

立法會
Legislative Council

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**Report of the Panel on Financial Affairs
for submission to the Legislative Council**

Purpose

This report gives an account of the work of the Panel on Financial Affairs during the 1999-2000 Legislative Council session. It will be tabled at the meeting of the Council on 21 June 2000 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by resolution of the Council on 8 July 1998 for the purpose of monitoring and examining Government policies and issues of public concern relating to financial and finance matters. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 19 members, with Hon Ambrose LAU Hon-chuen and Hon Eric LI Ka-cheung elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is at **Appendix II**.

Major work

4. The boom in information technology-related (IT) stocks since the last quarter of 1999, in particular, the increasing trend of backdoor listing through acquiring a shell company had aroused grave concern among members of the Panel. Members accepted that it was not the regulator's job to stop investors from speculation, but the Securities and Futures Commission (SFC) had the role to ensure that all listed companies would disclose their business information accurately and in a timely manner. This would enable investors to assess their own risks and make investment decisions accordingly.

5. The Panel noted from SFC's response that efforts would be made to bring Hong Kong's regulatory system up to the best international standards and to monitor the trading on the Stock Exchange of Hong Kong (SEHK) closely with a view to identifying and following up on any untoward movements in the prices and/or volumes of shares. Members also welcomed the various education initiatives launched by SFC including the establishment of an Electronic Investor Resource Centre providing a 24-hour one-stop reference centre for investors. Members noted that further initiatives for investor protection would be enshrined in the composite Securities and Futures Bill.

6. Maintaining Hong Kong's status as a global financial centre was a subject of major concern to the Panel. During the year, members followed up on incidents that might possibly affect Hong Kong's status in this respect. After the chaotic arrangements for lodging share application forms during the closing day of the initial public offering (IPO) of Tom.com Limited on the Growth Enterprise Market (GEM) and the temporary trade disruption in the SEHK both in February 2000, the Panel discussed with the Administration, SFC, SEHK and the Hong Kong Monetary Authority on the improvement in subscription arrangements and the responsibilities of an IPO sponsor. Members were supportive of increased transparency in IPO process and better co-operation among concerned parties. They also welcomed SFC's suggestion of promoting public subscription by electronic means in the long term. Subsequent to the discussion, members noted that SEHK issued a consultation paper in early May on the proposed regulations to be incorporated in the Listing Rules for compliance of IPO sponsors. Regarding granting of waivers to companies listing on GEM, members noted that no companies had been given special treatment and that the waivers so far given were not unique to any particular company. Regarding SEHK's intention to modify its GEM marketing strategy including relaxing the Listing Rules to promote listings on GEM, the Panel stressed the importance of striking a balance between attracting companies on GEM in competition with other markets and putting in place an appropriate regulatory framework for the protection of investor interests. Members were assured that SFC would strive to maintain a fair and transparent market during the listing process. On the ability of the SEHK in handling emergency situation and minimizing market confusion, members noted that to prevent the same occurrence of trade disruption, SEHK would improve the computer operation system, strengthen staff training in information technology and review the operational procedures to minimize the operational risk.

7. In connection with the Administration's decision to grant the development right of the Cyberport project to a single private company without tendering, the Panel examined the ground rules adopted by the Government for giving special consideration to private sector's initiatives. Members considered it important to uphold the principle of maintaining a level playing field for all interested companies and to adopt open and competitive bidding

process in awarding projects. As the ground rules adopted by the Administration provided too much flexibility for a departure from the norm of following a bidding process, the Panel passed a motion on 6 December 1999 expressing its objection to the ground rules and urging the Government to reconsider policy guidelines for future initiatives proposed by the private sector.

8. During the session, the Panel invited the Financial Secretary on two occasions to brief LegCo Members on overall economic development of Hong Kong. On these occasions, Members exchanged views with the Financial Secretary on development of Hong Kong's human capital, the exchange rate policy and the impact of China's accession to the World Trade Organization. Following the passage of the 2000-01 Estimates, the Panel was briefed on Government's proposals on the raising of fees and charges not directly related to people's livelihood. Noting the intention of the Administration to restore the "User Pays" principle which had been held in abeyance since the introduction of the fee revision moratorium in February 1998, members expressed concern over the cost of the provision of Government services. The Panel urged the Administration to review the cost-effectiveness of its services and their fee-charging structures before proposing any revision in fees. Members also suggested measures on containing Government spendings such as contracting-out non-essential services and streamlining procedures in the service provision. Upon members' request, the Administration undertook to provide further information on the fee revision proposals for consultation of other Panels.

9. The Panel also invited the Chief Executive of Hong Kong Monetary Authority to brief members on the work of the Authority. The Panel also visited the Hong Kong Note Printing Limited to gain better understanding of the Government involvement in the production of Hong Kong dollar notes.

10. The Panel was consulted on the Dutiable Commodities (Amendment) Bill 1999 and the Securities and Futures Legislation (Provision of False Information) Bill 2000 prior to their introduction into the Council. Members also examined the Securities and Futures Commission Budget 2000-01 and continued to monitor the progress of the automated trading system to be put in place in the Hong Kong Futures Exchange. In monitoring effective utilization of Government resources, the Panel received briefings from the Administration on performance of the Electrical and Mechanical Services Trading Fund and on disposal of surplus quarters resulting from the implementation of the Home Financing Scheme for eligible staff in the University Grants Committee-funded institutions. As regards the rollover to the new millennium, the Panel monitored closely the Y2K compliance work and contingency planning in the financial services sector and the corresponding Government departments ensuring that the level of Y2K preparedness of Hong Kong was in par with standards of major international financial centres.

11. During the period from October 1999 to June 2000, the Panel held a total of 12 meetings, including a meeting with the Standing Committee on Finance of the Swedish Parliament.

Prepared by
Council Business Division 1
Legislative Council Secretariat
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立法會
財經事務委員會
Legislative Council
Panel on Financial Affairs

委員名單
Membership List

劉漢銓議員 (主席)	Hon Ambrose LAU Hon-chuen, JP (Chairman)
李家祥議員 (副主席)	Hon Eric LI Ka-cheung, JP (Deputy Chairman)
田北俊議員	Hon James TIEN Pei-chun, JP
何俊仁議員	Hon Albert HO Chun-yan
李卓人議員	Hon LEE Cheuk-yan
李柱銘議員	Hon Martin LEE Chu-ming, SC, JP
李國寶議員	Dr Hon David LI Kwok-po, JP
吳亮星議員	Hon NG Leung-sing
夏佳理議員	Hon Ronald ARCULLI, JP
涂謹申議員	Hon James TO Kun-sun
張文光議員	Hon CHEUNG Man-kwong
許長青議員	Hon HUI Cheung-ching
陳智思議員	Hon Bernard CHAN
單仲偕議員	Hon SIN Chung-kai
黃宜弘議員	Dr Hon Philip WONG Yu-hong
曾鈺成議員	Hon Jasper TSANG Yok-sing, JP
劉慧卿議員	Hon Emily LAU Wai-hing, JP
霍震霆議員	Hon Timothy FOK Tsun-ting, SBS, JP
馮志堅議員	Hon FUNG Chi-kin

合共: 19 位議員
Total: 19 Members

日期: 2000 年 1 月 1 日
Date: 1 January 2000