China firm makes offer for miner

by RTHK News, Hong Kong
Friday, October 5, 2012

Chinese private equity firm Cathay Fortune Corp has made an US$850 million offer for Australia-listed Discovery Metals, Dow Jones Newswires reported Thursday, as China's copper demand continues to grow.

The Shanghai-based firm is teaming up with the China-Africa Development Fund, an investment fund specialising in Africa, in the bid for Discovery Metals, which is focused on copper mining in Botswana, it reported. The agency quoted a statement from Cathay Fortune.

The deal has received regulatory approval from the National Development and Reform Commission, China's economic planning agency, it said.

China buys 38 percent of the world's copper, making it by far the world's biggest purchaser.

China to become no 2 in luxury sales

by RTHK News, Hong Kong
Wednesday, October 10, 2012

China is set to become the world's second biggest market for luxury goods after the United States in five years, according to a report released by the research firm Euromonitor. This would mean China would overtake France, Britain, Italy and Japan.

Euromonitor said developed countries still dominate the personal luxury market, but economic woes are reducing demand, while rising middle classes in emerging economies take up the slack.

The firm says luxury-goods sales could top US$302 billion worldwide this year, up 4.0 percent from 2011, as buyers from developing nations snap up designer handbags, clothes, jewellery, watches, fine wine, champagne and spirits.

Japan has been the world's second biggest market for luxury goods. However, its share has been shrinking as the country struggles with economic problems.

LCQ20: Development of Hong Kong as a fund management centre in Asia

by IRD Press Release, Hong Kong
Saturday, October 17, 2012

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (October 17):

Question:

The Government has introduced measures such as the abolition of estate duty and offshore fund tax exemption in an attempt to facilitate Hong Kong to develop into the premier fund management centre in Asia. It has been reported that this fund management centre role has been challenged by Singapore recently as Singapore has a more accommodating legal and tax regime to cater not only for fund managers but also for funds which seek to establish and to domicile in Singapore. In this connection, will the Government inform this Council:

(a) of the respective numbers of investment advisers and asset managers who were licensed or registered, between 2007 and 2011, for Type 4 and Type 9 regulated activities in Hong Kong under the Securities and Futures Ordinance (Cap. 571), and the respective numbers of such investment advisers and asset managers who have given up their licences or registration;

(b) whether the Government has any legislative timeframe to amend the Companies Ordinance (Cap. 32) to facilitate the establishment of Open-ended Investment Companies (OEIC);

(c) whether the Government has any plan to introduce new legislation to establish other forms of collective investment vehicles (e.g. limited liability partnership) apart from OEIC; if not, of the reasons for that;

(d) whether the Government has any plan to introduce profits tax exemption for onshore funds; if not, of the reasons for that; and

(e) whether the Inland Revenue Department will be prepared to make further clarification of paragraph 33 of the Departmental Interpretation and Practice Notes No. 43 on whether investments in bond funds and similar products fall within the definition of "specified transaction" and are exempted from profits tax?

Reply:

President:

It is one of our policy priorities to further develop Hong Kong into a major asset management centre in the region. Alongside our fundamental strengths as an international financial centre, including a stable currency with free flow of capital, a rich pool of talents, and a low and simple tax regime, etc., we have been exploring various initiatives to further promote asset management business in Hong Kong.

With this, I would like to reply to the five-part question as follows –

(a) During the five year period of 2007 to 2011, 682 corporations have been licensed by the SFC to conduct Type 4 (Advising on Securities) and/or Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance. As at end-September 2012, 97 of these requested that the SFC revoked their Type 4 and/or Type 9 licences and they no longer remained licensed by the SFC. There are numerous reasons underlying these requests, including the difficult conditions that have prevailed in the global economy, group restructuring or consolidation resulting in the licensed activities of these formerly licensed corporations being transferred to other group companies, and their business activities were no longer required to be licensed under the Securities and Futures Ordinance.

b) and (c) The fund industry has proposed to introduce a legislative framework facilitating the establishment of investment fund vehicles, including Open-ended Investment Company (OEIC) and Limited Partnership (LP) in Hong Kong. This may attract more funds to domicile in Hong Kong for the further development of the asset management industry and the financial industry as a whole. Some market participants have, on the other hand, pointed out that the attractiveness of a fund domicile also depends on other factors, and that the availability of more investment fund vehicles may not necessarily bring in more funds. We are studying the proposal and engaging the fund industry to identify measures best suited for our market circumstances.

(d) At present, profits tax exemptions are available for offshore funds and we are prepared to study proposals to enhance such tax exemptions in the light of market development. As regards onshore funds, we need to examine carefully the overall interests of Hong Kong, taking into account the relevant factors including Hong Kong's competitiveness as an asset management centre and implications for government revenue, before we consider any plan to introduce profits tax exemption for those funds.

(e) "Specified transactions" are defined in the Inland Revenue Ordinance (Cap. 112) (IRO) to cover typical transactions carried out by offshore funds in Hong Kong qualifying for profits tax exemption. Specifically, Schedule 16 to the IRO contains a list of "specified transactions" which include six categories of transactions, namely, a transaction in securities; a transaction in futures contracts; a transaction in foreign exchange contracts; a transaction consisting in the making of a deposit other than by way of a money-lending business; a transaction in foreign currencies; and a transaction in exchange-traded commodities. In particular, "securities" means, among others, bonds and funds. The Departmental Interpretation and Practice Notes (DIPNs), on the other hand, serve to provide the interpretation and practices of the Inland Revenue Department (IRD) in the implementation of individual provisions of the law, including the IRO, administered by the IRD. The DIPNs have no legal binding force. Considering the above, the Administration does not consider it necessary to make further clarification in the DIPNs.

Gov't to promote HK-M'land ties: CE

by news.gov.hk, Hong Kong
Saturday, October 17, 2012

Chief Executive CY Leung says the Government must be proactive and prudent in developing the relationship between Hong Kong and the Mainland, as their social and economic ties have become inseparably close.

He said Hong Kong and the Mainland benefit and assist each other. The Government must manage the relationship carefully, and promote Hong Kong's positive image and explain its benefits to the country's development.

Mr Leung said Hong Kong has an externally-oriented economy and should not isolate itself. It is vital that external and internal affairs are handled carefully. The Government will continue to be proactive in external affairs.

It has participated as Hong Kong, China, in more than 20 international organisations, like the Asia-Pacific Economic Co-operation, and signed more than 300 agreements with other countries and international organisations.

He added Hong Kong should make use of, and develop good international relationships, and handle carefully the special ties between Hong Kong and Mainland cities under the principles of 'One country, two systems', 'Hong Kong people ruling Hong Kong', and 'a high degree of autonomy'.

Two orders on avoidance of double taxation agreements gazetted

by IRD Press Release, Hong Kong
Monday, October 19, 2012

Two orders made by the Chief Executive in Council under the Inland Revenue Ordinance were gazetted today (October 19). The orders implement the agreements with Malaysia and Mexico for the avoidance of double taxation.

"The Comprehensive Agreements for the Avoidance of Double Taxation (CDTAs) ensure that investors will not have to pay tax twice on a single source of income," a Government spokesman said.

"In simple terms, the CDTAs will bring tax savings and a higher degree of certainty on taxation liabilities for investors from the respective places when they engage in trade and investment activities with Hong Kong."

The orders will be tabled at the Legislative Council on October 24 for negative vetting. The CDTAs will only take effect after both Hong Kong and the treaty partners have completed their ratification procedures.

Hong Kong signed the CDTAs with Malaysia on April 25, 2012 and Mexico on June 18, 2012.

China factory output grows faster in Q4

by the Standard, Hong Kong
Thursday, October 25, 2012

China's industrial production has been stabilizing as the government's pro-growth measures gained traction, the Ministry of Industry and Information Technology said on Thursday.

"Industrial production growth will likely accelerate in the fourth quarter, laying a solid foundation for the government to achieve this year's 7.5-percent economic growth target," Zhu Hongren, the ministry's chief engineer, told a news conference.

China's industrial value-added output increased 10 percent year on year in the first three quarters despite stiffening global headwinds and sluggish external demand, Xinhua news agency reports.

Extra stamp duties imposed to rein in home price surge

by the Standard, Hong Kong
Friday, October 26, 2012

A fresh round of measures to curb property prices will take effect from tomorrow, the Financial Secretary John Tsang Chun-wah said today.

He mentioned that despite a series of measures, including the special stamp duties introduced in 2010 to curb short-term speculation, home prices have surged amid an economic downturn.

A new stamp duty will be imposed on non-permanent residents, after transactions by these buyers surged over the last few years.

Transactions by foreign investors accounted for 19.5 percent of deals thus far, compared with 13.7 percent in 2011 and 5.1 percent in 2010.

Home buyers without permanent residency, or those who purchase through a company, will have to pay a stamp duty at 15 percent of the home price.

Meanwhile, the existing special stamp duty will be modified, Tsang said.

A 20 percent levy will apply to flats sold within six months or less, while 15 percent will apply to those sold after six months but within a year of purchase. A 10 percent stamp duty will apply to apartments sold after a year but within 36 months of a deal.

This means that a non-resident buying a flat in Hong Kong and reselling it within 6 months, will incur a special stamp duty of 20 percent plus another of 15 percent.