the feasibility of establishing policyholders' protection funds		
(c) Education campaign on insurance policy replacement		
(d) Consultancy study on establishing the supervisory framework of assets of long term insurers in Hong Kong		

Signature	
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	14.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)002**

Question Serial No.

0883

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

Subhead (No. & title) : 000 Operational  
expenses

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 :

For hire of services and professional fees in 2007-08, please account for the drastic increase in provision to over \$24 million in details, stating the contents of the consultancy study that has to be conducted and the expenditure involved in the hearing of tribunal cases on insider dealing and market misconduct.

Asked by : Hon. CHAN Kam-lam

Reply :

Expenditure for Preparation for Establishment of an Independent Insurance Authority

It is mentioned in the Policy Agenda booklet 2006-07 that the Administration would prepare proposals on establishment of an independent Insurance Authority (IA) for consultation with stakeholders. We will commission a consultancy study focusing on the governance structure, organizational framework, funding mechanism and budgetary arrangement of an independent IA. Given the level of expertise and professional knowledge called for in assessing the attributes of different regulatory bodies operating locally and overseas, we consider that it would be more appropriate to commission a consultant to conduct the study. Around \$3.5 million has been included for the purpose in draft Estimates for 2007-08 but the actual expenditure incurred in the year would depend on the outcome of the tendering exercise.

Expenditure for Tribunal Hearings

Provision of \$19.4 million is earmarked under hire of services and professional fees in the draft Estimates for 2007-08 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 original estimate for the same purpose in 2006-07 (\$20.1 million).

The provision is required mainly for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and external counsel 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 2006-07 is \$8.2 million lower than the original estimate as not all cases heard in 2006-07 required services such as real-time verbatim reporting and professional witnesses. However, for estimate purpose, it is necessary to include such provision for all cases to finance these services when the need arises.

In preparing the draft Estimates for 2007-08, we assume the IDT/MMT will handle a total of 6 cases during the year. On the basis of past experience and having regard to the complex nature of market misconduct cases, we estimate each case will, on average, cost about \$2.8 million. The total cost of processing 6 cases is estimated to be \$16.9 million. The remaining provision of \$2.5 million is mainly for the operation of SFAT.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	16.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)003**

Question Serial No.

0884

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

Subhead (No. & title) : 000 Operational  
expenses

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 give the reasons for the significant increase in “Personnel Related Expenses” for the 2007-08 estimate over the 2006-07 revised estimate.

Asked by : Hon. CHAN Kam-lam

Reply :

Provision for “Personnel Related Expenses” in 2007-08 is \$120,000 higher than the 2006-07 revised estimate. This is mainly due to increased requirement for contributions to provident fund schemes. Provision for Civil Service Provident Fund contribution in 2007-08 is to meet the requirement arising from the transfer of officers now on new agreement terms to new permanent terms in the year. The rest of the increase is earmarked for contributions to the Mandatory Provident Fund Scheme in respect of staff so eligible.

Signature \_\_\_\_\_

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

Kevin Ho

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

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

Date \_\_\_\_\_

14.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)004**

Question Serial No.

0106

Head : 148 – Government Secretariat :                      Subhead (No. & title) :  
          Financial Services and the Treasury  
          Bureau (Financial Services Branch)

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 :

Regarding “monitoring the implementation of the Deposit Protection Scheme” under Matters Requiring Special Attention in 2007-08, could the Administration inform this Committee about the implementation of the Scheme, whether it has assessed the impact of the Scheme on depositors and the banking sector so far, whether the Scheme has led to a change in depositors’ deposit behaviour; and whether small and medium-sized banks have benefited from the implementation?

Asked by : Hon. FUNG Kin-kee, Frederick

Reply :

The Hong Kong Deposit Protection Board (“the Board”) has been monitoring the operation of the Deposit Protection Scheme (“the Scheme”) and the impact of the Scheme on depositors and banks.

Since its inception in September 2006, the Scheme has been operating smoothly. With the cooperation of the banking sector, the various rules and guidelines made under the Deposit Protection Scheme Ordinance to govern the operation of the Scheme have been implemented smoothly. All Scheme members have paid their contributions for 2006 and 2007 to the Board in accordance with the applicable rules. Representations made by Scheme members in respect of their membership status and the protection status of their products are in compliance with the relevant requirements. Promotional and educational campaigns launched by the Board are successful and effective in raising public awareness of the Scheme. The Board has largely completed the development of a payout system and the procedures for paying compensation to depositors. Testing of the system and the procedures has commenced.

Since the Scheme is still in its early stage of implementation, it may take a longer time to observe its impact on depositors and banks. An initial observation is that, according to the

statistics collected by the Board, the growth in the amount of protected deposits of some small to medium-sized banks in 2006 was higher than the industry average. The Board will continue to monitor closely the operation of the Scheme.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	13.3.2007



Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)005**

Question Serial No.

0878

Head : 148 – Government Secretariat : Subhead (No. & title) :  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

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 explain why the expenditure in the revised estimate for 2006-07 has decreased by 16.9% than the original estimate. Please give a detailed list of the areas where expenditure has been reduced and the reasons for the reduction of expenditure.

Asked by : Hon. FUNG Kin-kee, Frederick

Reply :

As compared with 2006-07 original estimate, the revised estimate of this branch will be reduced by \$21.4 million (16.9%). The details are as follows :

	<u>Subhead</u>	<u>Expenditure reduced by</u>	<u>Remarks</u>
(i)	Subhead 000 Operational expenses – Salaries	\$4.5 m	The decrease in expenditure on salaries is due to unfilled vacancies in 2006-07.
(ii)	Subhead 000 Operational expenses – Allowances	\$1 m	The decrease is due to reduced requirement for acting allowance.
(iii)	Subhead 000 Operational expenses – Personnel Related Expenses	\$40,000	No additional Mandatory Provident Fund contributions in the period.

- |      |                                                                           |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------|---------------------------------------------------------------------------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (iv) | Subhead 000 Operational expenses – Hire of services and professional fees | \$8.2 m | The provision is required for meeting the expenses for hearings conducted by various tribunals. It includes hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and external counsels. 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 2006-07 is \$8.2 million lower than the original estimate mainly because not all cases heard in the year required services such as real-time verbatim reporting and professional witnesses. |
| (v)  | Subhead 000 Operational expenses – General departmental expenses          | \$6.4 m | By adhering to the principles of prudent management of public finances and spending where necessary, the actual expenditure on purchasing office equipment, printing and recruiting temporary staff has been reduced.                                                                                                                                                                                                                                                                                                                                                                            |
| (vi) | Subhead 700 General non-recurrent                                         | \$1.2 m | The cash flow requirement of each project has been adjusted according to the work programme and progress of that financial year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

Signature	
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	14.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)006

Question Serial No.

0278

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

Subhead (No. & title) :

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 :

Provision for 2007-08 is 17.9% (\$18.8 million) higher than the revised estimate for 2006-07. Part of provision will be used for commissioning a consultancy study. Please state the details of the study and the amount of money involved. Could the study be undertaken by the relevant department itself? Besides, another part of the provision will be used for meeting expenses on tribunal cases. Please list the figures of the expected increase in such cases and their types and give the reasons for the expected increase.

Asked by : Hon. LAM Kin-fung, Jeffrey

Reply :

Expenditure for Preparation for Establishment of an Independent Insurance Authority

It is mentioned in the Policy Agenda booklet 2006-07 that the Administration would prepare proposals on establishment of an independent Insurance Authority (IA) for consultation with stakeholders. We will commission a consultancy study focusing on the governance structure, organizational framework, funding mechanism and budgetary arrangement of an independent IA. Given the level of expertise and professional knowledge called for in assessing the attributes of different regulatory bodies operating locally and overseas, we consider that it would be more appropriate to commission a consultant to conduct the study. Around \$3.5 million has been included for the purpose in the draft Estimates for 2007-08 but the actual expenditure incurred in the year would depend on the outcome of the tendering exercise.

Expenditure for Tribunal Hearings

Provision of \$20.1 million has been included under Subhead 000 Operational expenses in the draft Estimates for 2007-08 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 original estimate for the same purpose in 2006-07 (\$20.8 million).

The provision is required mainly for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and external counsel 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 2006-07 is \$8.2 million lower than the original estimate as not all cases heard in 2006-07 required services such as real-time verbatim reporting and professional witnesses. However, for estimate purpose, it is necessary to include such provision for all cases to finance these services when the need arises.

In preparing the draft Estimates for 2007-08, we assume the IDT/MMT will handle a total of 6 cases during the year. On the basis of past experience and having regard to the complex nature of market misconduct cases, we estimate each case will, on average, cost about \$2.8 million. The total cost of processing 6 cases is estimated to be \$16.9 million. The remaining provision of \$3.2 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	14.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)007**

Question Serial No.

0880

Head : 148 – Government Secretariat :                    Subhead (No. & title) :  
                    Financial Services and the Treasury  
                    Bureau (Financial Services Branch)

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 regards the hosting of the Asian Financial Forum to reinforce Hong Kong's prestige as an international financial centre, please provide the specific details of the activity and the expenditure involved.

Asked by : Hon. LAU Wai-hing, Emily

Reply :

The Asian Financial Forum, co-organized by the Financial Services and the Treasury Bureau and the Hong Kong Trade Development Council, is a high-level platform for institutional investors, financial institutions, corporate executives and government officials around the world to exchange insights on financial market development trends. A main aim of the forum is to highlight Hong Kong's position as an international financial centre. The one-day forum will comprise keynote addresses and panel discussions highlighting the opportunities emerging from the strong economic growth in the Asian region and challenges of increasing financial sophistication as a result of globalization.

The forum is still at its planning stage. Work under progress includes programme planning, reservation of venues and invitation of speakers. When details of the forum are determined, we will be able to draw up the relevant estimate of expenditure involved. Expenditure of the forum is to be shared between the Financial Services and the Treasury Bureau and the Hong Kong Trade Development Council. As far as this Bureau is concerned, coordination work and hosting of the forum will be taken up by existing staff.

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>13.3.2007</u>

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)008**

Question Serial No.

0881

Head : 148 – Government Secretariat :                      Subhead (No. & title) :  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

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 :

Under this programme, there is an increase of \$18.8 million (17.9%) in the provision for 2007-08 over the revised estimate for 2006-07. According to the Administration, one of the reasons for the increase in expenditure is the increased provision for conducting a consultancy study and for meeting the expenses on the hearing of tribunal cases on insider dealings and market misconduct. Please give the details of the specific plan and the expenditure involved.

Asked by : Hon. LAU Wai-hing, Emily

Reply :

Expenditure for Preparation for Establishment of an Independent Insurance Authority

It is mentioned in the Policy Agenda booklet 2006-07 that the Administration would prepare proposals on establishment of an independent Insurance Authority (IA) for consultation with stakeholders. We will commission a consultancy study focusing on the governance structure, organizational framework, funding mechanism and budgetary arrangement of an independent IA. Given the level of expertise and professional knowledge called for in assessing the attributes of different regulatory bodies operating locally and overseas, we consider that it would be more appropriate to commission a consultant to conduct the study. Around \$3.5 million has been included for the purpose in the draft Estimates for 2007-08 but the actual expenditure incurred in the year would depend on the outcome of the tendering exercise.

Expenditure for Tribunal Hearings

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Tribunal (SFAT). The provision is comparable to the original estimate for the same purpose in 2006-07 (\$20.8 million).

The provision is required mainly for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and external counsel 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 2006-07 is \$8.2 million lower than the original estimate as not all cases heard in 2006-07 required services such as real-time verbatim reporting and professional witnesses. However, for estimate purpose, it is necessary to include such provision for all cases to finance these services when the need arises.

In preparing the draft Estimates for 2007-08, we assume the IDT/MMT will handle a total of 6 cases during the year. On the basis of past experience and having regard to the complex nature of market misconduct cases, we estimate each case will, on average, cost about \$2.8 million. The total cost of processing 6 cases is estimated to be \$16.9 million. The remaining provision of \$3.2 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	14.3.2007



Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)009**

Question Serial No.

0530

Head : 148 – Government Secretariat : Subhead (No. & title) :  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

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 :

Regarding the listing of business enterprises in Hong Kong, please inform this Committee :

- (1) What is the estimated amount of expenditure in 2007-08 on the study concerning the expansion of sources of business enterprises seeking to be listed in Hong Kong? What are the details about the study and the time to be taken for its completion?
- (2) The role of the Growth Enterprise Market (GEM) is to provide channels for emerging business enterprises to raise capital and get listed in Hong Kong. What is the amount of expenditure in 2007-08 on stepping up promotion of the GEM to attract business enterprises to get listed and on strengthening supervision to make operation even better?
- (3) How would the above two endeavours tie in with each other to maintain Hong Kong's position as a major international financial centre?

Asked by : Hon. LEUNG LAU Yau-fun, Sophie

Reply :

Under the existing three-tier regulatory regime established for the securities and futures market, the Government is responsible for providing an appropriate legal regulatory framework. The Securities and Futures Commission (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 Hong Kong Exchanges and Clearing Limited (HKEx) is the front-line regulator of the market. The regulatory authorities have the flexibility to allocate their own resources for discharging their duties.

Our replies to questions (1) to (3) are as follows-

- (1) Since the Chief Executive announced in his Policy Address last year that the source of enterprises seeking to list in Hong Kong should be broadened, the SFC and the HKEx have started studying the arrangements for the listing of overseas companies in Hong Kong. The Focus Group on Financial Services established under the Economic Summit on “China’s 11<sup>th</sup> Five-Year Plan and the Development of Hong Kong” has also made recommendation on this matter.

The SFC and the HKEx have now completed the study, and a joint policy statement was published on 7 March 2007. The policy statement provides clear guidance to companies seeking to list in Hong Kong which are incorporated outside Hong Kong and other recognised jurisdictions<sup>1</sup>. It helps to streamline the listing process for overseas issuers, thereby facilitating the listing of overseas companies in Hong Kong.

- (2) In respect of promotional work, HKEx has been actively promoting Hong Kong’s financial market to attract more enterprises to raise funds through listing in Hong Kong by organizing and participating in conferences and seminars. On the regulation of the Growth Enterprise Market (GEM), HKEx published the “Discussion Paper on the Growth Enterprise Market” in January 2006 to seek market participants’ views on further enhancing the development of GEM. The issues discussed in the paper include market quality, corporate governance and disclosure and regulatory approach, etc. The review of GEM has been included as one of the key initiatives in the HKEx Strategic Plan 2007-09.
- (3) The work mentioned in item (1) above has helped to clarify requirements in the Listing Rules with respect to the listing of overseas companies in Hong Kong. The promotional efforts mentioned in item (2) above will help to promote the new arrangements adopted by HKEx for the listing of overseas companies in Hong Kong, facilitate the use of Hong Kong’s listing platform by more quality overseas companies and further strengthen Hong Kong’s status as an international financial centre. The review of GEM will contribute to enhancing the market’s attraction to both local and overseas companies and investors by facilitating its further development and enhancing its service quality.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	14.3.2007

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<sup>1</sup> Four jurisdictions of incorporation are prescribed for the purpose of eligibility for listing by the Listing Rules, namely Hong Kong, the Mainland, Bermuda and the Cayman Islands. The Listing Committee in October 2006 also approved Australia and British Columbia in Canada as acceptable jurisdictions.

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)010**

Question Serial No.

2490

Head : 148 – Government Secretariat : Subhead (No. & title) :  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

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 assists the Financial Secretary in overseeing the relevant regulatory authorities, namely, the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission, the Insurance Authority, the Mandatory Provident Fund Schemes Authority and the newly-established Financial Reporting Council (FRC). For HKMA and FRC, please inform this Committee of their revised estimates of expenditure for 2006-07 and the expenditure estimates and establishment for 2007-08.

Asked by : Hon. SIN Chung-kai

Reply :

The administrative budget of the Hong Kong Monetary Authority (“HKMA”) is separate from the Government budget and appropriations. It is the HKMA’s practice to publish details of its administrative budget for expenditure and establishment in its annual report in April every year.

As regards the Financial Reporting Council (“FRC”), the Administration is currently liaising with the FRC regarding the formulation of its estimates of income and expenditure for its first financial year, to ensure full compliance with the approval procedure as prescribed under the Financial Reporting Council Ordinance.

Signature \_\_\_\_\_

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

Kevin Ho

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

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

Date \_\_\_\_\_

14.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER’S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)011**

Question Serial No.

2137

Head : 148 – Government Secretariat : Subhead (No. & title) :  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

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 many members of the business, industrial and professional sectors expect that the rewrite of the Companies Ordinance can be completed as soon as possible, will the Bureau consider increasing resources in this area to expedite the progress of the work?

Asked by : Hon. TAM Heung-man

Reply :

The Companies Ordinance (“CO”) is one of the longest and most complex pieces of primary legislation in Hong Kong comprising over 600 sections and subsections and 20 schedules. The current rewrite is probably the largest law reform exercise ever conducted in respect of one ordinance in Hong Kong. 13 posts<sup>1</sup> have been created in Financial Services Branch (“FSB”), Companies Registry (“CR”) and Department of Justice for a limited period of 24 to 60 months for the rewrite exercise. In addition, some of the additional workload would be absorbed through the internal re-deployment of 9 posts. Given the extensive nature of the exercise, we have adopted a phased approach, namely rewriting the core company provisions affecting live companies in the first phase and dealing with the winding-up and other insolvency-related provisions in the second phase of the rewrite.

For the first phase, we aim to issue a White Bill in mid-2009 before the new Companies Bill will be introduced into the Legislative Council (“LegCo”), tentatively in the third quarter of 2010. The rewrite involves comprehensive and thorough review and research, massive law drafting work, and consultations with various parties including the Standing Committee on Company Law Reform (“SCCLR”), four Advisory Groups<sup>2</sup>, the joint Government/Hong Kong Institute of Certified Public Accountants Working Group to review the accounting

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<sup>1</sup> Including the creation of 3 supernumerary directorate posts in the FSB and CR approved by the Finance Committee in January 2006.

<sup>2</sup> Involving nominees from relevant business and professional bodies, company law academics, SCCLR members and representatives from relevant Government departments.

and auditing provisions of the CO, and members of the public. In this regard, several topical public consultations are planned to gauge views on certain more complex subjects which were not covered in previous reviews, including the accounting and auditing provisions, the share capital and capital maintenance regime, and the registration of charges. The first such consultation on accounting and auditing provisions will be launched in late March 2007, to be followed by consultations on other areas in 2008. All these tasks have to be completed prior to the publication of the White Bill. The timeframe is already very tight and we consider that there is no room to expedite the process.

As regards the second phase of the exercise, we are formulating details of the workplan and will seek LegCo's views in due course.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	14.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)012**

Question Serial No.

2138

Head : 148 – Government Secretariat :                      Subhead (No. & title) :  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

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 the key areas of work for 2007-08 listed by the Bureau, there is no mention of the legislative work for codifying the major listing rules in statute. What are the Administration's action plans for 2007-08 in this regard and the estimated expenditure involved?

Asked by : Hon. TAM Heung-man

Reply :

We indicated in the Controlling Officer's Report, under "Matters Requiring Special Attention in 2007-08" that the Financial Services and the Treasury Bureau will follow up the recommendations of the Consultation Conclusions on Proposals to Enhance the Regulation of Listing by introducing legislative amendments to give statutory backing to major listing requirements.

At the meeting of the Legislative Council Panel on Financial Affairs on 2 March 2007, the Government and the Securities and Futures Commission (SFC) briefed Members on the proposal to amend the Securities and Futures Ordinance for giving statutory backing to major listing requirements, and our plan to introduce the bill into the Legislative Council within this legislative year.

The Financial Services Branch will meet the expenses in relation to the above legislative work with existing resources. The SFC as a regulatory body independent of the Government will allocate its own resources for discharging its duties.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	14.3.2007

Revised

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)013**

Question Serial No.

2297

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

Subhead (No. & title) : 000 Operational  
expenses

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 the estimate for 2007-08, there is an item called Civil Service Provident Fund contribution. Why is this expenditure item not found in the estimate for 2006-07 (P. 386)?

Asked by : Hon. TIEN Pei-chun, James

Reply :

When officers appointed under the new entry terms are offered permanent terms of appointment, they will be eligible to join the Civil Service Provident Fund (CSPF) Scheme. In 2006-07, no officer was offered permanent terms of appointment and thus no provision was earmarked under this item. The requirement for CSPF contribution in 2007-08 is due to the anticipated provision for two officers who will be eligible for being offered permanent terms of appointment.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	16.3.2007



Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)014**

Question Serial No.

2298

Head : 148 – Government Secretariat :                      Subhead (No. & title) :  
          Financial Services and the Treasury  
          Bureau (Financial Services Branch)

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 provision for the Bureau for 2007-08 is 17.9% higher than the revised estimate for 2006-07. Please give specific account of the details of all the relevant expenditure items.

Asked by : Hon. TIEN Pei-chun, James

Reply :

The reasons for increased provisions for 2007-08 are as follows:

<u>Subhead</u>	<u>Increase in expenditure</u>	<u>Remarks</u>
(i) Subhead 000 Operational expenses – Personal Emoluments	\$4.5 m	Mainly to fill existing vacancies.
(ii) Subhead 000 Operational expenses – Personnel Related Expenses	\$0.1 m	Mainly to cater for the Civil Service Provident Fund contribution paid by the Government.
(iii) Subhead 000 Operational expenses – Hire of services and professional fees	\$11 m	Mainly to provide for expenditure for a consultancy study related to establishment of an independent Insurance Authority, and operation of hearings of the Insider Dealing Tribunal, the Market Misconduct Tribunal and the Securities and Futures Appeals Tribunal.

- |      |                                                                  |         |                                                                                                                                                                                                       |
|------|------------------------------------------------------------------|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (iv) | Subhead 000 Operational expenses – General departmental expenses | \$1.9 m | For recruiting temporary staff to fill the vacancies arising from the retirement of some Insurance Officers and meeting the expenditure of activities to promote the financial services of Hong Kong. |
| (v)  | Subhead 700 General non-recurrent                                | \$1.1 m | The total cash flow requirement of the non-recurrent items will be higher than that in 2006-07.                                                                                                       |

Signature	
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	14.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)015**

Question Serial No.

0879

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

Subhead (No. & title) :

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 will monitor the implementation of the Deposit Protection Scheme in 2007-08. In this connection, please advise this Council of the resources and expenditure involved.

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

The Deposit Protection Scheme (“the Scheme”) is implemented and operated by the Hong Kong Deposit Protection Board (“the Board”), an independent statutory body formed under the Deposit Protection Scheme Ordinance. The Scheme is funded by contributions paid by Scheme members to the Board. The Permanent Secretary for Financial Services and the Treasury (Financial Services) is an ex officio member of the Board, representing the Secretary for Financial Services and the Treasury to monitor the implementation of the Scheme. In this regard, he is assisted by a policy unit in the Financial Services Branch. As part of its normal duties, that unit is responsible for banking related policies and legislation, including matters related to the Scheme for which we do not have separate breakdown of the expenditure involved.

Signature \_\_\_\_\_

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

Kevin Ho

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

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

Date \_\_\_\_\_

14.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)016**

Question Serial No.

2589

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

Subhead (No. & title) : 700 General  
non-recurrent

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 2007-08, the Financial Services Branch will oversee the two consultancy studies on the feasibility of establishing insurance policyholders' protection funds and on the review of the supervisory framework of the assets of long-term insurers. When will the relevant studies be completed? What is the estimated expenditure involved?

Asked by : Hon. WONG Ting-kwong

Reply :

Stage one of the consultancy studies on the feasibility of establishing insurance policyholders' protection funds and on the review of the supervisory framework of the assets of long-term insurers is expected to be completed by 2007-08. The Government will review the findings of the stage one studies to determine how to take the studies forward. The total approved commitment of these two consultancy studies is \$9.8 million. The estimated cash flow requirement for 2007-08 is \$3.1 million.

Signature	
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	14.3.2007

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

<b>FSTB(FS)017</b>
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Question Serial No.

2590
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Head : 148 – Government Secretariat :  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Subhead (No. & title) :

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 Government will host the Asian Financial Forum in 2007-08 to enhance Hong Kong's reputation as an international financial centre. What are the specific plans for organizing the Forum? What are the estimated manpower and expenditure involved?

Asked by : Hon. WONG Ting-kwong

Reply :

The Asian Financial Forum, co-organized by the Financial Services and the Treasury Bureau and the Hong Kong Trade Development Council, is a high-level platform for institutional investors, financial institutions, corporate executives and government officials around the world to exchange insights on financial market development trends. A main aim of the forum is to highlight Hong Kong's position as an international financial centre. The one-day forum will comprise keynote addresses and panel discussions highlighting the opportunities emerging from the strong economic growth in the Asian region and challenges of increasing financial sophistication as a result of globalization.

The forum is still at its planning stage. Work under progress includes programme planning, reservation of venues and invitation of speakers. When details of the forum are determined, we will be able to draw up the relevant estimate of expenditure involved. Expenditure of the forum is to be shared between the Financial Services and the Treasury Bureau and the Hong Kong Trade Development Council. As far as this Bureau is concerned, coordination work and hosting of the forum will be taken up by existing staff.

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>13.3.2007</u>

Examination of Estimates of Expenditure 2007-08  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)018**

Question Serial No.

2591

Head : 148 – Government Secretariat :                      Subhead (No. & title) :  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

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 Government of the HKSAR will actively foster and consolidate Hong Kong's position as an international financial centre. What are the corresponding measures in this area? Please provide a breakdown of the amount of manpower and expenditure expected to be involved?

Asked by : Hon. WONG Ting-kwong

Reply :

To actively foster and consolidate Hong Kong's position as an international financial centre, we will implement a number of measures in 2007-08 to promote market development and improve market quality. Specific measures include broadening the source of listed companies, following up the action plans of "China's 11<sup>th</sup> Five-Year Plan and the Development of Hong Kong", monitoring the implementation of the Deposit Protection Scheme and the new capital framework for authorised institutions, following up the proposal on the setting up of an independent Insurance Authority, taking forward the rewrite of the Companies Ordinance, introducing the Securities and Futures (Amendment) Bill and Mandatory Provident Fund Schemes (Amendment) Bill into the Legislative Council for deliberation, and staging an Asian Financial Forum, etc. These measures will be undertaken by different policy units within the Bureau. We do not have a breakdown of the expenditure involved in respect of each measure.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	14.3.2007



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)019**

Question Serial No.

0279

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:

Provision for 2007-08 increased by 23.8% (\$27.8 million) over the revised estimate for 2006-07 to allow for additional expenses for enhancing the processing and checking of import/export declarations and cargo manifests and increased salary provision arising from staff changes. Please provide the estimates of expenditure for the two items respectively. What is the reason for enhancing the processing and checking of import/export declarations? Please advise the details of staff changes (e.g. number of posts and salaries involved) and the reason for staff changes.

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

Within the increased provision of \$27.8 million, \$24.5 million will be used for enhancing the processing and checking of import/export declarations and cargo manifests, while the remaining \$3.3 million is the increased salary provision arising from staff changes. The enhancements aim to improve the processing of the import/export declarations and cargo manifests. They include better identification and thus exclusion of transshipment cargoes, validation of information declared on import/export declarations using corresponding information on manifests and improvement of the use of manifests to identify import/export declarations not yet submitted.

The increased salary provision is for filling existing vacancies and for salary increment for staff.

Signature \_\_\_\_\_

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 15.3.2007

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)020**

Question Serial No.

2273

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:

Regarding "launching a number of strategic IT projects", please advise:

1. What was the performance of those projects launched since the completion of the Information Systems Strategy Study (the Study) in 2004? Which of these projects have already been completed? Which of them are in progress? What is the expenditure incurred for each project?
2. What is the expenditure to be incurred for projects to be launched in 2007-08?
3. According to other recommendations in the Study, what kind of projects will be launched by the Administration? What is the implementation schedule? What is the expenditure to be incurred for each project?

Asked by: Hon. SIN Chung-kai

Reply:

1. The Census and Statistics Department has already launched six strategic IT projects. Details are given below:

- (i) Implement data input sub-system (completed; expenditure \$1.2m)
- (ii) Conduct process review and feasibility study for data capturing systems (completed; expenditure \$2m)
- (iii) Replace the Quarterly Survey of Construction Output System and the Wage and Payroll System and develop common data processing and analysis tools (in progress; expenditure \$9.0m)
- (iv) Implement knowledge management support system (in progress; expenditure \$4.3m)
- (v) Enhance departmental IT infrastructure (in progress; expenditure \$7.7m)
- (vi) Conduct process review for output production and implement output production system (the business process review has been completed and a feasibility study will be conducted; project cost to be confirmed)

2. The projects to be launched in 2007-08 are detailed below:

- (i) Implement department-wide data capturing system using imaging technology (project cost to be confirmed)
- (ii) Implement department-wide data capturing system using computer-assisted telephone interview technology (project cost to be confirmed)
- (iii) Replace the Full Harmonized System (project cost to be confirmed)

3. There are a total of 16 strategic IT projects to be launched following the recommendation of the Study. According to the implementation plan, the nine projects listed above have been or will be launched by 2007-08. For the remaining seven projects, a mid-term review will be conducted in 2008-09. The implementation plans will be drawn up and estimated costs will be worked out.

Signature \_\_\_\_\_

Name in block letters                      FUNG Hing-wang

Post Title                      Commissioner for Census and Statistics

Date                      15.3.2007

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)021**

Question Serial No.

0128

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:

Would the Government please provide more details on the updating exercise for the Hong Kong Standard Industrial Classification (HSIC) Version 2.0? The details should include additional expenditure to be incurred, action plans, timetables and the benefits to be brought by the updating exercise.

Asked by: Hon. TAM Heung-man

Reply:

The total amount of additional expenditure to be incurred for the updating exercise of the Hong Kong Standard Industrial Classification (HSIC) is around \$14 million, of which \$5.3 million is the salary expenditure for temporary staff. The remaining is mainly for the modification of some 20 computer systems.

The full version of the new HSIC, i.e. Version 2.0, is expected to be made available around end 2007. Subsequently, parallel coding of all the establishments kept in the Central Register of Establishments (CRE), one under the current HSIC and the other under the updated HSIC, will be performed. The Census and Statistics Department (C&SD) will adopt the updated HSIC progressively in conducting surveys, i.e. in activities ranging from redesign of sampling scheme to compilation of statistics.

With the adoption of HSIC Version 2.0, we will be able to capture the latest economic developments, both locally and internationally, through the economic surveys conducted by the C&SD. The surveys will facilitate the Government and the business sector in better planning and decision making.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ FUNG Hing-wang

Post Title \_\_\_\_\_ Commissioner for Census and Statistics

Date \_\_\_\_\_ 15.3.2007

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)022**

Question Serial No.

2271

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:

Please advise the expenditure to be incurred in the Special Updating Exercise for the implementation of the Hong Kong Standard Industrial Classification (HSIC) Version 2.0 and the work involved in this updating exercise.

Asked by: Hon. TIEN Pei-chun, James

Reply:

The expenditure to be incurred in the Special Updating Exercise for the implementation of the Hong Kong Standard Industrial Classification Version 2.0 (HSIC V2.0) is around \$5.3 million, which is mainly salary for temporary staff.

This Special Updating Exercise involves the parallel coding of all establishments kept in the Central Register of Establishments, with one based on the current HSIC and the other based on the updated HSIC. The number of establishments which may involve splitting or regrouping of industry codes because of the adoption of the updated HSIC is around 200 000. The establishments involved will be enumerated for details of their economic activities so as to update their industry codes.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ FUNG Hing-wang

Post Title \_\_\_\_\_ Commissioner for Census and Statistics

Date \_\_\_\_\_ 15.3.2007

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)023**

Question Serial No.

2586

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:

What is the reason for the 19.1% decrease in the revised estimates for 2006-07 over the original estimates in the provision for trade statistics? There is an increase of 23.8% in the provision for 2007-08 over the revised estimates for 2006-07 due to the additional operating expenses for enhancing the processing and checking of import/export declarations and cargo manifests and increased salary provision arising from staff changes. Please advise the reasons for such additional operating expenses and whether the work is new to this fiscal year? What are the staff changes to be involved and the expenditure to be incurred?

Asked by: Hon. WONG Ting-kwong

Reply:

The 19.1% decrease in the revised estimated provision in 2006-07 against the original estimate is due to the re-prioritizing of projects planned for 2006-07. Provision for 2007-08 is maintained at a level comparable to the original estimate for 2006-07. This is mainly due to the implementation of the improvement initiatives originally planned for 2006-07 to enhance the processing and checking of import/export declarations and cargo manifests. The enhancements aim to improve the processing of the import/export declarations and cargo manifests. They include better identification and thus exclusion of transshipment cargoes, validation of information declared on import/export declarations using corresponding information on manifests and improvement of the use of manifests to identify import/export declarations not yet submitted.

The increase in the requirement for 2007-08 is also due to salary provision for filling existing vacancies and salary increment for staff. An amount of \$3.3 million is involved.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ FUNG Hing-wang \_\_\_\_\_

Post Title \_\_\_\_\_ Commissioner for Census and Statistics \_\_\_\_\_

Date \_\_\_\_\_ 15.3.2007 \_\_\_\_\_

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)024**

Question Serial No.

2587

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:

Regarding "time after reference period for release of various statistics" in national accounts and balance of payment statistics, most of the planned targets for 2007 are lower than the actual targets for 2006. What is the reason for that?

Asked by: Hon. WONG Ting-kwong

Reply:

Ongoing effort is made by the Census and Statistics Department to enhance timeliness of statistics while maintaining high standard of data quality. Compared with the actual time after reference period for release of various national accounts and balance of payments statistics for 2006, most of the planned releases in 2007 are advanced by 0.1 to 0.2 month. This is achieved through streamlining of procedures in different stages of statistical work, including data collection, data processing and result analysis.

Signature \_\_\_\_\_

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 15.3.2007

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)025**

Question Serial No.

2588

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 disseminate more asset management statistics in 2007-08, what items are included in the statistics? Regarding the studying of the feasibility of compiling new statistics to measure the economic impact of innovation activities in the business sector and the studying of the feasibility of collecting data for compiling outward Foreign Affiliates Trade in Services statistics for Hong Kong, what is the expenditure and manpower to be incurred?

Asked by: Hon. WONG Ting-kwong

Reply:

The asset management statistics that will start to be released by the Census and Statistics Department (C&SD) in 2007-08 will mainly include annual statistics on the value added of the asset management industry (to reflect its economic contribution) and the operating characteristics (e.g. number of establishments, number of persons engaged, business receipts and other income, operating expenses, etc.) of the industry. Besides, a quarterly business receipts index of the asset management industry will be released to reflect the short-term economic performance of the industry.

Regarding the study on the feasibility of compiling new statistics to measure the economic impact of innovation activities in the business sector, the work is carried out by existing staff of the C&SD as part of their day-to-day duties. No additional resources are involved.

As for the study on the feasibility of collecting data for compiling outward Foreign Affiliates Trade in Services statistics for Hong Kong, apart from deploying existing staff for making field enquiries, C&SD plans to employ two temporary staff to assist in the study. The expenditure required for employing the temporary staff is estimated to be \$230,000.

Signature \_\_\_\_\_

Name in block letters                      FUNG Hing-wang

Post Title                      Commissioner for Census and Statistics

Date                      15.3.2007

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)026**

Question Serial No.

0810

Head: 116 Official Receiver's Office

Subhead (No. & title):

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please state the reasons for a considerable increase to around \$20 million and over \$23 million respectively under "Hire of services and professional fees" and "General departmental expenses" of "Departmental Expenses" in the 2007-08 estimate.

Asked by: Hon. CHAN Kam-lam

Reply:

Concerning the "Hire of services and professional fees", the increase in expenditure to around \$20 million is mainly due to (a) anticipated growing number of bills from liquidators for contracting out cases brought forward from previous years; and (b) increase in provision for meeting the legal costs of certain on-going legal proceedings and other prosecution work.

Concerning the "General departmental expenses", the increase in expenditure to over \$23 million is mainly due to the enhancement of management information system (including a major enhancement of the existing accounting system), implementation of security safeguards on network, other miscellaneous enhancements and upgrade of hardware for various computer systems.

Signature \_\_\_\_\_

Name in block letters E T O'Connell

Post Title Official Receiver

Date 15.3.2007



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)027**

Question Serial No.

0291

Head: 116 Official Receiver's Office

Subhead (No. & title):

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Concerning the target of "putting summary cases with insufficient assets for distribution on release programme", the actual percentage attained for 2005 and 2006 were 98% and 97 % respectively. However, the planned target for 2007 will be reduced to 95%. What are the reasons for that?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

A summary case with insufficient assets for distribution is a case where the value of the assets realized does 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 Official Receiver's Office (ORO) should be able to put it on a release programme 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 or circumstances in certain cases which are beyond ORO's control thus requiring more time for the ORO to deal with or complete such cases. 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, the ORO considers that 95% is a reasonable target. Despite the target being set at 95%, ORO will, as always, continue to strive to achieve the highest possible performance level.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ E T O'Connell

Post Title \_\_\_\_\_ Official Receiver

Date \_\_\_\_\_ 15.3.2007

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)028**

Question Serial No.

2344

Head: 116 Official Receiver's Office

Subhead (No. & title):

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Administration will explore the long-term information technology strategy during 2007-08. Please advise that:

- (a) Has the effectiveness of the project in 2006-07 been assessed? What is the working schedule for 2007-08? What is the progress of the existing work?
- (b) What is the substantial work to be conducted in 2007-08 for formulating the information technology strategy? What is the expected completion time of the above work? What is the expenditure involved?

Asked by: Hon. SIN Chung-kai

Reply:

(a) and (b)

During 2006-07, the Efficiency Unit (EU) was invited to undertake a business process re-engineering (BPR) study for the Official Receiver's Office (ORO). The BPR study aimed to explore the best use of information technology (IT) in supporting ORO's latest business requirements, at both management and operational levels, including those which would be induced by the Bankruptcy (Amendment) Ordinance 2005.

The study was completed in October 2006 and identified a number of case and finance management processes that could be re-engineered by electronic means for effective handling and monitoring of winding-up and bankruptcy cases administered by the ORO and private sector insolvency practitioners. The study also recommended that there would be a need for the ORO to develop a new system to integrate case finance and accounting information with case management information. As a result, the overall operational efficiency of the ORO and customer services should be improved by making use of the new system.

We intend to conduct an in-depth study in 2007-08 to consider the strategy and feasibility of implementing the recommendations of the BPR report, including the BPR opportunities, strategy, approach, benefits, financial and staff implications, etc. of using IT in supporting ORO's evolving business requirements. Once the study details are finalised, we will be able to ascertain the planned time-line and the estimated expenditure involved.

Signature \_\_\_\_\_

Name in block letters E T O'Connell

Post Title Official Receiver

Date 15.3.2007

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)029**

Question Serial No.

0809

Head: 116 Official Receiver's Office Subhead (No. & title):

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

"The scheme for contracting out summary and non-remunerative liquidation cases" aims to outsource cases with estimated realizable assets of not more than \$200,000 such that the expenditure of the Official Receiver's Office can be reduced. However, there will be a 20% increase in the estimated expenditure for 2007-08 when compared to that of 2006-07. Please inform this Council of the reasons for the increase.

Please also advise on whether there is any evaluation of the effectiveness of "the scheme for contracting out summary and non-remunerative liquidation cases" and the details.

Asked by: Hon. TAM Heung-man

Reply:

This provision for 2007-08 is \$22.8 million (20.8%) higher than the revised estimate for 2006-07. This is mainly due to (a) the enhancement of management information system (including a major enhancement of the existing accounting system), implementation of security safeguards on network, other miscellaneous enhancements and upgrade of hardware for various computer systems; (b) anticipated growing number of bills from liquidators for contracting out cases brought forward from previous years; (c) increase in provision for meeting the legal costs of certain on-going legal proceedings and other prosecution work and (d) increased cash flow requirement for non-recurrent items for conducting investigation and directors' disqualification proceedings on some major liquidation cases.

The Official Receiver's Office (ORO) will continuously review and evaluate the operation of the scheme for contracting out summary and non-remunerative liquidation cases to ensure that it is efficient and effective. The scheme has produced savings for ORO.

However, as the complexity of the work involved in such cases can vary significantly, it is not possible to quantify the amount of savings. The resources saved have been re-deployed to -

- a. administer bankruptcy cases brought forward from previous years;
- b. monitor the conduct of private sector insolvency practitioners to ensure that they perform their duties in accordance with the statutory requirements; and
- c. speed up the case administration of the more complicated cases with a view to completing as many cases as possible according to our target.

Signature \_\_\_\_\_

Name in block letters E T O'Connell

Post Title Official Receiver

Date 15.3.2007

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

**FSTB(FS)030**

Question Serial No.

2529

Head: 116 Official Receiver's Office

Subhead (No. & title):

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The revised estimate (\$109 million) for 2006-07 is lower than the original estimate (\$131 million) of the same year. Please explain the reasons for setting the estimate for 2007-08 (\$132 million) at the level similar to that of the original estimate last year?

Asked by: Hon. TIEN Pei-chun, James

Reply:

The drop in the revised estimate for 2006-07 (\$109 million) against approved estimate (\$131 million) is mainly due to (a) less than expected bills received from liquidators for contracting out cases; (b) lower than expected legal costs incurred during the year; and (c) decreased cash flow requirement for non-recurrent items.

The increase in the estimate for 2007-08 (\$132 million) over the revised estimate for 2006-07 (\$109 million) is mainly due to (a) the enhancement of management information system (including a major enhancement of the existing accounting system), implementation of security safeguards on network, other miscellaneous enhancements and upgrade of hardware for various computer systems; (b) anticipated growing number of bills from liquidators for contracting out cases brought forward from previous years; (c) increase in provision for meeting the legal costs of certain on-going legal proceedings and other prosecution work; and (d) increased cash flow requirement for non-recurrent items for conducting investigation and directors' disqualification proceedings on some major liquidation cases.

Signature \_\_\_\_\_

Name in block letters E T O'Connell

Post Title Official Receiver

Date 15.3.2007