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Hong Kong
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Sports

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World
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People
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US Chapter 11 clone mullied

Bonnie Chen and Patsy Moy

Friday, January 23, 2009

The government is considering reintroducing a corporate rescue bill - shot down by the Legislative Council eight years ago - to help companies with short-term financial difficulties but viable long-term prospects ride out the financial tsunami, Chief Executive Donald Tsang Yam-kuen said yesterday.

The measure, first proposed in 2001, is similar to the United States' Chapter 11 bankruptcy code that is intended to save companies from going bust.

Tsang said the proposal was among several suggestions put forward by the Task Force on Economic Challenges at its meeting yesterday.

He also announced measures to help university graduates and the jobless with the creation of 10,000 jobs.

Tsang said the rescue procedure would resemble those in place in the United States and Britain that give firms with serious liquidity problems time to restructure their business, secure new funds and find new investors.

He said that under current legislation, companies with liquidity problems had no choice but to go into bankruptcy and dispose of their assets.

A similar proposal failed to find consensus in 2001 mainly because of some business people, Tsang said, but the time is now ripe for renewing efforts.

"The financial tsunami presents an opportunity for all parties concerned to strike a compromise, and resume the necessary legislative work, so as to minimize business closures and job losses," he said.

A bill will be drafted for consultation and the legislative process could take at least a year.

Task force member and Chinese University vice chancellor Lawrence Lau Juen-ye cited United Airlines as a successful example of corporate rescue.

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Lau said the system won't be abused with the participation of various parties.

Johnson Kong Chi-how, chairman of the Hong Kong Institute of Certified Public Accountants' restructuring and insolvency faculty, said the association supports the government's move, as a corporate rescue bill would protect not only companies from immediate collapse but also the interests of staff and shareholders.

Chinese University associate professor of finance Raymond So Wai-man said the suggestion would allow companies more time to find "white knights," or to negotiate financial restructuring with their creditors. But he fears the plan would meet strong opposition from the banking sector.



Meanwhile, seven measures have been introduced to open the employment market. They include an increase in places for tutors, research fellows and postgraduate students in tertiary education; encouraging the business sector to offer internship places, with some 800 temporary jobs to be offered; exploring internship opportunities in the mainland; statutory bodies to recruit 6,000 workers and create 2,000 temporary posts, 5,500 of which are from the Hospital Authority; providing 600 internships under the Innovation and Technology Fund; the Employee Retraining Board to provide 143,000 training places; and the creation of 170 jobs for the removal of abandoned advertising signboards.



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