

## Hong Kong & Mainland China News – Jul-2013

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### **Corporate insolvency consultation**

by The journal of The Hong Kong Institute of Chartered Secretaries

July, 2013

The underlying objectives of the corporate insolvency law improvement exercise are to facilitate more efficient administration of the winding-up process and increase protection of creditors through streamlining and rationalising the company winding-up procedures and enhancing regulation of the winding-up process having regard to international experience. An effective company winding-up process with due regard to the protection of creditors will facilitate the development of Hong Kong as a global major business centre and reinforce our position as an international financial centre.

At present, there is no provision in the Companies Ordinance which is specifically designed to enable the court, on application by the liquidator, to avoid 'transactions at an undervalue'. Such provisions can be found in legislation in the UK and Australia. There are also similar provisions in the Bankruptcy Ordinance of Hong Kong.

There is currently no express provision in the Companies Ordinance disqualifying a person for appointment as a liquidator or a provisional liquidator where his relation with the company could constitute a conflict of interest or where he is mentally incapable of doing so. There is also no express provision in the Companies Ordinance stating that a person subject to a disqualification order made by the court is not qualified to be appointed, and the effect or consequence of an appointment of such person. Therefore, we propose to expand the provisions on disqualification of persons for appointment as a provisional liquidator or liquidator to cater for the above.

The new proposals include provisions:

- regarding 'transactions at an undervalue' to protect creditors against the depletion of the assets of an insolvent company
- on the disqualification of persons for appointment as a provisional liquidator or liquidator to avoid conflicts of interest or where such persons are unfit for the role.

However, the much-needed corporate rescue procedure and insolvent trading provisions are not part of the current proposals – the government is working on new detailed proposals and will further consult stakeholders on them in 2013 / 2014.

## **Retail sales up 12.8%**

by news.gov.hk, Hong Kong

Tuesday, July 2, 2013

The total retail sales value in May, provisionally estimated at \$40.6 billion, rose 12.8% over a year earlier, the Census & Statistics Department said today.

After netting out the effect of price changes over the same period, the total retail sales volume increased 12.2%.

Analysed by broad type of retail outlet, the volume of sales of jewellery, watches and clocks, and valuable gifts grew 35.6%. This was followed by growth in sales of commodities in department stores (24.5%); wearing apparel (12.8%); commodities in supermarkets (2.2%); and medicines and cosmetics (16.3%).

The volume of sales of electrical goods and photographic equipment dropped 2.5% year-on-year in May. Decreases were also recorded for sales of motor vehicles and parts (-26.5%); fuels (-1.1%); books, newspapers, stationery and gifts (-0.5%); and furniture and fixtures (-4.8%).

The revised estimate of the total retail sales value in April rose 20.7% compared to last year, while the total retail sales volume increased 19.4%.

For the first five months, total retail sales grew 15% in value and 14.5% in volume over a year earlier.

The retail sales growth in May signifies that the local consumption market remains vibrant, the department said.

Looking ahead, optimistic local consumer sentiment amid favourable job and income conditions, along with sustained growth in inbound tourism, should continue to support the retail business in the near term.

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## **HK, Jersey tax treaty in force**

by news.gov.hk, Hong Kong

Friday, July 5, 2013

A double-taxation avoidance agreement between Hong Kong and Jersey has entered into force, the Financial Services & the Treasury Bureau said today.

The agreement was signed in February last year, and came into force on July 3 after both sides completed ratification procedures.

In Hong Kong, the agreement applies to any year of assessment beginning on or after April 1, 2014.

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## **HK and mainland China stocks surge**

by rthk.hk, Hong Kong

Friday, July 12, 2013

Shares in Hong Kong and Shanghai rallied on hopes the Chinese government will launch a stimulus package to shore up the domestic economy.

The Hang Seng Index recorded its second-best daily gain of the year, jumping 2.5 percent, or 532 points, to 21,437 on turnover of HK\$73 billion.

The Shanghai Composite Index surged 64 points to 2,072 on turnover of 131 billion yuan - its best daily gain in seven months.

"This could point to more gains ahead, but we have to see what moves Beijing actually makes," said Cao Xuefeng, a Huaxi Securities' Chengdu-based analyst.

Premier Li Keqiang was quoted yesterday as pledging policy support to help stabilise growth after a visit to Guangxi province to better grasp economic conditions.

"The buying today looked to be very broad-based, with everybody from institutional to retail investors jumping back into the market," Mr Cao added.

## **OECD plan to stop companies 'abusing' tax rules**

by bbc.co.uk, Hong Kong

Friday, July 19, 2013

**Existing tax rules need updating as they can be "abused" by multinational companies, according to the Organisation for Economic Co-operation and Development (OECD).**

It has launched a plan to update and co-ordinate national tax laws.

There was criticism in the UK earlier this year when it emerged that Google, Starbucks and Amazon paid little tax despite have big UK operations.

Following that criticism Starbucks agreed to pay more tax.

The OECD came up with the plan at the request of the G20 group of leading nations. Finance ministers start a two-day meeting in Moscow on Friday.

OECD secretary-general Angel Gurría said: "International tax rules, many of them dating from the 1920s, ensure that businesses don't pay taxes in two countries - double taxation.

"This is laudable, but unfortunately these rules are now being abused to permit double non-taxation."

It is calling for greater international co-operation to close gaps that allows income to "disappear" for tax purposes.

The OECD also said that tax income should reflect the economic activity it generates.

That would address some of the criticism aimed at big companies.

## Tax laws set for Islamic bonds

by news.gov.hk, Hong Kong

Friday, July 19, 2013

The Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Ordinance 2013 was gazetted and came into operation today.

It amends the Inland Revenue Ordinance and Stamp Duty Ordinance to provide a taxation framework for Islamic bonds, or sukuk, promoting the development of a market for these bonds in Hong Kong.

Secretary for Financial Services & the Treasury Prof KC Chan said the amendment ordinance represents the joint efforts of the Government and the market to remove impediments to developing a sukuk market in Hong Kong.

"This will help establish a conducive platform for the development of Islamic finance in Hong Kong, thereby diversifying the types of products and services available to our financial markets, and consolidating Hong Kong's status as an international financial centre and asset management centre," he said.

The new tax measures will apply to qualified sukuk issued from today.

The Inland Revenue Department will soon publish the Departmental Interpretation and Practice Notes and Stamp Office Interpretation and Practice Notes to provide guidance on its implementation.

## Consumer prices up 4%

by news.gov.hk, Hong Kong

Monday, July 22, 2013

Overall consumer prices rose 4.1% in June over the same month a year earlier, slightly higher than the corresponding increase (3.9%) in May, the Census & Statistics Department said today.

Netting out the effects of the Government's one-off relief measures, the year-on-year rate of increase in the Composite Consumer Price Index, the underlying inflation rate in June was 4%, also slightly larger than that in May (3.8%).

The department said the increase was due to the increases in the prices of fresh vegetables and private housing rents.

Year-on-year increases in prices were recorded for electricity, gas and water (6.7%); housing (6.3%); food (excluding meals bought away from home) (4.3%); meals bought away from home (4.2%), miscellaneous services (3.5%); miscellaneous goods (2.4%); alcohol and tobacco (2%); transport (2%); and, clothing and footwear (1.1%).

The department said inflation is still subject to modest upside risks in the coming months as the lagged effects of the rise in private housing rents last year will continue to feed through.

The subdued imported inflation and the milder increases in fresh-letting residential rentals in recent months should help contain inflation in the latter part of this year.

## **RMB upgrades announced**

by news.gov.hk, Hong Kong

Thursday, July 25, 2013

The Monetary Authority today announced two upgrades in the provision of renminbi liquidity to authorised institutions participating in renminbi business in Hong Kong, including the provision of overnight funds available on the same day, which will take effect from tomorrow.

Under the existing liquidity facility, the authority provides one-week renminbi funds to participating authorised institutions against eligible collateral, with funds available on a next day basis (T+1).

It said in addition to providing funds of one-week tenor on T+1 basis, the existing facility will provide one-day funds which will also be available on the next day (T+1). It will continue to make use of the Swap Agreement with People's Bank of China in providing such funds.

Overnight funds, available on the same day (T+0), will be provided to help banks meet their liquidity needs. The authority will use its own source of renminbi funds in the offshore market to provide such lending, and expects the amount of overnight funds to be provided will be up to RMB10 billion in total on a single day.

The authority's Chief Executive Norman Chan said the introduction of two enhancements to the renminbi liquidity facility will strengthen liquidity management of banks participating in the renminbi business and support Hong Kong's further development as the hub for offshore renminbi business.

Participating authorised institutions are welcome to use the facility to meet short-term funding needs. However, they are advised to plan their funding ahead of time and avoid over-dependence on the renminbi liquidity facility. The authority will review the facility's terms and conditions in light of the actual operating experience.