

## Head 116 — OFFICIAL RECEIVER'S OFFICE

**Controlling officer:** the Official Receiver will account for expenditure under this Head.

<b>Estimate 2007–08</b> .....	<b>\$132.3m</b>
<b>Establishment ceiling 2007–08</b> (notional annual mid-point salary value) representing an estimated 215 non-directorate posts as at 31 March 2007 and as at 31 March 2008 .....	<b>\$66.2m</b>
In addition, there will be an estimated eight directorate posts as at 31 March 2007 and as at 31 March 2008.	
<b>Commitment balance</b> .....	<b>\$6.7m</b>

### Controlling Officer's Report

#### Programme

##### Official Receiver's Office

This programme contributes to Policy Area 1: Financial Services (Secretary for Financial Services and the Treasury).

#### Detail

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	<b>2007–08 (Estimate)</b>
Financial provision (\$m)	107.5	131.0	109.5 (–16.4%)	<b>132.3</b> (+20.8%)
				(or +1.0% on 2006–07 Original)

#### Aim

**2** The aim is to administer the Companies Ordinance relating to the compulsory winding-up of companies and the Bankruptcy Ordinance relating to the estates of bankrupts.

#### Brief Description

**3** The Official Receiver's Office (ORO) is responsible for the effective administration of insolvency matters pertaining to compulsory liquidation of companies and individual bankruptcies. This work involves:

- the delivery of an effective in-house management insolvency service when appointed by the court and creditors as liquidator or trustee, and the management of the schemes for contracting out liquidation cases to the private sector;
- the effective realisation of assets of insolvent companies and bankrupts at the earliest opportunity, adjudication of creditors' claims, and declaration of dividends to preferential and ordinary creditors as soon as possible; and
- investigation into the conduct of debtors, directors and officers of insolvent companies and the causes of business failures, prosecution of insolvency offenders and implementation of the statutory provisions relating to the disqualification of company directors.

**4** The key performance measures in respect of the administration of insolvency cases are:

#### Targets

	Target processing time	2005 (Actual)	2006 (Actual)	<b>2007 (Plan)</b>
			% within target	
general enquiries in person at public reception counter .....	10 minutes	100	100	<b>100</b>
applications for bankruptcy searches and winding-up searches				
in person .....	2.5 hours	100	100	<b>100</b>
by mail .....	2 working days@	100	100	<b>100</b>
using computer terminal.....	1 hour	100	100	<b>100</b>
batch search .....	2 hours	100	100	<b>100</b>
applications for Certificate of Non-bankruptcy.....	2 working days@	100	100	<b>100</b>

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	Target processing time	2005 (Actual)	2006 (Actual)	2007 (Plan)
		% within target		
lodging Proofs of Debt				
in person .....	10 minutes	100	100	<b>100</b>
obtaining assistance of officers to complete a Proof of Debt .....	30 minutes	100	100	<b>100</b>
request for copies of Statement of Affairs .....	3 working days	100	100	<b>100</b>
distribution of dividends				
completing procedures when the distribution is possible.....	9 months	100	100	<b>100</b>
sending dividend cheques by mail.....	5 working days	100	100	<b>100</b>
holding meetings of creditors in non- summary cases				
winding-up cases				
making decision to hold meetings .....	8 weeks	80#	95	<b>90</b>
holding meetings.....	12 weeks	80#	95	<b>90</b>
bankruptcy cases				
making decision to hold meetings .....	12 weeks	97	98	<b>100</b>
holding meetings.....	16 weeks	98	100	<b>100</b>
issue of receipt for payment of book debts				
in person .....	15 minutes	100	N.A.Ω	<b>100</b>
by mail .....	3 working days	100	100	<b>100</b>
processing written fund withdrawal requests from outside liquidators by the due dates, provided the specified notification periods are followed				
Pool Investment Scheme				
amount below \$10m.....	3 working days	100	100	<b>100</b>
amount between \$10m - \$15m..	5 working days	100	100	<b>100</b>
amount between \$15m - \$20m..	10 working days	100	100	<b>100</b>
funds invested separately .....	2 working days before maturity of fixed deposit	100	100	<b>100</b>
processing invoices including liquidators' bills and arranging payments.....	30 calendar days	99	99	<b>99</b>
putting summary cases with insufficient assets for distribution on release programme .....	12 months	98	97	<b>95</b>

@ The target processing time will be reduced from three to two working days as from 2007.

# Due to a larger number of complex cases requiring longer processing time.

Ω No case processed during the period.

### Indicators

	2005 (Actual)	2006 (Actual)	2007 (Estimate)
new cases.....	10 659	10 876	<b>10 876</b>
insolvency cases completed (i.e. release orders made by the Court), stayed or rescinded .....	4 033	3 829	<b>3 829</b>
cases put on release programme .....	2 419	2 748	<b>2 748</b>
cases on release programme at year end.....	3 101	3 869	<b>4 700</b>
cases put on small case programme.....	9 920	8 294	<b>8 294</b>
cases on small case programme at year end.....	44 181	50 195	<b>56 596</b>
average active case load per Insolvency Officer at year end ...	418	396	<b>393</b>
cases put on adjudication programme .....	2 445	3 034	<b>2 502</b>
proofs of claim adjudicated .....	24 688	27 457	<b>33 396</b>
case with dividends declared .....	2 650	3 019	<b>3 672</b>
amount of dividends declared (\$m).....	181.8	219.3	<b>266.4</b>
summons issued .....	443	730	<b>730</b>
meetings of creditors held .....	1 138	1 406	<b>1 406</b>

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	2005 (Actual)	2006 (Actual)	2007 (Estimate)
writs issued and other proceedings.....	23	29	<b>31</b>
non-remunerative cases (i.e. cases with assets of not more than \$50,000).....	10 558	10 748	<b>10 748</b>
proportion of non-remunerative cases to new cases (%) .....	99	99	<b>99</b>

***Matters Requiring Special Attention in 2007–08***

**5** During 2007–08, the ORO will continue to:

- implement the scheme to contract out summary and non-remunerative liquidation cases (each with estimated realisable assets of not more than \$200,000) to insolvency practitioners in the private sector;
- monitor the Administrative Panel Scheme for contracting out non-summary liquidation cases (each with estimated realisable assets of more than \$200,000) to insolvency practitioners in the private sector;
- implement the scheme for outsourcing preliminary examination of bankrupts to private sector practitioners;
- encourage greater use of individual voluntary arrangements by debtors as an alternative to bankruptcy;
- closely review existing targets of performance pledges and determine any new areas for improvement in consultation with the Department’s Service Advisory Committee;
- review the operational procedures in the Department with a view to improving efficiency and productivity; and
- explore the long-term information technology strategy.

**6** Subject to the enactment of the subsidiary legislation to correspond with the enactment of the Bankruptcy (Amendment) Ordinance 2005, the ORO will proceed to implement the scheme to outsource debtor-petition summary bankruptcy cases (each with estimated realisable assets of not more than \$200,000) to insolvency practitioners in the private sector.

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### ANALYSIS OF FINANCIAL PROVISION

<b>Programme</b>	2005-06 (Actual) (\$m)	2006-07 (Original) (\$m)	2006-07 (Revised) (\$m)	<b>2007-08 (Estimate) (\$m)</b>
Official Receiver's Office .....	107.5	131.0	109.5 (-16.4%)	<b>132.3 (+20.8%)</b>
				<b>(or +1.0% on 2006-07 Original)</b>

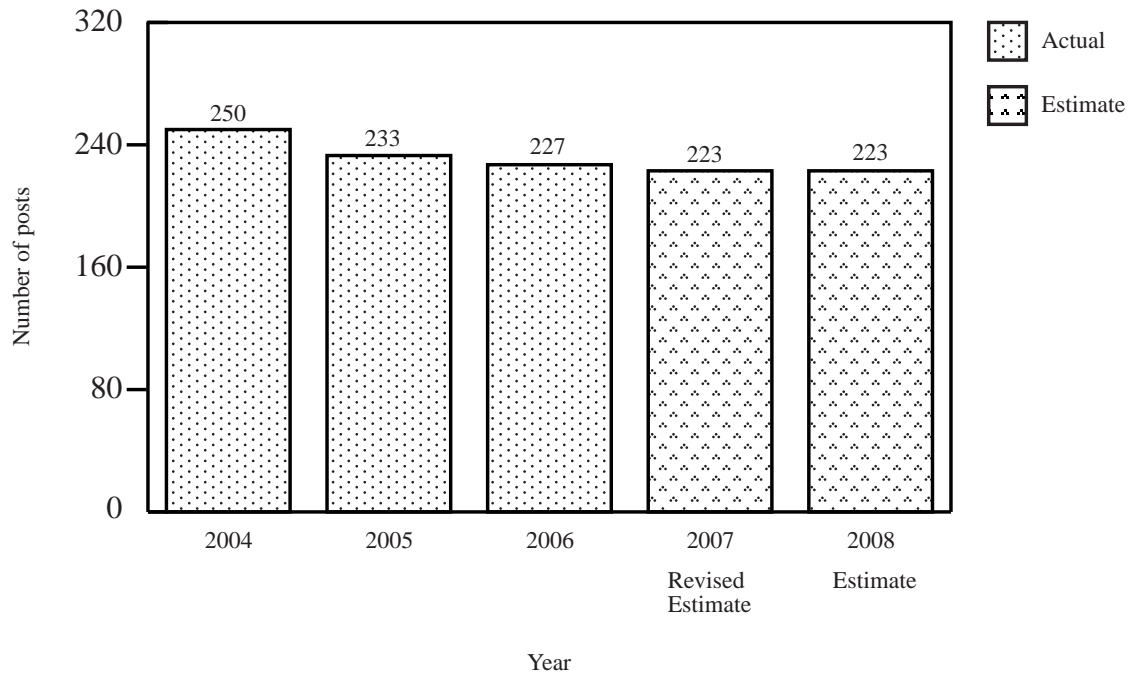
#### Analysis of Financial and Staffing Provision

Provision for 2007-08 is \$22.8 million (20.8%) higher than the revised estimate for 2006-07. This is mainly due to the increased provision for meeting legal costs, enhancement of management information system, anticipated payments in the contracting out of summary winding-up cases and increased cash flow requirement for non-recurrent items.

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*Changes in the size of the establishment  
(as at 31 March)*



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Sub-head (Code)	Actual expenditure 2005-06	Approved estimate 2006-07	Revised estimate 2006-07	<b>Estimate 2007-08</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses.....	106,655	126,402	108,996	<b>127,556</b>
	Total, Recurrent .....	<u>106,655</u>	<u>126,402</u>	<u>108,996</u>	<u><b>127,556</b></u>
Non-Recurrent					
700	General non-recurrent.....	847	4,573	470	<b>4,731</b>
	Total, Non-Recurrent .....	<u>847</u>	<u>4,573</u>	<u>470</u>	<u><b>4,731</b></u>
	Total, Operating Account.....	107,502	130,975	109,466	<b>132,287</b>
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	Total Expenditure.....	<u>107,502</u>	<u>130,975</u>	<u>109,466</u>	<u><b>132,287</b></u>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2007–08 for the salaries and expenses of the Official Receiver's Office is \$132,287,000. This represents an increase of \$22,821,000 over the revised estimate for 2006–07 and of \$24,785,000 over actual expenditure in 2005–06.

#### *Operating Account*

#### Recurrent

**2** Provision of \$127,556,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Official Receiver's Office. The increase of \$18,560,000 (17.0%) over the revised estimate for 2006–07 is mainly due to the increased provision for meeting legal costs, enhancement of management information system and anticipated payments in the contracting out of summary winding-up cases.

**3** The establishment as at 31 March 2007 will be 223 permanent posts. No net change in establishment is expected in 2007–08. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2007–08, but the notional annual mid-point salary value of all such posts must not exceed \$66,241,000.

**4** An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2005–06 (Actual) (\$'000)	2006–07 (Original) (\$'000)	2006–07 (Revised) (\$'000)	<b>2007–08 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries.....	85,723	85,722	83,412	<b>83,387</b>
- Allowances.....	1,193	2,244	912	<b>1,084</b>
- Job-related allowances .....	—	2	2	<b>2</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	46	50	50	<b>50</b>
Departmental Expenses				
- Hire of services and professional fees.....	8,616	20,596	8,620	<b>19,880</b>
- General departmental expenses.....	11,077	17,788	16,000	<b>23,153</b>
	106,655	126,402	108,996	<b>127,556</b>

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### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2006	Revised estimated expenditure for 2006-07	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	003	Pilot scheme to contract out cases of winding-up of companies.....	10,000	8,590	20	1,390
	006	Conducting investigation and directors' disqualification proceedings in the Peregrine Group of Companies.....	8,536	4,814	200	3,522
	008	Conducting investigation and directors' disqualification proceedings in the C.A. Pacific Group of Companies .....	4,994	3,005	250	1,739
		Total.....	<u>23,530</u>	<u>16,409</u>	<u>470</u>	<u>6,651</u>