

## Speech by FS at Greater China Restructuring Forum 2019 (English only) (with photo)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Greater China Restructuring Forum 2019 this morning (January 16):

The Honourable Mr Justice Harris (Honorary President of the Company and Insolvency Law Society and Judge of the Court of First Instance of the High Court), distinguished guests, ladies and gentlemen,

Good morning.

I am pleased to join you today for the Greater China Restructuring Forum. My thanks to COINS – the Company and Insolvency Law Society – for organising this timely gathering of high-profile experts from all over the world.

Today's forum is part of the International Financial Week here, and underscores Hong Kong's role as one of the world's leading financial centres. It puts a deserved spotlight on our restructuring practice, and the myriad opportunities that such practice presents. This forum, and its organiser, also reflect the diversity and dexterity of our financial sector.

Hong Kong is a global capital formation centre, renowned for attracting businesses and investors from all over the world, providing them with world-class financial and professional services, essential connections and the means to excel.

As the world's largest offshore Renminbi business hub, and Asia's major asset management centre, Hong Kong is the central connector between the Mainland of China and the rest of the world. That singular role also gives us unparalleled advantages in serving the investment and financing needs of the Belt and Road Initiative.

Belt and Road companies can raise capital and seek financing in Hong Kong through IPOs (initial public offerings), post-listing arrangements, bond issuance, bank loans and many other means.

As the world economy becomes more integrated, cross-border transactions have also soared. This has led to increasing demand for financial services in Hong Kong.

A well-structured corporate insolvency regime can only boost Hong Kong's competitive edge as a global financial centre, attracting companies from all over the world.

We are fully committed to realising that advantage. In 2016, we

modernised the Companies (Winding Up and Miscellaneous Provisions) Ordinance through a series of legislative amendments, enhancing our protection for creditors and streamlining the winding up process.

We are now working to introduce a statutory corporate rescue procedure for Hong Kong.

The proposed corporate rescue procedure will help financially strapped companies revive their businesses. A key objective of the proposed procedure is maximising the viability of a company or, if this is not possible, achieving a better return for the creditors of the company than is the case now with an immediate insolvent winding-up.

We are drafting the proposed law. In the process, we have referred to comparable regimes in the United Kingdom and Australia.

The law's key features will include the following: largely out-of-court arrangements to save time and costs; the presence of a moratorium under which legal proceedings will be stayed; a defined time frame for specified actions to speed up the determination of a company's fate; and a phased payment schedule for outstanding employee entitlements.

Let me add that the legislative exercise is both technically complex and politically controversial. In fact, this will be our third legislative attempt to introduce a corporate rescue procedure in Hong Kong.

Challenges notwithstanding, we are charging ahead. Our target is to introduce a bill into the Legislative Council this legislative year.

In parallel, we are examining the issue of cross-border insolvency. In recent years, cases of cross-border insolvency have become increasingly common.

At the moment, Hong Kong has no domestic legislation on cross-border insolvency, which means that winding-up proceedings would have to be introduced in each jurisdiction. This, of course, is expensive and time consuming. More recently, Hong Kong courts have resorted to the common law to assist foreign liquidators.

With that in mind, we plan to introduce domestic cross-border insolvency legislation, applying an international co-operation framework.

One option is adopting the United Nations Commission on International Trade Law's "Model Law on Cross-Border Insolvency," with suitable modifications to protect local creditors.

Insolvency and restructuring services often require a stable financial market, providing the required liquidity to businesses in an efficient manner.

Our world-class financial infrastructure and deep liquidity make Hong Kong an ideal centre for insolvency and restructuring deals. These advantages

also make us an attractive option in raising capital for Belt and Road projects and companies in the Greater Bay Area ready to go global. To that end, the Government has taken steps to create a conducive environment for such companies.

The Hong Kong Monetary Authority has set up an Infrastructure Financing Facilitation Office, which works with a cluster of partner stakeholders to help enable infrastructure investments and their financing.

To date, 95 organisations from the Mainland, Hong Kong and overseas have joined the Office as partners. They include multilateral financial agencies and development banks, public-sector and private-sector investors, asset managers, banks, insurance companies, pension funds, infrastructure-project developers and operators, professional service firms and international business councils. In short, the response to the Office has been wide ranging and enthusiastic.

In addition, the Securities and Futures Commission issued a statement last year, explaining the factors it takes into account in reviewing the proposed listing of infrastructure project companies in Hong Kong.

By doing so, the Commission has clarified the pathway for infrastructure project companies to seek listing here.

On IPOs, last year we implemented a new listing regime, enabling companies from the emerging and innovative sectors to list on the Stock Exchange of Hong Kong.

The Government has also introduced initiatives to promote Hong Kong's bond market and green finance, including launching a Pilot Bond Grant Scheme, a Green Finance Certification Scheme, and offering enhanced tax concessions to encourage investor participation in the bond market.

The launch, in recent years, of the Stock Connects and Bond Connect, as well as the mutual recognition of funds arrangement, are all strong testimony to Hong Kong's unique role in the internationalisation of the Renminbi and as the gateway between international markets and investors and their counterparts on the Mainland.

The introduction of a statutory corporate rescue procedure and cross-border insolvency legislation will build on this foundation, boosting our status as an international financial centre and China's international financial capital.

My thanks, once again, to COINS and our financial and legal professionals, for promoting Hong Kong as a centre for international debt restructuring and providing access to the Mainland's debt market.

The legal profession, let me emphasise, plays an essential role in attracting Mainland and overseas companies to Hong Kong, because rule of law underpinned by an independent judiciary is fundamental to their confidence in us. Here, they gain peace of mind, knowing that contracts are enforced, disputes are equitably settled and intellectual property rights are well

protected.

Ladies and gentlemen, I am confident that, with your continuing support and considered input, Hong Kong will soon be recognised, internationally, for its insolvency and restructuring expertise and services.

I wish you all a rewarding forum and a happy, healthy and solvent New Year.

Thank you.



---

## Public urged to follow safety precautions when cleaning windows

As the Chinese New Year is approaching, the Labour Department (LD) has reminded employers and cleaning workers to stay alert and pay attention to safety when cleaning windows to prevent accidents.

"It is customary for families to conduct a thorough clean-up of their homes to get ready for the Chinese New Year. Many will either perform the chores themselves or engage cleaning workers to help. Both employers and cleaning workers should take heed of safety precautions when undertaking household chores. In particular, special attention should be paid to window cleaning, which involves potential risks of falling from height," an LD spokesman said today (January 16).

The LD reminds employers and cleaning workers to observe the following rules when cleaning windows:

- Install secured window grilles as far as practicable and keep them closed while cleaning windows;
- Always stand on the floor when cleaning windows without grilles;
- Never stretch the body out of windows;
- Never lean against windows or window grilles; and
- Use proper tools with long handles where necessary.

In addition, cleaning agents should be used in the proper concentration and manner in accordance with the instructions on the labels of the packaging. Different types of cleaning agents should not be mixed for use. Plastic gloves should be worn to protect the skin from harm caused by chemical agents.

For enquiries about occupational safety and health matters, please contact the LD's Occupational Safety Officers at 2559 2297.

---

## LCQ8: Information security of using certain Chinese telecommunications products

Following is a question by the Hon Alvin Yeung and a written reply by the Secretary for Innovation and Technology, Mr Nicholas W Yang, in the Legislative Council today (January 16):

Question:

It has been reported that in recent months, the governments of a number of countries (including the United States, Japan and Australia) have banned, on national security grounds, their respective government agencies and telecommunications service operators from using the telecommunications equipment supplied by Huawei Technologies Co. Ltd (Huawei) and ZTE Corporation (ZTE). Regarding the information security in relation to the use of these two companies' equipment by the Government, will the Government inform this Council:

(1) of the details of the products of (i) Huawei and (ii) ZTE being used by various government departments (set out separately in tables of the same format as the table below); and

	Type of products	Quantity	Total value	Purpose	Year of purchase	Government department
1.						
.....						

(2) whether it inspected, in the past 12 months, those Huawei and ZTE products being used by various government departments to see if there were hidden backdoors or functions which enabled unauthorised persons to steal the information in Government possession; if it did, of the outcome, and the follow-up actions taken by the Government?

Reply:

President,

At present, in procuring network equipment products, government departments can either conduct their own tendering exercises or select suitable products from the Standing Offer Agreement for the Supply of Network Products and Server Systems (SOA) under the Office of Government Chief Information Officer (OGCIO). In formulating the SOA, the OGCIO takes into account mainly product functionality, compatibility, relevant technical and security standards, and support offered by the suppliers. There are no restrictions on the brand of equipment.

Replies to each part of the question are provided as follows:

(1) For the period from February 2016 (commencement date of the prevailing SOA) to November 2018, government departments procured around 190 Huawei Technologies Co. Ltd products through the SOA including network switches (for connecting equipment on a network), routers (for connecting different networks) and accessories (fibre transceivers and cables for connecting fibre optics, and fan modules for cooling equipment). The total expenditure is around \$1.76 million.

The contractors in the prevailing SOA do not offer any ZTE Corporation products.

For network equipment procured by individual departments through their own tendering exercises, relevant information such as product categories and expenditure is kept by the departments and the OGCIO does not have statistics in this regard.

(2) In drawing up the arrangements and procedures for procuring information and communication products, the Government makes reference to international and industry standards including information security, and stipulates the requirements for safeguarding information systems and data assets to ensure the security of government information systems and data as well as to protect the privacy of the general public. At present, the network equipment brands and models procured by the Government are widely used by other international cities and should not have a backdoor programme or other inappropriate functions. Therefore, the prevailing procurement procedures do not include additional checking in this respect.

Regarding government-wide risk management of information technology security, the OGCIO has worked together with relevant departments to formulate a comprehensive set of policies and guidelines, management framework and technical measures, and closely monitor the operation of government information systems and networks so as to detect and intercept various potential security threats and assess the risks of cyber attacks. Such guidelines, management framework and technical measures are applicable to all products or brands.

To ensure the security of government's information systems and data as well as to protect privacy of the general public, government departments must perform independent information security risk assessments and audits for their information systems and network facilities before commissioning and during operation on a regular basis. They will make improvement as necessary to ensure the relevant information systems and network facilities comply with the security requirements and regulations. Furthermore, in order to ensure the security of data asset, confidential and restricted data must be encrypted in storage or transmission.

The OGCI0 will also monitor closely the information disseminated by the information security industry and computer emergency response teams from all over the world, including security threats and trends of cyber attacks. Having regard to the actual circumstances, the OGCI0 will assess and plug the potential security risks, including risks of product vulnerabilities or data leakage.

---

## [Speech by FS at Asia Private Equity Forum 2019 \(English Only\) \(with photo/video\)](#)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Asia Private Equity Forum 2019 at the Hong Kong Convention and Exhibition Centre this morning (January 16).

Chin (Chairman of the Hong Kong Venture Capital and Private Equity Association (HKVCA), Mr Chin Chou), David (Chairman of the Asia Private Equity Forum 2019 and Executive Director of HKVCA, Mr David Pierce), distinguished guests, ladies and gentlemen,

Good morning.

It's a great pleasure to be here, once again, for the Hong Kong Venture Capital and Private Equity Association's Annual Forum. It is a reminder that another year has passed, and a New Year replete with opportunities and boundless promise awaits.

Going hand in hand with the multiple opportunities are of course challenges – the known, the unknown and, to quote Mr Rumsfeld, the "unknown unknowns." No doubt, you'll be discussing all of that, and a good deal more, through the course of this invaluable international Forum here in Hong Kong, where the world meets.

"Unknown unknowns," for sure are issues which we cannot predict in

advance. So allow me, for the next few minutes, to be down to earth, to focus on what we do know, what we have accomplished, and what we plan to achieve for our finance industry and for Hong Kong.

To begin, the open-ended fund company regime came into operation last July. It marks the first time that Hong Kong has established a dedicated legal framework for fund vehicles.

No less important, it showcases the Government's commitment to making Hong Kong a multi-dimensional fund centre. And I'm confident it will create more opportunities for our fund and related businesses.

Last month, the bill extending profits tax exemption to onshore funds, in addition to offshore funds, was introduced in the Legislative Council. Under this bill, private equity funds are among those that will enjoy profits tax exemption. A tax-exempt fund can invest in local and overseas private companies. I'm hopeful that the new tax treatment will take effect very soon.

Last April, we rolled out a new listing regime for pre-revenue, or pre-profit, biotech companies and companies with a weighted voting rights structure. To date, 7 have been listed on the Stock Exchange of Hong Kong under the new regime, and many are in the pipeline.

Good news, too, on the IPOs (Initial Public Offerings) front. Last year, Hong Kong raised about HK\$287 billion through IPOs, claiming the global IPO crown. Indeed, Hong Kong has ranked first globally 6 times in the past 10 years.

We continue to add jurisdictions with which we have mutual recognition arrangements with regard to funds. Yesterday, Luxemburg joined our existing partners of the Mainland, Switzerland, France and the United Kingdom.

And then there's Hong Kong's role as one of the world's leading international financial centres. You can see that, at work brilliantly, during this International Financial Week here, which began with the impressive two-day Asian Financial Forum concluded only yesterday. Today's Forum is another highlight, as is tomorrow's EMPEA Private Equity Masterclass, organised by the HKVCA.

Numbers also underline Hong Kong's status as a financial services powerhouse. We rank third in the Global Financial Centres Index, behind only London and New York. We topped the Milken Institute's Global Opportunity Index in 2017. And for the past 24 years in a row, the Washington-based Heritage Foundation has named Hong Kong the world's freest economy.

Add it up, and you have a financial foundation as formidable and deeply rooted as anywhere in the world. And I have no doubt that economic growth and accelerating wealth creation in this part of the world, particularly the Mainland of China, will continue to support Hong Kong's asset and wealth management business.

At the end of 2017, assets under management in Hong Kong totaled some



US\$3.1 trillion. Non-Hong Kong investors accounted for two-thirds of this.

Private equity is critical to our asset and wealth management landscape. We are Asia's second-largest private equity centre, trailing only the Mainland.

As of mid-2018, our private equity players managed US\$152 billion in Hong Kong. That's about 16 per cent of the total capital under management in Asia.

During the first half of 2018, private equity funds raised in Hong Kong amounted to US\$12 billion, about 20 per cent of the total funds raised in Asia. Given investors interest in diversified portfolios – both in asset class and geographical exposure – Hong Kong can only continue to capture business opportunities in the Asian private equity market.

In the coming months, we will put out a proposal for industry consultation about introducing a limited partnership regime for private equity funds in Hong Kong. Thereafter, we will introduce a bill in the Legislative Council. If passed, it would be the second dedicated regime for a fund vehicle in our law books.

The Financial Services and the Treasury Bureau is working closely with the Hong Kong Monetary Authority and the Securities and Futures Commission on the proposal. Our objective is to have a regime catering for the needs of private equity funds, while safeguarding investor protection.

The Government will continue to boost Hong Kong's unique role as gateway between international markets and investors and their counterparts on the Mainland of China. We'll do so through the Stock Connects, Bond Connect, and the Mutual Recognition of Funds arrangements. We will also further strengthen our position as the global offshore RMB business hub.

At the regional level, we will continue to take part in the Guangdong-Hong Kong-Macao Greater Bay Area development. Its sheer market size and number of high net-worth individuals, coupled with the policy objective of enabling people, goods, capital and information to flow freely within the region, will expand opportunities for our asset and wealth management sector.

Turning to the Belt and Road Initiative, Hong Kong's financial services industry is well positioned to contribute in a number of areas. Given our liquid capital flow and deep pool of financial talent, Hong Kong is the natural centre from which to raise funds for infrastructure, investment and production projects.

We are also ideally suited to provide the risk management, insurance and dispute-resolution services that big-ticket infrastructure projects need.

Green finance is also promising. And I am pleased to report that the Government will soon launch its green issuance under the Government Green Bond Programme, which has a borrowing ceiling of HK\$100 billion.

Ladies and gentlemen, the above highlight some of our ambitious plans for this New Year and beyond for our financial services in general, and for the asset and wealth management sector in particular. Of course, global trade friction and macro-economic concerns are visible impediments and then there are those "unknown unknowns".

Still, Hong Kong has always risen to the challenge. And with your continuing support and considered suggestions, we'll continue to create opportunities for you, and for all of Hong Kong.

I wish you all a rewarding Forum and a healthy and prosperous 2019.

Thank you.



---

## [Special traffic arrangements for race meeting in Happy Valley](#)

Special traffic arrangements will be implemented in Happy Valley today (January 16). The arrangements will come into effect one and a half hours before the start of the first race and will last until the crowds have dispersed after the race meeting.

### A. Traffic arrangements before the commencement of the first race

#### 1. Road closure

Southbound Wong Nai Chung Road between Queen's Road East and the up-ramp outside Hong Kong Jockey Club (HKJC) will be closed except for vehicles heading for Aberdeen Tunnel.

#### 2. Traffic diversions

- Southbound Wong Nai Chung Road between Village Road and the up-ramp outside HKJC will be re-routed one way northbound;
- Vehicles from eastbound Queen's Road East heading for Wan Chai and Happy

Valley will be diverted to turn left to Morrison Hill Road;

- Traffic along southbound Morrison Hill Road heading for Happy Valley will be diverted via Sports Road and Wong Nai Chung Road;
- Traffic along Queen's Road East cannot turn right to Wong Nai Chung Road except for vehicles heading to Aberdeen Tunnel;
- Traffic from Cross Harbour Tunnel heading for Queen's Road East will be diverted via the down-ramp leading from southbound Canal Road flyover to Morrison Hill Road to turn right at the junction of Wong Nai Chung Road and Queen's Road East; and
- Traffic from Cross Harbour Tunnel heading for Happy Valley or Racecourse will be diverted via the down-ramp leading from southbound Canal Road flyover to Canal Road East, southbound Morrison Hill Road, Sports Road and Wong Nai Chung Road.

## B. Traffic arrangements before the conclusion of race meeting

### 1. Road closure

The following roads will be closed from 35 minutes before the start of the last race:

- The up-ramp on Wong Nai Chung Road outside HKJC leading to Aberdeen Tunnel;
- Southbound Wong Nai Chung Road between Queen's Road East and the up-ramp leading to Aberdeen Tunnel;
- Southbound Wong Nai Chung Road between Village Road and the Public Stands of HKJC;
- Westbound Leighton Road between Wong Nai Chung Road and Canal Road East; and
- Southbound Morrison Hill Road between Leighton Road and Queen's Road East.

In addition, southbound Wong Nai Chung Road between the up-ramp leading to Aberdeen Tunnel and the Public Stands of HKJC will be closed from about 10 minutes before the start of the last race.

### 2. Traffic diversions

The following traffic arrangements will be implemented from 35 minutes before the start of the last race:

- Eastbound Queen's Road East at its junction with Morrison Hill Road will be reduced to one-lane traffic heading for northbound Canal Road flyover;
- Vehicles from Cross Harbour Tunnel heading for Wan Chai will be diverted via the down-ramp leading from Canal Road East, U-turn slip road beneath Canal Road flyover, Canal Road West and Hennessy Road;
- Vehicles from Cross Harbour Tunnel heading for Happy Valley will be diverted via the down-ramp leading from Canal Road East, eastbound Leighton Road and Wong Nai Chung Road;
- Traffic on southbound Morrison Hill Road will be diverted to turn left to eastbound Leighton Road;
- Traffic along southbound Morrison Hill Road heading for Happy Valley will be diverted via eastbound Leighton Road and Wong Nai Chung Road; and
- Traffic along westbound Leighton Road will be diverted to Wong Nai Chung

Road.

#### C. Learner drivers prohibition

Learner drivers will be prohibited to turn left from Caroline Hill Road to Leighton Road between one and a half hours before the start of the first race and one hour after the last race. In addition, learner drivers will be prohibited from accessing the following roads within the above period of time:

- Shan Kwong Road between Yik Yam Street and Wong Nai Chung Road;
- Village Road between its upper and lower junctions with Shan Kwong Road;
- Percival Street between Hennessy Road and Leighton Road;
- Canal Road East; and
- The service road leading from Gloucester Road to Canal Road flyover.

#### D. Suspension of parking spaces

Parking spaces on southbound Wong Nai Chung Road between Sports Road and Blue Pool Road will be suspended from 11am to 7pm during day racing, from 4.30pm to 11.59pm during evening racing, and from 5pm to 11.59pm during night racing.

Any vehicles found illegally parked within the precincts of the above affected areas will be towed away without prior notice.

Actual implementation of road closure and traffic diversion will be made by the Police at the time depending on traffic conditions in the areas. Motorists should exercise tolerance and patience, and follow the instructions of Police on site.