

Panel on Financial Affairs

List of outstanding items for discussion
(Position as at 31 March 2004)

**Scheduled/Proposed
timing for discussion**

1. Briefing on the work of Hong Kong Monetary Authority

The Chief Executive of the Hong Kong Monetary Authority (CE/HKMA) will continue to brief the Panel on the work of HKMA on a regular basis. The last briefing was held on 2 February 2004. The next briefing is scheduled for May 2004 and will include the presentation of HKMA's Annual Report 2003.

3 May 2004

2. Proposed resolution to authorize the Government to transfer \$40 billion from the Land Fund to the General Revenue Account

The Administration will brief the Panel on a proposed resolution under section 29 of the Public Finance Ordinance (PFO) (Cap. 2) to enable the Government to transfer \$40 billion from the Land Fund to the General Revenue Account (GRA) in June 2004 to meet anticipated cashflow shortfall in 2004-05. According to the Administration's latest forecast, there will be a cashflow shortfall of about \$40 billion in the GRA around the third quarter of 2004 largely due to the deficits in the initial months of 2004-05 and the need to transfer funds to the Capital Works Reserve Fund to meet capital expenditure requirements prior to the completion of the planned assets sale/securitization as well as the issuance of government bonds in 2004-05.

3 May 2004

The Panel was consulted at the meeting on 7 April 2003 on the Administration's proposal to amend the Resolution of the Land Fund to enable transfer of funds to the GRA for meeting anticipated shortfalls. A subcommittee was subsequently formed under the House Committee to study the proposal. In the course of deliberation of the subcommittee, members raised concern about the future of the Land Fund. The Administration has undertaken to examine the way forward

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for the Land Fund, including whether or not it should be abolished altogether, and consult the Panel in due course.

3. Overall economic development of Hong Kong

The Panel has invited the Financial Secretary (FS) to brief the Panel and all other LegCo Members on macro economic issues on a periodic basis since mid-1999.

7 June 2004

The last briefing was held on 6 December 2003. In line with practice in previous sessions, the next briefing will be held in June 2004.

4. Progress on the establishment of a commercial credit reference agency (CCRA) in Hong Kong

HKMA will update the Panel on the latest progress of the establishment of a CCRA in Hong Kong.

7 June 2004
(tentative)

5. Campaign to re-launch Hong Kong's economy

On 12 and 29 May 2003, the Panel was briefed on the overall approach to re-launch Hong Kong's economy after the outbreak of Severe Acute Respiratory Syndrome and the Administration's financial proposal of creating a new commitment of \$10 billion for implementing the Campaign to re-launch Hong Kong's economy (the Campaign). On 30 May 2003, the Finance Committee approved the financial proposal.

First special meeting held on 15 November 2003; second special meeting to be arranged

At the special meeting on 11 October 2003, the Panel was updated on the progress of the Campaign. Members expressed concern about the cost-effectiveness of the various activities under the Campaign, in particular, the Hong Kong Harbour Fest (the Festival).

To address the Panel's concern, FS agreed on 28 October 2003 that two special meetings be arranged for him to brief the Panel on the arrangements for the Festival. Members agreed that the first special meeting should be held as soon as possible and would focus on the preparatory arrangements,

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ticketing arrangements, publicity arrangements, financial arrangements and up-to-date budget for the Festival. The second meeting would be held later when the budget for the Festival has been finalized and audited.

On 5 November 2003, FS announced that a panel of inquiry to be appointed by the Chief Executive (CE) would conduct a thorough review of the Festival. On 12 December 2003, the CE appointed a two-member Independent Panel of Inquiry (the Independent Panel) to look into the Festival. The Independent Panel will submit its report to the CE by 30 April 2004.

6. Management of Government investment incomes

At the Panel meeting held on 14 March 2002 when the research report entitled “Practices of Overseas Jurisdictions in Building up or Maintaining Their Fiscal Reserves” published by the Research and Library Services Division (RLSD) was presented, Members noted that detailed information on Government investment incomes was not readily available in the public domain. It would therefore be difficult to monitor how far investment incomes of the Government were ploughed back to the General Revenue Account for financing specific social services or contingent relief measures.

To be confirmed

On 16 May 2002, the then Secretary for the Treasury provided information on the sources of Government investment incomes and investment returns for the period 1996-97 to 2000-01 to Members (LC Paper No. CB(1)1772/01-02(01)). However, detailed information on the Government’s investments on equity holdings with respect to financial arrangements, corporate governance and reporting arrangements to the Government and LegCo remained not available.

At the meeting held in July 2002, members of the then “Subcommittee on matters relating to the implementation of railway development projects” (Subcommittee) when considered the draft Penny’s Bay Rail Link Project Agreement, expressed concern about the scope and extent of powers of FS in relation to the management of dividends and other forms of income generated from the Government’s

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investments in public and private companies. Members were also concerned about whether proper mechanisms were in place to ensure that the exercise of such powers was properly accounted for by the executive authorities to LegCo. The Subcommittee requested that the above policy issues be further discussed by the Panel.

Similar concerns were raised recently in the discussion on the appropriate mechanism for financing the West Kowloon Cultural District Development project and the role of LegCo in monitoring the development of this project.

Since Members have on several occasions expressed concern regarding the management of Government investment incomes, RLSD has proposed to conduct an in-depth research on this subject to assist Members in analyzing the financial arrangements, corporate governance and reporting arrangements of selected statutory bodies/corporations in Hong Kong. Selected statutory bodies to be covered in the research include Kowloon-Canton Railway Corporation, Airport Authority, Mass Transit Railway Corporation Limited, and Hong Kong Science and Technology Parks Corporation. The research outline (LC Paper No. CB(1)671/03-04(06)) was endorsed by the Panel at its meeting on 5 January 2004. The preliminary draft research report will be available for members' internal deliberation in March 2004. Subject to members' further advice, the research report will be completed by April/May 2004.

7. The granting of tax relief for divorced persons paying maintenance to ex-spouses

This item was referred by the Panel on Administration of Justice and Legal Services. An oral question on the item was raised at the Council meeting on 10 July 2002. The details on the item were circulated to members vide LC Paper No. CB(1)520/02-03(01) on 12 December 2002.

To be confirmed

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8. Review of the Companies Ordinance

At the Panel meeting on 6 November 2003 when the Administration updated members on the progress of the Corporate Governance Action Plan, Ms Emily LAU expressed concern about the progress of the comprehensive review of the Companies Ordinance (CO). The Administration undertook to report the outcome of the review to the Panel in the first quarter of 2004.

To be confirmed

At the Panel meeting on 1 March 2004, members agreed that the Administration be invited to provide an information paper to report on the progress of the review of CO before deciding the timing for discussion of the item.