

**For information
on 11 January 2001**

**The Legislative Council
Panel on Financial Affairs**

**Strategic Change Plan
for the Companies Registry**

PURPOSE

This paper aims to inform Members of the Strategic Change Plan (SCP) of the Companies Registry (CR). The objective of the SCP is to establish an electronic Companies Registry for receiving, processing, storing and disseminating information electronically, providing fast, inexpensive, user-friendly and high quality services to customers and promoting a paperless electronic business environment in line with the aspiration of Hong Kong becoming "Asia's World City".

BACKGROUND

2. On 1 May 1993, the CR became a government department taking over the companies registry operations of the former Registrar General's Department. On 1 August 1993, the Companies Registry Trading Fund (CRTF) was established under the Trading Fund Ordinance (Cap. 430) to manage and account for the operation of the CR. The primary functions and key workload statistics of the CR are summarized in **Annex 1**.

3. Over the past seven years, the CR has changed from a department with manual systems and old style service attitudes to one increasingly using computer systems and having a customer-driven service culture. The current operation is supported by two information system applications – the Companies Registration System (CRS) and the Control Book and Document Index System (CBDIS). The CRS, which was redeveloped in 1992 maintains information on company names, particulars and other directorships of directors of listed companies and details of disqualification orders. The CBDIS, which was implemented in December, 1994 records information on all documents when they are presented for filing and provides an index of documents lodged. The

CBDIS also assists to keep track of payment records and document status during the various stages of processing. Members of the public can obtain company information through purchasing copies of microfiches and conduct online searches on the computerized indices and disqualification orders on site using the facilities provided by the CR.

4. It has always been the CR's overall planning target to make the lodging of documents and searching for corporate information increasingly simple and convenient for the department's customers. A study conducted in 1995 by an independent consultant recommended the expansion of the CR's computer database with a view to providing information online to customers in their own offices. Customers will be able to obtain key company information on all registered companies without having to obtain documents in either microfiches or hard copy. The expanded information database includes registered office address, share capital structure, particulars of directors and secretary, liquidator, receiver, and a charges indicator; and other additional information such as principal place of business and authorised representatives for overseas companies. The database expansion exercise covering more than 480,000 registered companies was completed at the end of 1998. With the implementation of the Companies Registry Online Public Search System (CROPS) on 1 September 2000, customers can now conduct online searches on the computerized indices, disqualification orders and the expanded information database as well as placing orders for microfiches from their own offices.

5. A list of the important milestones achieved by the CR in improving services to its customers over the last five years is attached at **Annex 2**.

6. Although CR's procedures for receiving, processing and disseminating information are supported by the two information system applications, they are still very labour intensive, lack flexibility and are inadequate to cope with the demands of customers and the business community in the global development of e-commerce. As part of the CR's commitment to increase efficiency and to improve its services to customers, the CR's senior management formulated in 1998 a new vision of establishing a fully computerised system in the CR, so that by 2005, information can be filed, processed and registered, and searched electronically. It was decided that the future development of the CR should be considered as an integrated whole rather than through the piecemeal implementation of modern technology. In late October 1998,

an in-house study team was established in the CR to undertake an overall review of the operations and to assess the impacts of the three Key Change Drivers - electronic filing¹, electronic processing² and electronic searching³. The study team was tasked to draft a strategic change plan for transforming the manual-driven operation into a paperless, automated and electronic operation to align with the “Digital 21” information technology strategy of the HKSAR Government.

7. In January 2000, the CR commissioned a firm of consultants to conduct an Information Systems Strategy Study (ISSS) to provide technical support to the SCP study and formulate a five-year ISS plan recommending the information technology strategies to satisfy information needs and meet the Registry’s business objectives. The ISSS was completed in May 2000 and its recommendations have been included in the SCP Study Final Report. The ISSS consultants recommended the development of an Integrated Companies Registry Information System (ICRIS) to replace the existing computer systems in the CR to support the core activities and electronic service delivery.

8. The SCP Study Final Report was completed in June 2000 and endorsed by the Secretary for Financial Services in September 2000. The SCP set out three strategic goals and recommended the implementation of 11 key initiatives for achieving the vision of full computerization by 2005.

STRATEGIC GOALS AND KEY INITIATIVES OF THE STRATEGIC CHANGE PLAN

9. The strategic goals and key initiatives are as follows –

Strategic Goal One:

Developing Electronic Services and Wider Use of Information Technologies

Key Initiatives

- i. Replacing the existing IT systems and developing an information technology infrastructure to support a fully computerized operation and electronic service delivery

¹ Companies will be able to use electronic means to file information with the CR.

² The CR will use electronic means to process and register information filed by companies, including information submitted in paper and electronic form.

³ Searchers will be able to use electronic means to obtain on-line the information registered with the CR in the form of either documents or specific data.

- ii. Establishing an organizational structure which focuses on corporate and IT development
- iii. Simplifying legislative requirements and removing barriers to facilitate or encourage electronic transactions
- iv. Implementing document imaging, business process automation, on-line searching and electronic filing
- v. Establishing an operating environment and enhanced facilities for delivering electronic services

Strategic Goal Two:

Enhancing Quality of Information and Corporate Compliance

Key Initiatives

- vi. Refining and developing specified and electronic forms
- vii. Enhancing the scope and integrity of the electronic/computerized database
- viii. Promoting corporate compliance

Strategic Goal Three:

Achieving and Sustaining Excellence in Service Delivery

Key Initiatives

- ix. Restructuring the organization
- x. Enhancing the capabilities of staff to deliver high quality service
- xi. Exploring new business opportunities and ongoing business process re-engineering

AREAS OF CHANGE

10. The recommendations made under the key initiatives can be grouped into the major areas outlined in paragraphs 11 to 17 (below).

I. Information Technology and Infrastructure

11. Key initiatives (i), (iv) and (v) fall within this area. The two information system applications namely the Companies Registration System and the Control Book and Document Index System are not capable of supporting electronic delivery of services and would require a major upgrade in 2002 in order to maintain system performance to support core business activities and meet performance targets. To facilitate the implementation of electronic filing, processing and searching of information, a new Integrated Companies Registry Information System (ICRIS) will be developed in two phases –

(a) Phase One includes –

- infrastructure enhancement
- database management enhancement
- a document imaging system
- business process automation
- data migration and conversion of microfilmed records
- electronic online searching
- accounting system interface

(b) Phase Two includes –

- electronic documents and incorporation processing
- electronic reminders and shuttle annual returns
- customer services support system
- a business knowledge repository

12. The ICRIS is a key component of the SCP that will enable more efficient information capture and speedy retrieval of the current corporate information of all registered companies. With the implementation of document imaging and business process automation in Phase One, documents will be scanned and converted into electronic images after receipt to enable data entry or scrutiny by staff and facilitate concurrent online search by multiple customers through the Internet. Electronic submission of information and incorporation of companies will be implemented in Phase Two. We envisage that ICRIS will be fully compatible with information systems in other organizations to facilitate electronic transactions and data interchange.

II. Proposed Legislative Amendments and Review of Existing Forms

13. Key initiatives (iii), (vi) and (viii) fall within this area. The

ordinances administered by the CR provide the regulatory and legislative framework governing the department's operations regarding the receipt, filing, storage and inspection of information. The CR has proposed amendments to these ordinances to simplify or remove outdated filing requirements, streamline the filing obligations of companies and strengthen the legal framework for future electronic operations. The proposed amendments have been discussed and supported by the Standing Committee on Company Law Reform (SCCLR). These amendments, together with the recommendations made in the SCCLR's Report on the Overall Review of the Companies Ordinance, are expected to create a regulatory framework that is conducive to electronic submissions.

14. One of the major functions of the CR is to maintain and provide current and accurate information for the general public and other government departments. With a view to enhancing the quality and timeliness of information; the CR established a Forms Review Working Group in September to review the existing 40 specified forms and other non-standard forms with a view to standardizing the presentation of information and improving further the user-friendliness of these forms. New and electronic forms that can be completed and submitted through the Internet or other electronic means, and can be automatically read and processed by the new information system, will be developed.

III. Organizational re-structuring and related administrative matters

15. Key initiatives (ii), (ix) and (x) relate to changes in the organizational structure and training of CR staff. It is proposed to establish a supernumerary post of Development Manager (DM) at D1 level to manage and coordinate all aspects of the implementation of the SCP. The major responsibilities of the DM will include planning and devising an integrated workflow system, implementing new operational procedures and managing the revised business processes, coordinating the specific information and functional requirements of various divisions in the CR in relation to data capture, screen design and data validation rules, planning and designing new forms to facilitate electronic submission of documents, consulting customers and interested bodies of their needs, and securing their support for the smooth implementation of the SCP. Details of the proposal are set out in a separate paper entitled "The Companies Registry – Proposed Creation of a Development Manager post for the Implementation of the Strategic Change Plan". To ensure an orderly development of the registry-wide information system and

monitor the implementation of the IT related projects, it is proposed that an Information Technology Division led by an Information Technology Manager be created in-house to provide technical support. The CR also proposes to reorganize the department's various functional divisions on a process basis to achieve greater flexibility and enhance efficiency.

16. To support a fully computerized operation and the organizational restructuring, the CR has to establish a new working environment for its staff. A networking infrastructure will be set up to enable automated workflow, enhance communications and facilitate the sharing of knowledge. A change management plan will be formulated and training will be provided to assist the staff adapt to the transition from a conventional paper-based working environment to an electronic one.

IV. Enhancing Business Opportunities

17. Key initiatives (vii) and (xi) fall within this area. At present, a substantial portion of the CR's revenue comes from the registration fees for annual returns, in particular the levy of late filing fees. The CR will explore new business opportunities and develop new income sources by introducing value-added products and services to maintain a healthy financial position. A number of new and possible revenue source have been identified including the packaging of corporate information in the future expanded database into saleable products.

BENEFITS

18. The implementation of the SCP will bring to the CR, its staff, customers and the community substantial intangible and tangible benefits, including –

- (a) reduced processing time;
- (b) improved efficiency and productivity;
- (c) simplified procedures in company incorporation and document registration;
- (d) timely disclosure of information;
- (e) enhanced security and integrity of data;
- (f) reduced compliance costs for companies and lower operating costs for both the CR and its customers;
- (g) improved customer service;

- (h) savings in accommodation and staff resources; and
- (i) a green paperless environment.

Upon full implementation of the SCP, customers will enjoy more speedy, user-friendly, inexpensive and high quality registration and searching services.

TIMETABLE

19. The CR intends to implement the recommendations and to achieve full computerization by late 2004. The implementation timetable of ICRIS is as follows –

<u>Stages</u>	<u>(Duration)</u>	<u>Date of Commencement</u>	<u>Tentative date of Completion</u>
(a) Feasibility Study Phase 1	(6 months)	October 2000	April 2001
(b) Tendering	(12 months)	May 2001	April 2002
(c) Implementation of ICRIS Phase 1	(15 months)	May 2002	July 2003
(d) Feasibility Study Phase 2	(3 months)	August 2003	October 2003
(e) Implementation of ICRIS Phase 2	(10 months)	November 2003	August 2004

20. Legislative amendments on filing requirements will be introduced to the Legislative Council in the latter half of the 2000/01 legislative session. It is intended that the revised and new specified forms will be introduced by phases and the Forms Review exercise will be completed by 2002-03. Electronic forms will be developed and made available by 2004.

FINANCIAL AND STAFFING IMPLICATIONS

21. The non-recurrent cost for implementing the SCP recommendations is estimated to be about HK\$131 million (at 1999-2000 price levels), with an annually recurrent cost of about HK\$20 million and an expected annual cost saving of about HK\$48 million after implementation. The ICRIS will be funded internally by the retained earnings of the CRTF and is expected to be paid back in 2007-08. We do not anticipate that fees will need to be increased. There will be an annual staff saving of HK\$25.7 million, mainly of general and common grades' posts. The clerical and general grade staff will be redeployed within the civil service. It should, however, be noted that the implementation costs and savings will be subject to further assessment in the context of the feasibility study of the ICRIS.

WAY FORWARD

22. The CR is about to embark on a period of strategic change with the objective of improving services to customers. The CR has commissioned a firm of consultants to conduct a feasibility study to consider the detailed requirements for the ICRIS and assess the savings, implementation cost and timetable. The feasibility study will be completed by May 2001.

Companies Registry
6 January 2001

An Overview of the Companies Registry

1. The Companies Registry (CR) is responsible for administering and enforcing the following Ordinances –

Companies Ordinance	(Cap 32)
Trustee Ordinance	(Cap 29)
Limited Partnerships Ordinance	(Cap 37)
Money Lenders Ordinance	(Cap 163)
Registered Trustees Incorporation Ordinance	(Cap 306)
Miscellaneous incorporation ordinances	

2. The primary functions of the CR are –

- (a) To provide facilities to allow the promoters of companies, limited partnerships, trust companies and registered trustees to incorporate their enterprise, and to register all documentation required by the various ordinances governing those enterprises;
- (b) To provide the public with facilities to search for the information held by the CR;
- (c) To ensure compliance by enterprises and their officers with their obligations under the relevant ordinances; and
- (d) To advise the Government on policy and legislative issues regarding company law and related legislation.

3. The number of companies existing on the register as at the end of 1997-1998 to 1999-2000 are as follow –

1997- 1998	469,176
1998- 1999	474,761
1999- 2000	499,031

As at **30 November 2000**, there were **511,425** companies on the register of companies, 99% of which are private companies.

4. The workload statistics for 1997-98 to 1999-2000 are shown in the following table.

Workload statistics for 1997-98 to 1999-2000

Activity	1997-98	1998-99	1999-2000
New companies incorporated	39,016	30,705	39,506
Oversea companies registered	711	586	683
General documents registered	1,586,334	1,464,802	1,458,851
(Annual Returns)	(337,112)	(379,673)	(381,596)
(Returns of Directors & Secretaries)	(292,419)	(272,945)	(262,148)
Charges documents registered	41,911	19,464	21,570
Searches made (copies of microfiches issued)	1,950,171	1,743,030	1,634,010

**Important milestones achieved by CR
for improving services to customers**

1995 October	Computerize fully the document index which keeps track of all the documents filed by a company
1996 January	Introduce a CD-ROM service to provide a more convenient mode of search on the Registry's company name and document indices
October	Use electronic signatures to sign certificates of incorporation to enable certificates to be despatched and index updated earlier
1997 February	Give customers a choice to use either English or Chinese to conduct their searches on the company names and document indices, the directors' index, and the register of disqualification orders
April	De-regulate statutory forms and introduce 13 new bilingual user-friendly specified forms to replace the more commonly used forms
July	Launch a home page on the Internet to provide more information for easy retrieval and specified forms for downloading
	Launch an on-line search through the internet on the company names and document indices
1998 May	Introduce 26 new bilingual user-friendly specified forms thereby completing the forms revision exercise
November	Install an interactive voice telephone enquiry system to enhance the telephone enquiry service
1999 September	Introduce a service on issuing letters of confirmation on the non-existence of a named company

- 2000 March Introduce an expanded database providing key company information such as registered office address, share capital structure, and particulars of directors and secretaries for searching at the Registry's Offices
- September Launch the Companies Registry On-line Public Search System (CROPS) for on-line searching of key company information by customers at their offices