

Panel on Financial Affairs

(Extract)

**Minutes of special meeting
held on Monday, 30 June 2008 at 2:30 pm
in the Chamber of the Legislative Council Building**

* * * * *

II. Report on write-off of a judgement debt

(LC Paper No. CB(1)1771/07-08(05) —Administration's paper on report on write-off of a judgement debt

LC Paper No. CB(1)2015/07-08 —Background brief on the Administration's proposal to write off a judgement debt prepared by the Legislative Council Secretariat)

33. At the invitation of the Chairman, the Deputy Director of Government Logistics (DD/GL) briefed members on the report on write-off of a judgement debt amounting to \$17,025,082.44 (inclusive of costs of action and interest calculated up to 5 September 2007). The Administration had consulted the Panel on 6 June 2005 on the proposal to write off a debt owed by the Hong Kong Auctioneers & Estate Agency Ltd (the auctioneer). He highlighted the follow-up actions taken by the Administration in response to Panel members' request, as follows:

- (a) The Government Logistics Department (GLD) referred the case to the Police for investigation to establish whether any criminal offence had been committed by the auctioneer or its Managing Director. The Police informed GLD on 18 April 2007 that their investigation had been completed and that there was insufficient evidence to support a charge against any person. The Police re-examined the case after noting that the Managing Director of the auctioneer had returned to Hong Kong and informed GLD on 9 July 2007 that there would be no prosecution due to insufficient evidence.
- (b) Internal investigation had been conducted to ascertain whether any of the officers involved in managing the contract with the

auctioneer giving rise to the debt case (covering the period from 1 April 1996 to 31 August 1998) had failed to discharge their duties properly; and the responsibilities and accountability of individual officers concerned in relation to the default in payment proceeds. Disciplinary actions had been taken against officers who should be held responsible for the failure to supervise the contract in accordance with the established civil service disciplinary mechanism. Improvement measures had also been formulated to step up the monitoring of payments, including requirement for quarterly submissions on arrears of revenue, comprehensive reviews of the accounting procedures relevant to the sale of government properties by auction and revamping the auction procedure by imposing tighter control over the receipt of revenue from auctions.

34. On the latest position, DD/GL advised that a hearing on the bankruptcy petition against the Managing Director of the auctioneer was held on 5 September 2007. The Court granted a Bankruptcy Order with costs against the Managing Director. The Official Receiver, as the appointed trustee, had conducted an investigation into the Managing Director's financial position and advised that the Managing Director had no assets to settle the debt owed to the Government. The Official Receiver also considered it unlikely that there would be dividends for distribution from the liquidation of the auctioneer. Subject to members' views, the Administration would review the matter after expiry of the relevant Bankruptcy Order in 2011 to ascertain whether the debt was irrecoverable and to seek the agreement of the Finance Committee (FC) to write off the debt where appropriate.

35. There being no queries from members, the Chairman said that the Panel noted the Administration's report. He asked the Administration to keep track of the progress and, where appropriate, seek the FC's agreement to write off the debt in due course.

* * * * *