

Exchange Fund Position at end-June 2018

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) today (July 27) published the unaudited financial position of the Exchange Fund at end-June 2018.

The Exchange Fund recorded an investment income of HK\$27.3 billion in the first half of 2018. The main components were:

- gains on bonds of HK\$19.5 billion;
- losses on Hong Kong equities of HK\$3.4 billion;
- losses on other equities of HK\$2.7 billion;
- positive currency translation effect on non-Hong Kong dollar assets of HK\$5 billion (Note 1); and
- gains on other investments of HK\$8.9 billion (Note 2).

Fees on placements by the Fiscal Reserves and placements by HKSAR government funds and statutory bodies were HK\$22.2 billion (Note 3) and HK\$6.9 billion respectively in the first half of 2018 (the rate of fee payment is 4.6 per cent for 2018). After deducting all expenses and fees, the Accumulated Surplus of the Exchange Fund recorded a decrease of HK\$36.2 billion (Annexes 1 and 2).

Total assets of the Exchange Fund stood at HK\$4,100.7 billion at end-June 2018, an increase of HK\$85.4 billion from the end of 2017.

The global financial markets were very volatile during the first half of the year. At the beginning of the year, the markets were concerned that the US Federal Reserve might quicken the pace of rate hikes on the back of rising inflationary pressures in the US. As a result, yields on the US Treasuries surged, and the global equity markets experienced sharp corrections after reaching new highs at end-January. In particular, the US Dow Jones Industrial Average Index lost 1 175 points in one day, its worst single-day point decline in history. Subsequently, trade tensions between the US and its major trading partners (including China) weighed on market sentiments and added to the global equity market volatility. The US dollar strengthened in the second quarter and asset prices in some emerging markets dropped substantially.

The Chief Executive of the HKMA, Mr Norman Chan, said, "As we have warned at the beginning of the year, asset prices in the global financial markets were in general at their historical highs and the markets might have underpriced some risk factors, including the pace of US interest rate normalisation and the US government's trade policy. These factors could easily trigger significant corrections and volatilities in asset markets."

He added, "Looking ahead, the global investment environment will become even more complex and challenging in the second half of the year. As trade conflicts between the US and China continue to escalate, trade tensions between the US and other countries are also intensifying. It is hard to predict what will happen next. There are no winners but only losers in trade wars. If the trade wars continue to heat up, the global economy and financial markets will be taking a hit. At the same time, the US Federal Reserve might step up the pace and the magnitude of its monetary policy tightening amid rising inflation, leading to volatility in financial markets. In the face of such an environment, the HKMA will continue to strengthen the Exchange Fund's resilience to market fluctuations through defensive measures and investment diversification."

Note 1: This is primarily the effect of translating foreign currency assets into Hong Kong dollar after deducting the portion for currency hedging.

Note 2: This is the valuation change of investments held by investment holding subsidiaries of the Exchange Fund. This figure represents valuation changes up to the end of March 2018. Valuations of these investments from April to June are not yet available.

Note 3: This does not include the 2018 fee payment to the Future Fund because such amount will only be disclosed when the composite rate for 2018 is available.

[Twenty-four young persons appointed as fight crime ambassadors](#)

The prize presentation ceremony of the Hang Seng Bank – Help the Police Fight Youth Crime Competition 2018 was held today (July 27). Twenty-four winners received certificates and scholarships from the Commissioner of Police, Mr Lo Wai-chung, and the Vice-Chairman and Chief Executive of Hang Seng Bank, Ms Louisa Cheang, at the ceremony. They were also appointed as fight crime ambassadors and will join a cultural exchange programme in Australia later.

Speaking at the ceremony, Mr Lo commended the awardees for their creativity and enthusiasm in promoting fight crime messages. He hoped that the ambassadors would become role models and apply their good communication skills to mobilise people around them to fight crime together.

Ms Louisa Cheang said that Hang Seng placed strong emphasis on youth development and attached importance to promotion of anti-crime messages among young people. She added that the bank, by supporting this long-term community programme, aims to encourage the younger generation to establish a positive and proactive attitude towards life and inject more positive energy to society.

First introduced by the Police Force in 1975, the biennial competition has been fully supported by Hang Seng Bank since 1994.

The competition this year aims to convey messages of anti-telephone deception, anti-cyber crime, anti-drugs and anti-quick cash crime. With contestants from the Primary Group, Secondary Group, Tertiary Group and Open Group, the competition attracted a record high of more than 340,000 participants.

The 24 awardees had to go through a series of challenges, including a web game, a file jacket design competition (Primary Group) and a “One-minute KOL” video production and interview (Secondary Group, Tertiary Group and Open Group), in order to become winners and be appointed as fight crime ambassadors.

For the list of awardees and the award-winning “One-minute KOL” videos, please visit the Junior Police Call’s Facebook page (www.facebook.com/JuniorPoliceCall) or Instagram page (www.instagram.com/hkjpc).



[Company director fined for wage offences and default on Labour Tribunal award](#)

The director of Talent Way Development Limited was prosecuted by the Labour Department (LD) for failing to pay employees' wages and defaulting on the sums awarded by the Labour Tribunal (LT) as required by the Employment Ordinance (EO). The director pleaded guilty at Eastern Magistrates' Courts today (July 27) and was fined a total of \$50,000. The director was also ordered to pay a sum of about \$320,000 via the court to the five employees.

The company failed to pay five employees wages within seven days after

the termination of employment. The company also failed to pay them the awarded sum of about \$320,000 in total within 14 days after the date set out by the terms of the LT award in accordance with the E0. The director concerned was convicted for his consent, connivance or neglect in the above offences.

"The ruling helps disseminate a strong message to all employers and responsible officers of companies that they have to pay wages to employees within the time limit stipulated in the E0 and the awarded sums according to the terms of the awards of the LT or Minor Employment Claims Adjudication Board. The LD will not tolerate these offences and will continue to make dedicated efforts in enforcing the E0 and safeguarding employees' statutory rights," a spokesman of the LD said.

Judicial appointment

The following is issued on behalf of the Judiciary:

The Judiciary today (July 27) announced the appointment of the Honourable Mr Justice Kevin Paul Zervos, Judge of the Court of First Instance of the High Court, as Justice of Appeal of the Court of Appeal of the High Court. The appointment will take effect from July 30, 2018.

The appointment is made by the Chief Executive on the recommendation of the Judicial Officers Recommendation Commission.

The biographical note of the Honourable Mr Justice Zervos is as follows:

Mr Justice Zervos was born in 1953 in Australia. He obtained a Bachelors degree in Science (Psychology) and an LL.B. from Monash University, Australia, in 1975 and 1977 respectively. He further obtained a Master of Laws (Human Rights) degree from the University of Hong Kong in 2009. He was admitted as a barrister and solicitor of the Supreme Court of Victoria, Australia, in 1978. He was registered as a barrister and solicitor of the High Court of Australia in 1983, and was admitted as a barrister of the Supreme Court of New South Wales, Australia, in 1991. He was called to the Bar in Hong Kong in 2001 and appointed as Senior Counsel in 2003. He joined the then Attorney General's Chambers as Crown Counsel in 1992. He was then promoted to Senior Crown Counsel in 1993, to Deputy Principal Government Counsel in 1999, and to Principal Government Counsel in 2008. He took up the post of Director of Public Prosecutions in 2011. He was appointed as Judge of the Court of First Instance of the High Court in September 2013.

Appointments to Air Transport Licensing Authority

The Government announced today (July 27) the appointment of two new members, Ms Miranda Kwok Pui-fong and Professor Leung Siu-fai, and the re-appointment of three incumbent members, namely Mr Paul Lam Ting-kwok, Mr Andrew Mak Yip-shing and Mr Peter Sit Kien-ping, to the Air Transport Licensing Authority for two years from August 1, 2018.

The Secretary for Transport and Housing, Mr Frank Chan Fan, said, "We are confident that the team of new and serving members, with their expertise and backgrounds in different sectors, will make valuable contributions to the work of the Authority in facilitating the development of air services in Hong Kong.

"The Government is most grateful to the retiring members, Professor Becky Loo Pui-ying and Mr Adrian Wong Koon-man, for their invaluable contributions during the six years with the Authority. Their current term of service will expire on July 31, 2018."

The Authority is an independent statutory body established under the Air Transport (Licensing of Air Services) Regulations, Cap. 448 sub. leg. A. It is responsible for considering applications from airlines of Hong Kong for licences to operate scheduled services to and from Hong Kong in accordance with the provisions of the said regulations.

The appointments have been published in the Government Gazette today.