

**Replies to initial written questions raised by Finance Committee Members in  
examining the Estimates of Expenditure 2003-04**

**[Director of Bureau : Secretary for the Financial Services  
and the Treasury]**

**[Session No. : 1] [File name : FSTB(FS)-e1.doc]**

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The consultancy fee will be paid in stages. A provision of \$850,000 and the remaining balance were earmarked for payment to the consultant in 2002-03 and thereafter respectively upon satisfactory completion of the required deliverables (in the form of Reports) within the specified time frame.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Tony Miller \_\_\_\_\_

Post Title \_\_\_\_\_ Permanent Secretary for Financial Services  
and the Treasury (Financial Services) \_\_\_\_\_

Date \_\_\_\_\_ 19.3.2003 \_\_\_\_\_

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO**  
**INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)002

Question Serial No.

0103

Head: 148 – Government Secretariat : Financial Services and the Treasury Bureau (Financial Services Branch),  
 26 – Census and Statistics Department,  
 106 – Miscellaneous Services (Part) and  
 116 – Official Receiver's Office

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 :

Regarding consultancy studies for policy making and assessment (if any) commissioned by the above bureau and departments, please provide details in the following format :

- (1) Please provide the following details on the consultancy studies for which financial provision has been allocated respectively in 2001-02 and 2002-03 :

Name of consultants (if available)	Description	Consultancy fees	Progress on consultancy studies (planning/in progress/completed)	The Administration's follow-up action on the study reports and the progress made	Reasons for no follow-up action on the study reports and whether other measures are available to deal with the subjects under study

- (2) Please provide the following details on the consultancy studies for which financial provision has not been allocated respectively in 2001-02 and 2002-03, though consultancy studies have been made during the year :

Name of consultants (if available)	Description	Consultancy fees	Progress on consultancy studies (planning/in progress/completed)	The Administration's follow-up action on the study reports and the progress made	Reasons for no follow-up action on the study reports and whether other measures are available to deal with the subjects under study

- (3) Has financial provision been allocated for commissioning consultancy studies in 2003-04? If yes, please provide the following details :

Name of consultants (if available)	Description	Consultancy fees	Status of consultancy studies (planning/in progress/completed)

Asked by: Hon. HO Sau-lan, Cyd

Reply:

- (1) The details of the consultancy studies for which financial provision has been allocated in 2001-02 are as follows:

Name of consultants (if available)	Description	Consultancy fees	Progress on consultancy studies (planning/in progress/completed)	The Administration's follow-up action on the study reports and the progress made	Reasons for no follow-up action on the study reports and whether other measures are available to deal with the subjects under study
CityU Professional Services Limited of City University of Hong Kong and The Chinese University of Hong Kong	Consultancy study on corporate governance in Hong Kong (comprises four separate studies)	\$2.805 m	Substantially completed.	The Standing Committee on Company Law Reform will take into account the findings of the studies in formulating proposals under its Phase II Corporate Governance Review.	Not applicable.
Arthur Andersen & Co (now PricewaterhouseCoopers)	Consultancy study to review the future role and functions of the Official Receiver's Office	\$1.883 m	Stage One of the study completed.	We have analysed the comments received during the public consultation phase and are considering how best to take forward the recommendations.	Not applicable.

The details of the consultancy studies for which financial provision has been allocated in 2002-03 are as follows:

Name of consultants (if available)	Description	Consultancy fees	Progress on consultancy studies (planning/in progress/completed)	The Administration's follow-up action on the study reports and the progress made	Reasons for no follow-up action on the study reports and whether other measures are available to deal with the subjects under study
CityU Professional Services Limited of City University of Hong Kong and The Chinese University of Hong Kong	Consultancy study on corporate governance in Hong Kong (comprises four separate studies)	\$1.700 m	As indicated in the preceding table.	As indicated in the preceding table.	As indicated in the preceding table.
Arthur Andersen & Co (now PricewaterhouseCoopers)	Consultancy study to review the future role and functions of the Official Receiver's Office	\$2.617 m	As indicated in the preceding table.	As indicated in the preceding table.	As indicated in the preceding table.
Freshfields Bruckhaus Deringer	Conducting researches and studies on the recommendations made in the report of the Standing Committee on Company Law Reform (study on the implications of adopting a system of no-par value shares in Hong Kong)	\$0.986 m	In progress.	We will have regard to the outcome of the study in deciding whether a system of no-par value shares should be adopted in Hong Kong.	Not applicable.
PricewaterhouseCoopers	Consultancy study on the feasibility of establishing policyholders' protection funds	\$0.85 m	In progress.	Not applicable.	Not applicable.

(2) There were no such studies under the concerned Controlling Officers of the captioned Heads.

- (3) The details of the consultancy studies for which financial provision has been allocated in 2003-04 are as follows :

Name of consultants (if available)	Description	Consultancy fees	Status of consultancy studies (planning/in progress/completed)
CityU Professional Services Limited of City University of Hong Kong and The Chinese University of Hong Kong	Consultancy study on corporate governance in Hong Kong (comprises four separate studies)	\$1.500 m	Substantially completed.
Arthur Andersen & Co (now Pricewaterhouse-Coopers)	Consultancy study to review the future role and functions of the Official Receiver's Office	\$4.700 m	Stage One of the study completed in 2002-03.
Freshfields Bruckhaus Deringer	Conducting researches and studies on the recommendations made in the report of the Standing Committee on Company Law Reform (study on the implications of adopting a system of no-par value shares in Hong Kong)	\$1.434 m	In progress.
PricewaterhouseCoopers	Consultancy study on the feasibility of establishing insurance policyholders' protection funds in Hong Kong	\$3.210 m	In progress.
To be engaged	Consultancy study on establishing the supervisory framework of assets of long term insurers in Hong Kong	\$2.500 m	In planning.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Tony Miller

Post Title \_\_\_\_\_ Permanent Secretary for Financial Services and the Treasury (Financial Services)

Date \_\_\_\_\_ 19.3.2003











Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)006

Question Serial No.

0696

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 :

Provision for the Financial Services and the Treasury Bureau (Financial Services Branch) for 2003-04 will increase by \$10.3 m (or 6.9%). This is mainly due to the increase in expenditure arising from hearings of tribunal cases and the increase in cashflow requirement of capital account items. Please provide information on the nature of these tribunal cases and the expenditure involved, and explain why cashflow requirement will increase.

Asked by:    Hon. TIEN Pei-chun, James

Reply:

The provision for Financial Services and the Treasury Bureau (Financial Services Branch) for 2003-04 is \$10.3 million higher than the revised estimate for 2002-03. This is mainly due to the anticipated increase in expenditure arising from hearings of tribunal cases in 2003-04 and the increase in cashflow requirement of capital account items.

A provision of \$17.411 million is earmarked under Subhead 000 Operational expenses for “Hire of services and professional fees” to support the operation of the Insider Dealing Tribunal (IDT), the Market Misconduct Tribunal (MMT) and the Securities and Futures Appeals Tribunal (SFAT). The MMT and SFAT are to be set up under the Securities and Futures Ordinance (SFO) commencing on 1 April 2003 with wider ambit as compared with current setup. Apart from insider dealing, the MMT will deal with 5 other types of market misconduct committed after the commencement of the SFO. They are : (i) false trading; (ii) price rigging; (iii) disclosure of information about prohibited transactions; (iv) disclosure of false or misleading information inducing transactions; and (v) stock market manipulation. The SFAT will hear appeals against decisions made by the Securities and Futures Commission (SFC), the Hong Kong Monetary Authority and the investor compensation company recognized by the SFC. The range of decisions that may be appealed under the SFO is much wider than the existing appellate regime.

In preparing the estimate for 2003-04, we assume that the IDT/MMT will handle 10 cases during the year compared to 6 cases handled in 2002-03. We expect the number of cases to be handled in 2003-04 to be higher as a result of the impending hearings of the remaining insider dealing cases as well as the anticipated increase in MMT/SFAT cases in view of the wider ambit of the MMT and SFAT. The financial provision is required mainly for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and outside counsels arising from the hearings of these tribunals. The relevant costs differ from case to case depending on the complexity and the time required for hearings. Taking into account the various costs and expenses involved, we estimate each IDT/MMT case will on average cost about \$1.471 million. The total cost of processing 10 cases is therefore \$14.710 million. The remaining provision of \$2.701 million is for the operation of the SFAT.

The increase of provision of about \$5.5 million for capital account items is mainly due to the cashflow requirement of a new item in 2003-04, i.e. Subhead 700 Item 023 Consultancy study on establishing the supervisory framework of assets of long term insurers in Hong Kong (\$2.50 million). In addition, it is estimated that a substantial portion of the consultancy fees for some existing items under Subhead 700 would be payable in 2003-04. These include Item 015 Consultancy study to review the future role and functions of the Official Receiver's Office (\$2.08 million) and Item 019 Consultancy study on the feasibility of establishing policyholders' protection funds (\$2.36 million). The increase is however partly offset by the reduced cashflow requirement of other capital account items.

Signature	_____
Name in block letters	_____ Tony Miller _____
Post Title	_____ Permanent Secretary for Financial Services and the Treasury (Financial Services) _____
Date	_____ 19.3.2003 _____



Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)008

Question Serial No.

0899

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 :

During 2003-04, how much resources will the Financial Services and the Treasury Bureau spend on improving the matching of manpower supply and demand and co-ordinating training efforts in the financial services sector in Hong Kong? Please give details of the plan.

Asked by:    Hon. TING Woo-shou, Kenneth

Reply:

The Advisory Committee on Human Resources Development in the Financial Services Sector will continue to co-ordinate internship programmes this year, with a view to providing internship opportunities for local university students during their study. The coordination work will be absorbed by existing resources. The Committee had also obtained the assistance of the Vocational Training Council in collecting further statistics on the manpower situation and training needs in the banking and finance industry. The Financial Services and the Treasury Bureau (Financial Services Branch) has earmarked \$230,000 in 2003-04 to fund this project.

Signature \_\_\_\_\_

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

Tony Miller

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

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

Date \_\_\_\_\_

19.3.2003



The provision of “Hire of services and professional fees” in the draft estimates of expenditure 2003-04 is \$19.158 million. Of this, \$17.411 million is required for supporting the operation of the IDT, Market Misconduct Tribunal (MMT) and Securities and Futures Appeals Tribunal (SFAT). The latter two tribunals will be set up upon the commencement of the Securities and Futures Ordinance (SFO) on 1 April 2003.

In preparing the estimate for 2003-04, we assume that the IDT/MMT will handle 10 cases during the year. We expect the number of cases to be handled in 2003-04 to be higher than in 2002-03 as a result of the impending hearings of the remaining insider dealing cases as well as the anticipated increase in MMT/SFAT cases in view of the wider ambit of the MMT and SFAT when compared with the IDT and SFAP respectively. Apart from insider dealing, the MMT will deal with 5 other types of market misconduct committed after the commencement of the SFO. They are : (i) false trading; (ii) price rigging; (iii) disclosure of information about prohibited transactions; (iv) disclosure of false or misleading information inducing transactions; and (v) stock market manipulation. The SFAT will hear appeals against decisions made by the Securities and Futures Commission (SFC), the Hong Kong Monetary Authority and the investor compensation company recognized by the SFC. The relevant costs differ from case to case depending on the complexity and the time required for hearings. Taking into account the various costs and expenses involved, we estimate each IDT/MMT case will, on average, cost about \$1.471 million. The total cost of processing 10 cases is therefore \$14.710 million. The remaining provision of \$2.701 million is for the operation of the SFAT.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Tony Miller \_\_\_\_\_

Post Title \_\_\_\_\_ Permanent Secretary for Financial Services  
and the Treasury (Financial Services) \_\_\_\_\_

Date \_\_\_\_\_ 19.3.2003 \_\_\_\_\_





Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)011

Question Serial No.

0932

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 :

With nil expenditure for plant, equipment and works, the provision for expenditure under the capital account of the Financial Services and the Treasury Bureau (Financial Services Branch) for 2003-04 is still \$10 m higher than the revised estimate for 2002-03. Is this mainly due to the various consultancy studies? Please set out in detail the areas of study of the consultancies and the expenditure incurred, particularly the cost of administrative support provided by departmental staff for the consultancy studies.

Asked by:    Hon. WU King-cheong, Henry

Reply:

The total estimated expenditure for capital account items of Financial Services and the Treasury Bureau (Financial Services Branch) for 2003-04 is \$15.895 million, which is \$5.504 million higher than the 2002-03 revised estimate. This is mainly due to an increase in the cashflow requirement of some items under Subhead 700 “General other non-recurrent”, partly offsetting by the reduced cashflow requirement of other items. The increased or reduced requirement for each of the relevant items is listed below:

<b>Sub-head (Code)</b>	<b>Item (Code)</b>	<b>Description</b>	<b>Revised estimate 2002-03</b>	<b>Estimated cashflow 2003-04</b>	<b>Difference</b>
			\$	\$	\$
<b>661</b>		<b>Minor plant, vehicles and equipment (block vote)</b>			
		Replacement of Spectrum 40KVA UPS System in the Office of the Commissioner of Insurance	295,000	0	-295,000

<b>Sub-head (Code)</b>	<b>Item (Code)</b>	<b>Description</b>	<b>Revised estimate 2002-03 \$</b>	<b>Estimated cashflow 2003-04 \$</b>	<b>Difference \$</b>
<b>700</b>		<b>General other non-recurrent</b>			
	001	Undertaking economic research projects for the Asia-Pacific Economic Cooperation (APEC)	470,000	410,000	-60,000
	004	Contracting out economic research projects	800,000	141,000	-659,000
	013	Consultancy study on corporate governance in Hong Kong	1,700,000	1,500,000	-200,000
	014	Initiatives to co-ordinate the human resources development for the financial services sector	120,000	500,000	+380,000
	015	Consultancy study to review the future role and functions of the Official Receiver's Office	2,617,000	4,700,000	+2,083,000
	016	Asia-Pacific Economic Cooperation (APEC) 2001 Economic Outlook	598,000	0	-598,000
	018	Conducting researches and studies on the recommendations made in the report of the Standing Committee on Company Law Reform (SCCLR)	986,000	1,434,000	+448,000
	019	Consultancy study on the feasibility of establishing policyholders' protection funds	850,000	3,210,000	+2,360,000
	020	Educational campaign on insurance policy replacement	915,000	200,000	-715,000
	022	Hire of econometric modelling services to enable projections on government revenues and fiscal position	340,000	800,000	+460,000
	023	Consultancy study on establishing the supervisory framework of assets of long term insurers in Hong Kong	0	2,500,000	+2,500,000

<b>Sub-head (Code)</b>	<b>Item (Code)</b>	<b>Description</b>	<b>Revised estimate 2002-03</b> \$	<b>Estimated cashflow 2003-04</b> \$	<b>Difference</b> \$
	664	Consultancy study on a comprehensive review and enhancement of the GDP forecasting framework	700,000	500,000	-200,000
			----- 10,391,000 =====	----- 15,895,000 =====	----- +5,504,000 =====

It is the duties of the relevant subject officers to deal with the work relating to the studies under their purview. No additional expenditure is incurred.

Signature \_\_\_\_\_  
Name in block letters \_\_\_\_\_ Tony Miller  
Post Title \_\_\_\_\_ Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date \_\_\_\_\_ 19.3.2003





Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)014

Question Serial No.

0683

Head: 26 Census and Statistics Department      Subhead:

Programme:            (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question : In 2003-04, what measures will be taken to enhance the quality of statistical services in respect of timeliness, relevance and user serviceability?

Asked by: Hon. SHEK Lai-him, Abraham

Reply:     The Census and Statistics Department closely follows international standards (e.g. the "Special Data Dissemination Standard" of the International Monetary Fund) in terms of timeliness, relevance and user serviceability when delivering its services. The department also attaches great importance to the views of data users on the statistical services it renders. Various channels are used to communicate with them. For instance, in the area of trade statistics, a Customer Liaison Group has been set up in which traders, forwarders, carriers and data analysts can exchange views with staff of the department on various aspects of the trade statistics system. For surveys on various economic sectors, meet-the-clients sessions are regularly organised to provide occasions for statistical data users, raw data suppliers and the management of the department to discuss the services provided by the department. When new statistical programmes are planned, consultation with the Statistics Advisory Board and other specialists concerned will be made to tap their views on data requirements and compilation methodologies.

In 2003-04, the department will continue to review its statistical services from time to time through the various means as mentioned above.

Signature \_\_\_\_\_

Name in block letters FREDERICK W H HO

Post Title Commissioner for Census and Statistics

Date 19.3.2003

Examination of Estimates of Expenditure 2003-04

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

Reply Serial No.

FSTB(FS)015

Question Serial No.

0684

Head: 26 Census and Statistics Department      Subhead:

Programme:            (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question: One post will be created in 2003-04 to assist in promoting statistical literacy of the community. Please give details of the post, the resources involved and how its work would help achieving the above objective.

Asked by: Hon. SHEK Lai-him, Abraham

Reply: With the increasing use of statistics in the community, it is becoming more and more important for members of the public to have a proper understanding of statistics. The department has been making continuous efforts in enhancing public awareness of official statistics and understanding of statistical concepts and methodologies. A variety of activities for promoting statistical literacy have been organised to cater for the needs of different segments of the community (e.g. teachers and students, media workers and personnel in commerce and industry), including the organisation of talks/seminars/courses and publication of introductory pamphlets/leaflets and articles on statistical knowledge.

In 2003-04, the Census and Statistics Department will further enhance its efforts in this area. Apart from expanding the existing activities, we will launch new ones for those who have already acquired proper understanding of the basic statistical concepts and methods with a view to helping them consolidate and deepen their knowledge. As the existing manpower resources will not be able to cope with the additional workload brought about by these new initiatives, one Statistical Officer II post will be redeployed at a notional annual mid-point salary value of \$171,930 from another Programme Area to assist in rolling out the planned activities.

Signature \_\_\_\_\_

Name in block letters      FREDERICK W H HO

Post Title      Commissioner for Census and Statistics

Date      19.3.2003

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

Reply Serial No.

FSTB(FS)016

Question Serial No.

1271

Head: 26 Census and Statistics Department

Subhead: 000 Operational expenses

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question : Please provide the number of non-civil service contract staff employed and the level of expenditure involved in 2002-03. Are there any plans to employ more or less non-civil service contract staff in 2003-04? If so, what are the reasons? And what will be the number of staff and the level of expenditure involved?

Asked by : Hon. LEE Cheuk-yan

Reply : In 2002-03, the total expenditure for employment of non-civil service contract (NCSC) staff is estimated at \$17.5 million. Of this, \$3.6 million was spent on employing NCSC staff to take up vacancies of limited duration. The remaining balance was utilized to employ NCSC staff on an ad hoc basis for conducting various surveys at different intervals of the year or for relieving manpower shortage during peak seasons. Depending on the needs of individual work items, the length of their contracts ranges from a few days to a year. While the total number of NCSC staff employed at different times of the year by the Census and Statistics Department during 2002-03 is 621, the actual number of such staff varied from time to time. For example, 114 NCSC staff were employed on 30 June 2002, 164 on 30 September 2002, 112 on 31 December 2002 and 99 on 28 February 2003.

The estimated expenditure for employment of NCSC staff in 2003-04 is lowered to \$9.8 million. The number of NCSC staff is thus expected to decrease, but the precise number cannot be determined for the time being. It will depend on the actual needs of statistical work within the year. Meanwhile, we are making efforts to further enhance productivity of the department and this will also lead to a reduced need for NCSC staff.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ FREDERICK W H HO \_\_\_\_\_

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

Date \_\_\_\_\_ 19.3.2003 \_\_\_\_\_

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)017

Question Serial No.

0545

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 :

- (a) What was the number of summary and non-remunerative liquidation cases contracted out in 2002-03?
- (b) The Official Receiver's Office (ORO) plans to continue the contracting out programme in 2003-04 and will make the same arrangements for non-summary liquidation cases. What will be the costs required if these cases are to be handled by the ORO? How long does it take to handle a liquidation case at present? Please explain how to enhance efficiency and cost-effectiveness after increasing the number and types of cases that are contracted out.

Asked by: Hon. LI Ka-cheung, Eric

Reply:

- (a) In 2002-03 (up to 15 March 2003), a total of 1,160 summary and non-remunerative liquidation cases were contracted out.
- (b) At present, there are no plans to contract out non-summary liquidation cases. In fact, they are normally handled by private sector insolvency practitioners (PIPs) selected by creditors. They seek to cover their fees by the assets realised in the insolvent estate. The Official Receiver only acts as the liquidator of the last resort. Since the complexity of these cases varies very significantly, it would not be possible to estimate the costs if they were handled by the ORO. The time required also varies from case to case. The above arrangements ensure that the cases dealt with by PIPs are handled in an efficient and cost-effective manner.

Signature \_\_\_\_\_

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

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

Date \_\_\_\_\_

E T O'Connell

Official Receiver

19.3.2003

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)018

Question Serial No.

0763

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 number of bankruptcy cases increased from 10,217 in 2001 to 26,620 in 2002 and the estimated number of cases for 2003 is 26,600. The average number of cases handled by each Insolvency Officer also drastically increased from 214 in 2001 to an estimated number of 430 in 2003. But the estimated provision for the Official Receiver's Office (ORO) increases by \$2 million only (an increase of 1.5%). What is the reason for this? Has the Administration assessed whether the ORO could cope with the continued increase in the number of bankruptcy cases?

Asked by: Hon. LAU Wai-hing, Emily

Reply:

To cope with the increase in the number of bankruptcy cases, the ORO has revised, simplified and computerised as far as possible its working procedures to enhance staff efficiency. It has contracted out company summary winding-up cases so that resources in the OR can be redeployed to handle bankruptcy cases. It will continue to employ temporary staff to cope with simple and straightforward matters in bankruptcy cases. In 2003-04, it will implement a scheme for outsourcing preliminary examination of bankrupts to private sector practitioners. In addition, it would seek to amend the Bankruptcy Ordinance to allow outsourcing of summary bankruptcy cases to the private sector similar to the existing arrangement for summary winding-up cases.

Signature \_\_\_\_\_

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

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

Date \_\_\_\_\_

E T O'Connell

Official Receiver

19.3.2003

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)019

Question Serial No.

0934

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 Official Receiver's Office (ORO) expects no changes to its staff establishment in 2003-04. According to the matters requiring special attention in 2003-04, the ORO will continue to and further plan to outsource several procedures to the private sector. These plans should help to ease the workload of the ORO's staff and enhance efficiency. But according to the estimates of the ORO in 2003-04, it is anticipated that the percentages of meeting the target time in respect of a number of services will drop. Even with anticipated fewer cases, the average case load per Insolvency Officer will increase by 10% and cases put on the adjudication programme will increase substantially by 48%. Would the Administration explain this in detail?

Asked by: Hon. WU King-cheong, Henry

Reply:

The number of new insolvency cases increased from 10,217 in 2001 to 26,620 in 2002. The estimated number for 2003 is 26,600 (more or less at the same level as that in 2002). As most of these cases are bankruptcy ones and only summary winding up cases are contracted out as permitted by law, we need to deal with the bankruptcy cases in-house. In view of such workload, we have reduced the percentages of meeting the target time in respect of a few procedures relating to the administration of insolvency cases by 1%. However, the percentages of meeting the target time for some other procedures have been increased.

Because of the estimated number of new insolvency cases in 2003, we expect the average active case load per Insolvency Officer in 2003 to increase as each Insolvency Officer needs to handle both new cases and other active cases commenced in the past. We have attempted to limit the increase by planning to implement a scheme in 2003-04 for contracting out, insofar as it is allowed in law, the preliminary examination of bankrupts to the private sector.

In view of the substantial increase in the number of bankruptcy cases in 2002, we anticipate that in 2003, there will be a significant increase in the number of cases put on the adjudication programme (i.e. where creditors' claims are adjudicated) for the purpose of dividend distribution.

Signature	_____
Name in block letters	E T O'Connell
Post Title	Official Receiver
Date	19.3.2003

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)020

Question Serial No.

0935

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 :

Will the Administration provide information on the expenditure involved if the work contracted out by the Official Receiver's Office (ORO) were to be handled by the ORO staff? What is the impact of contracting out on the department's expenditure? What would be the additional expenses arising from contracting out work to cope with manpower shortage as result of a staff cut?

Asked by: Hon. WU King-cheong, Henry

Reply:

Since the complexity of liquidation cases varies significantly, it would not be possible to estimate the costs if they were handled by the ORO. The expenditure earmarked for contracting out summary liquidation cases to the private sector is about \$20 million for 2003-04. Contracting out summary liquidation cases also enables the ORO to deploy resources to handle the increasing number of bankruptcy cases. Non-summary liquidation cases are normally handled by private sector insolvency practitioners selected by creditors. They seek to cover their fees from the assets realised in the insolvent estate. We do not envisage any staff cut in 2003-04.

Signature \_\_\_\_\_

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

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

Date \_\_\_\_\_

E T O'Connell

Official Receiver

19.3.2003

Examination of Estimates of Expenditure 2003-04  
**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)021

Question Serial No.

1309

Head: 116 – Official Receiver's Office

Subhead (No. & title):

000 – Operational expenses

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please provide the number of non-civil service contract staff employed and the level of expenditure involved in 2002-03. Are there any plans to employ more or less non-civil service contract staff in 2003-04? If so, what are the reasons? And what will be the number of staff and the level of expenditure involved?

Asked by: Hon. LEE Cheuk-yan

Reply:

In 2002-03, the average number of non-civil service contract staff employed was 52 and the total expenditure incurred was about \$7.3 million. In 2003-04, the same average number of non-civil service contract staff is required to cope with the anticipated workload in the Official Receiver's Office. The expenditure involved is estimated to be about the same as in 2002-03.

Signature	_____
Name in block letters	E T O'Connell
Post Title	Official Receiver
Date	19.3.2003

**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

FSTB(FS)022

Question Serial No.

0933

Head : 106                      Subhead (No. & title) :  
Miscellaneous              819 Contribution to the  
Services                      seventh replenishment of  
                                    the Asian Development  
                                    Fund

Programme :

Controlling Officer : Chief Executive, Hong Kong Monetary Authority

Bureau Secretary : Secretary for Financial Services and the Treasury

Question :

Under Head 106 Miscellaneous Services (subhead 819), the estimates of contributions to the seventh replenishment of the Asian Development Fund (ADF VIII) in FY2003-04 is HK\$19,814,000. When comparing with the respective estimates of HK\$12,872,000 in FY2002-03 and HK\$9,714,000 in FY2001-02, the contributions have increased by 53% and 104%, respectively. Please give reasons for the increases and state the amount of contributions made by other donor countries in these three respective financial years for comparison purpose.

Asked by : Hon. *WU King-cheong, Henry, BBS, JP*

Reply :

As approved by the Finance Committee in December 2000, Hong Kong's contribution under ADF VIII is US\$16.28 million, which accounted for 0.57% of the target size of contributions by all donors. While contributions in the form of promissory notes or similar financial instruments are to be made over four years in equal instalments, the actual amounts of drawdown to be made by Asian Development Bank (ADB) follow a 7-year encashment schedule (Table A), which was specified in Resolution 276 of the ADB's Board of Directors and approved by the Finance Committee. The encashment schedule is backloaded, beginning with a relatively small proportion of the total contributions and rising to high levels in the last four years. Because of this uneven pattern of drawdown, the estimated

expenditure of HK\$19.8 million in FY2003-04 is substantially higher than the estimates for the previous years (see Table B).

Of the total 25 donors of ADF VIII, 16 follow the same encashment schedule as Hong Kong. Although the actual drawdowns from these donors during each of the three respective financial years are not available, they should also see similar magnitude of increases in their contributions to ADF this year as they follow the same drawdown pattern. Of the remaining 8 donors, one has adopted an even more accelerated encashment schedule of 5 years; one has an adjusted schedule of 7 years and 6 follow a 10-year encashment schedule. Details of the drawdown patterns for these 8 donors are not available.

Signature	_____
Name in block letter	<u>Joseph Yam</u>
Post Title	<u>Chief Executive, Hong Kong Monetary Authority</u>
Date	<u>19 March 2003</u>

**TABLE - A****Encashment Schedule as Specified in Resolution 276 of the ADB Board of Directors**

<b>Year</b>	<b>% of Total Contribution</b>
2001	3.8
2002	7.7
2003	12.5
2004	18.7
2005	19.6
2006	20.2
2007	<u>17.5</u>
	<b>100</b>

**TABLE - B****Schedule of Expected Drawdown from Hong Kong under ADF VIII**

<b>Fiscal Year</b>	<b>Drawdown Amount (US\$ mn)</b>	<b>Drawdown Amount (Eq. HK\$ mn)</b>	<b>% of Total Contributions during the Fiscal Year</b>	<b>% of Total Contributions during the Calendar Year</b>
<b>2001-2002</b>				
July 2001	0.618		3.80	3.8
February 2002	<u>0.627</u> 1.245	9.71 <sup>1</sup>	<u>3.85</u> 7.65	7.7
<b>2002-2003</b>				
July 2002	0.627		3.85	
February 2003	<u>1.018</u> 1.645	12.87	<u>6.25</u> 10.10	12.5
<b>2003-2004</b>				
July 2003	1.018		6.25	
February 2004	<u>1.522</u> 2.540	19.81	<u>9.35</u> 15.60	18.7
<b>2004-2005</b>				
July 2004	1.522		9.35	
February 2005	<u>1.595</u> 3.117	24.34	<u>9.80</u> 19.15	19.6
<b>2005-2006</b>				
July 2005	1.595		9.80	
February 2006	<u>1.644</u> 3.239	25.27	<u>10.10</u> 19.90	20.2
<b>2006-2007</b>				
July 2006	1.644		10.10	
February 2007	<u>1.425</u> 3.069	23.95	<u>8.75</u> 18.85	17.5
<b>2007-2008</b>				
July 2007	1.425	11.15	8.75	
<b>Total</b>	<b>16.28</b>	<b>127.10</b>	<b>100.00</b>	<b>100</b>

<sup>1</sup> Actual figure



