Re-domiciliation proposal mooted

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Friday, Mar 31, 2023

Secretary for Financial Services & the Treasury Christopher Hui

The Financial Secretary announced in the Budget the introduction of a company re-domiciliation regime to facilitate non-Hong Kong enterprises to re-domicile to Hong Kong, so that they may utilise our favourable business environment and professional services. Since this month, we have been reaching out to key stakeholders including business chambers, professional bodies and relevant statutory advisory bodies to explain our thoughts and hear their professional views. Today, we will publish the relevant document for public consumption. If you have any views or suggestions on the introduction of a company re-domiciliation regime, you are welcomed to let us know in the coming two months. I also wish to introduce through this blog post our ideas on the proposed regime.

Building on experience

Re-domiciliation regime is not wholly new in Hong Kong. Back in 2021, we took the first step to put in place a user-friendly fund re-domiciliation mechanism for Open-Ended Fund Companies & Limited Partnership Funds to facilitate foreign funds to operate in Hong Kong. Building on the positive experience of the fund re-domiciliation mechanism, we think now is the right moment for us to go for a company re-domiciliation regime which has wide applicability. The company re-domiciliation regime, when in place, will allow companies to change their place of incorporation to Hong Kong seamlessly without having to undergo the complicated and often expensive winding-up procedures or court-sanctioned schemes of arrangement.

Response to market needs

Hong Kong has an open and efficient company governance regime, reliable rule of law tradition, simple taxation system, and world class professional services. Hong Kong's strategic location as well as commercial and trading networks with the Mainland and worldwide are also favourable to corporations' management of their operations in the Mainland and in the Asian region. Industries have previously reflected to us that some non-Hong Kong incorporated companies, especially enterprises with certain business operations in Hong Kong and those hoping to ride on Hong Kong's advantages to expand their business, are interested in re-domiciling to Hong Kong. Our current proposal to introduce a company re-domiciliation regime can meet the market needs by providing a highspeed motorway to facilitate companies making up their minds to move to Hong Kong.

Wide application, simple procedures

In order to allow more companies to benefit from the proposed re-domiciliation regime, we in principle would widen the application of the mechanism as far as practicable, making it to be generally applicable to companies coming from different places and of different types and scale. The Registrar of Companies will be responsible for approving applications for re-domiciliation to consider whether the companies have fulfilled specified requirements in relation to integrity, member and creditor protection and solvency, etc., so as to ensure that companies re-domiciling to Hong Kong are of good standing. The spirit of a re-domiciliation regime is to ensure that the process would not affect the property, rights, obligations and liabilities, as well as the relevant contractual and legal processes of the companies. The continuity of the business operation of the re-domiciling companies will therefore be guaranteed, and the rights and responsibilities of the transaction partners of the company will not be affected either. While ensuring that the legal identity of the company will be smoothly re-domiciled in Hong Kong, we will also clearly stipulate the transition of the tax obligations of the incoming companies in the original place of incorporation and in Hong Kong, so as to provide certainty to the companies on the prospective tax-related changes.

Attracting outside enterprises, investment and talents to come to Hong Kong is a key policy objective of the current term of Government. The Policy Address and the Budget have already launched many targeted measures. Introducing a company re-domiciliation regime will add to our policy toolbox another useful instrument.

Views welcomed

I welcome your views which will help us develop a user-friendly and effective mechanism to facilitate quality non-Hong Kong companies to re-domicile to Hong Kong as early as possible, thereby adding new momentum to our local professional services and capital markets.

Secretary for Financial Services & the Treasury Christopher Hui wrote this article *and posted it on his blog on March 31.*

China 'could hit 8pc growth by 2035'

by www.thestandard.com.hk
Monday, Apr 03, 2023

Justin Lin Yifu, the former chief economist of the World Bank, believes China could still attain an 8 percent annual economic growth by 2035.

The country has several advantages such as a huge population and therefore, a giant market, Lin said.

The dean of the Institute of New Structural Economics at Peking University is convinced that China's actual gross domestic product growth this year could reach 5.5 percent or even exceed 6 percent. Officials have set a growth target of around 5 percent for the year.

China is an economic powerhouse with relatively large foreign exchange reserves and problems in the financial sector have gradually dissipated over the past few years, Lin said, adding that under such circumstances, the nation's most important task is to "bring out its growth potential and maintain a medium to high level of economic growth while solving problems that may arise in the process through continuous reform.

"And after the problems are solved, there will be momentum for progress and I believe we can maintain a stable, high-quality yet rapid economic development."

Separately, the China Index Academy expects the country's property market to remain stable in the second quarter if more supportive policies are introduced and the macro economy continues to improve.

The new home transaction value in the April-May period is expected to be lower than during the February-March period.

But with a low base in the same period last year, the year-on-year growth figure may still be positive, the report added.

And the value of new home sales by the 100 biggest real estate developers climbed 29.2 percent from a year earlier to 660.9 billion yuan (HK$755.3 billion), according to preliminary data from China Real Estate Information Corp. That is compared with a 15 percent rise in February when the market posted its first increase in 20 months.

China's reopening brightens developing Asia's 2023 growth outlook: ADB

by www.thestandard.com.hk
Tuesday, Apr 04, 2023

Developing Asia will grow faster than previously thought this year, underpinned by a stronger-than-projected rebound in China, but risks from global banking turmoil could weigh on the outlook, the Asian Development Bank (ADB) said on Tuesday.

Developing Asia, which groups together 46 economies in the Asia-Pacific, is forecast to grow 4.8 percent in 2023, the ADB said in its Asian Development Outlook report, more than its previous estimate of 4.6 percent in December, and following 4.2 percent growth in 2022.

Driving the region's growth this year is China's recovery after it ended its zero-Covid policy in December, with the world's second-biggest economy seen expanding 5.0 percent this year, the ADB said, above its earlier estimate of 4.3 percent.

China's reopening "is really going to create the strongest kind of support for growth in the region this year," ADB Chief Economist Albert Park told Reuters.

And while China's embattled property sector "remains a point of concern", Park said the upside risks to China's growth outlook outweigh downside risks.

"If life really returns to normal quickly and confidence comes back, growth could even be higher than 5 percent which would be obviously even better for the region," Park said.

Excluding China, the region is expected to grow 4.6 percent this year, slower than the previous year's 5.4 percent pace.

By subregion, South Asia is expected to record the fastest expansion of 5.5 percent this year, buoyed by India's projected growth of 6.4 percent this year, followed by Southeast Asia, which is forecast to grow 4.7 percent this year.

Even as growth in developing Asia gathers pace, the ADB warned challenges remain, including turbulence in the global banking sector and an escalation in the Ukraine war, which could cause a surge in commodity prices.

But for now, turmoil in the global banking sector, triggered by the collapse of two mid-sized U.S. lenders, will not turn into "a bigger crisis of the financial system in the U.S.", Park said even as he urged policymakers to stay vigilant.

Working in the region's favor is the expected easing in inflation, which would reduce the need for frequent and sizeable interest rate hikes that could dampen consumption.

From 4.4 percent in 2022, inflation is forecast to decelerate to 4.2 percent this year and 3.3 percent next year, the ADB said, but it warned that core inflation remained high in some economies and required close monitoring.

In a separate media briefing, Park said a surprise announcement by OPEC+ to cut production introduces another challenge for the region as this could drive oil prices higher. Currently, the ADB forecasts oil prices to average US$88 a barrel this year and US$90 next year.

HK-Chile trade pact updated

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The Government today announced that the updated commitments on trade in services under the Free Trade Agreement (FTA) between Hong Kong and Chile will enter into force on April 6.

The updated commitments will strengthen trade co-operation between the two economies as they create more opportunities for businesses and investors in both places, the Government added.

Signed in January 2022, the updated commitments improve existing commitments under the agreement and open up more service sectors of both sides.

Chile has made commitments in over 50 new service sectors, encompassing priority sectors in which Hong Kong has traditional strengths or has potential for priority development.

These service sectors include professional and business, technical testing and analysis, convention, computer and related areas, communication, distribution and education.

Relevant Hong Kong services and their providers, subject to specific exceptions or conditions, will enjoy access to the Chilean market and treatment no less favourable than that for Chile's local service providers.

Secretary for Commerce & Economic Development Algernon Yau said the updated services commitments come at an opportune time when world trade is reviving after the pandemic, creating opportunities for Hong Kong businesses and investors to diversify their markets.

It also demonstrates the Government's efforts in seeking more favourable access to international markets as well as promoting the strengths of Hong Kong's services sectors overseas, he added.

"Hong Kong's service providers can now enjoy deepened and broadened access to the Chilean market. I encourage our traders and service providers to seize this invaluable opportunity to unleash the untapped business opportunities in Chile, which is our first FTA partner in Latin America as well as a gateway to the Latin American markets."

Since the FTA between Hong Kong and Chile came into force in 2014, merchandise trade between both places recorded an average annualised growth of over 10% from 2015 to 2022, notwithstanding the challenges posed by the pandemic and external environment in recent years.

To date, Hong Kong has signed eight FTAs with 20 economies including the Mainland, Macau, the 10 member states of the Association of Southeast Asian Nations, Australia, Chile, the four member states of the European Free Trade Association, Georgia and New Zealand.

China exports surge 15pc as Covid backlog cleared

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China's exports unexpectedly surged by about 15 percent last month, with officials flagging rising demand for electric vehicles, but analysts cautioned the improvement partly reflects suppliers catching up with unfulfilled orders after last year's Covid disruptions.

Exports in March shot up 14.8 percent from a year ago, data from China Customs showed yesterday, snapping five straight months of declines and much better than the 7.0 percent fall forecast by analysts.

But analysts said the jump was more likely related to exporters rushing to fulfill a backlog of orders that had been disrupted by the pandemic in past months, and warned the global demand outlook remained subdued.

"The strong export growth is unlikely to sustain given the weak global macro outlook, said Zhiwei Zhang, chief economist at Pinpoint Asset Management.

Meanwhile, imports dropped just 1.4 percent in March, smaller than the 5.0 percent decline forecast and a 10.2 percent contraction in the previous two months. Increases in crude oil, iron ore and soybeans imports in the month were offset by a decline in copper imports.

Specifically, Chinese exports to Russia jumped 47 percent in the first quarter from a year ago, customs data showed, indicating China's closer economic relations with its northern neighbor.

This came as Apple assembled more than US$7 billion (HK$54.6 billion) of iPhones in India last fiscal year, tripling production in the world's fastest-growing smartphone arena, and might make MacBooks in Thailand when accelerating a move beyond China.

The US company now makes almost 7 percent of its iPhones in India through expanding partners from Foxconn Technology Group to Pegatron Corp, people familiar with the matter said. That's a significant leap for India, which accounted for an estimated 1 percent of the world's iPhones in 2021.

Apple is also in talks with suppliers to make MacBooks in Thailand as part of the company's efforts to expand its manufacturing presence beyond China, the Nikkei reported yesterday.

Suppliers who are participating in these talks have existing manufacturing complexes in Thailand for other clients, and are discussing possible assembly and production of components and modules for MacBooks, sources from three suppliers involved in talks with Apple told the Nikkei.

China's economic recovery speeds up, global headwinds point to bumpy outlook

by www.thestandard.com.hk
Tuesday, Apr 18, 2023

China's economy grew at a faster-than-expected pace in the first quarter, as the end of strict Covid curbs lifted businesses and consumers out of crippling pandemic disruptions, although headwinds from a global slowdown point to a bumpy ride ahead.

Gross domestic product grew 4.5 percent year-on-year in the first three months of the year, data from the National Bureau of Statistics showed on Tuesday, faster than the 2.9 percent in the previous quarter and beating analyst forecasts for a 4.0 percent expansion.

Investors have been closely watching first quarter data for clues on the strength of the recovery after Beijing lifted Covid curbs in December and eased a three-year crackdown on tech firms and property.

"On net, that's a decent set of figures out from China in Q1, which keeps them on track for their growth target of around 5 percent this year," said Matt Simpson, senior market analyst at City Index.

"It has helped lift sentiment to a degree in Asia... but the slightly lackluster response suggests there are some lingering concerns that Q1 data is the initial thrust thanks to the reopening, and that its momentum could fade in Q2 or Q3."

China's recovery has so far remained uneven, with consumption, services and infrastructure spending perking up but slowing prices and surging bank savings raising doubts about demand.

On a quarter-on-quarter basis, GDP grew 2.2 percent in January-March, in line with analyst expectations and up from a revised 0.6 percent rise in the previous quarter.

Chinese policymakers have pledged to step up support for the US$18 trillion economy this year to keep a lid on unemployment, but they face limited room to maneuver amid worries over debt risks and structural woes. GDP growth last year slumped to one its worst in nearly half a century due to Covid curbs.

The nation's central bank said last week it will maintain ample liquidity, stabilize growth and jobs and focus on expanding demand.

On Monday, the central bank extended liquidity support to banks through its medium-term lending facility but kept the rate on such loans unchanged, an indication that authorities are not overly concerned about the immediate growth outlook.

Analysts polled by Reuters expect China's growth in 2023 to speed up to 5.4 percent, from 3.0 percent last year.

The government has set a modest target for economic growth of around 5 percent for this year, after badly missing the 2022 goal.

The central bank cut lenders' reserve requirements for the first time this year in March and the government has unveiled more fiscal stimulus.

Separate data on March activity also released on Tuesday showed retail sales growth quickened to 10.6 percent, beating expectations and hitting a near two-year high, while factory output growth also sped up but was just below expectations.

Fixed asset investment in January-March slowed to 5.1 percent growth year-on-year, versus expectations for a 5.7 percent increase. It grew 5.5 percent in the January-February period.

"The current market concerns about deflation largely reflect concerns about the strength and sustainability of the economic recovery," Wen Bin, chief economist at China Minsheng Bank, said in a research note.

"After the optimization of epidemic prevention and control, the production side has basically returned to the pre-epidemic level, but the demand side momentum is still weak."

Dubai hopes to work with HK on virtual assets market

by news.rthk.hk
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The head of the Dubai Department of Economy and Tourism, Hadi Badri, says his country is in discussions with Hong Kong about virtual assets market cooperation, including establishing a mutual recognition mechanism on licensing.

Chief Executive John Lee visited Dubai as a part of his Middle East trip in February, signing a number of letters of intent regarding cooperation between the two places.

Dubai officials came to the SAR last week to attract businesses and investment to their city, holding meetings with various corporations and family offices.

Badri said Hong Kong is an important trading partner, and the two places can cooperate in areas like trade, investment, digital transformation and financial services.

"There may be an opportunity in the virtual assets space for passporting of licences. These are all opportunities that we are speaking to the relevant parties as Dubai, here in Hong Kong," he told RTHK.

"We were the first to create a world's independent regulatory authority. We see that Hong Kong is also taking this progressive view. I'm confident that there will be some good partnership potential."

Badri said there have been some market fluctuations recently, including the collapse of the large virtual assets trading platform FTX, but Dubai is paying more attention to the long term development of the market.

China funds flock to Hong Kong to sate mainland investors

by www.thestandard.com.hk
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Large China-based fund managers are setting up shop in Hong Kong for the first time, seeking to fill Chinese investors' appetite for U.S. dollar-based products and international exposure after the country reopened its borders.

The foray by China-based funds into Hong Kong kicked off last year as China lifted years of Covid-19 lockdowns, and as high net worth Chinese families were finally able to travel and diversify investments in their hunt for stronger returns.

At least eight mainland-based funds, including billion-dollar yuan quant funds, equity funds and mutual funds, have set up operations in Hong Kong in the past six months, and more than 10 others are headed there, according to a Reuters tally based on sources and public information.

Most of them are rapidly building offshore sales and research teams and preparing for the launch of their first U.S. dollar funds. As mainland-based funds are yuan denominated, fund managers need to set up in Hong Kong to be able to offer foreign currency products.

One of those firms, Beijing-based Ren Bridge Asset Management, which manages 17 billion yuan (US$2.5 billion), opened an office in Hong Kong in March and is in the process of applying for an asset management license there.

The fund, which has delivered annualized returns of 21 percent since 2017, has launched a fund offshore with a long-bias equity strategy, mostly for Ren Bridge’s existing clients, including corporates and family offices, with funds abroad.

Xue Youwei, former chief financial officer of Lion Fund Management, is to oversee the overseas operations.

"We are optimistic about Hong Kong as the global asset management hub. Through offshore funds we hope to expand the investment scope, explore hedging strategies, while learning from excellent overseas peers," Xue told Reuters.

Shanghai Qianxiang Asset Management, a quant hedge fund in China managing over 10 billion yuan, received an asset management license from Hong Kong's Securities and Futures Commission in February and is developing its first global commodity trading adviser strategy for investing in overseas markets.

"Foreign managers are getting licenses and issuing funds in China - it's natural for us to go overseas," said Jason Yim, managing director of QX Asset Management in Hong Kong.

Wealth management firms such as Noah Holdings, China's largest independent wealth manager, are also aggressively expanding teams in Hong Kong.

China's onshore hedge funds have seen exponential growth in the past decade, with 6 trillion yuan of assets under management, according to UBS research.
Qianxiang's bigger competitor Lingjun Investment, which manages more than 60 billion yuan, formed a Hong Kong marketing team and launched its first offshore quant fund late last year, according to regulatory filings and sources.

Star asset manager Foresight Fund Management, a Shanghai-based mutual fund founded by veteran investor Chen Guangming, announced the opening of its Hong Kong branch in March.

Erin Wu, head of investor relations at OP Investment Management, a Hong Kong-based hedge fund platform that provides services to new funds, said she has received more inquiries this year than before the pandemic. Wu is talking to more than 10 China-based managers on preparing an offshore structure.