Citi raises China growth forecast to 5pc

by www.thestandard.com.hk
Friday, Oct 06, 2023

Citigroup raised its growth forecast for China to 5 percent this year from 4.7 percent earlier, as promising data helps build consensus around the nation's ability to achieve its official government target.

"The cyclical bottom is here, with all eyes on whether organic demand will pick up amid gathering policy momentum," the economists wrote.

Retail sales and industrial production may improve, they said, adding that the export contraction could also narrow after official manufacturing surveys expanded for the first time in six months.

"Previously, we had downgraded our GDP forecast out of policy disappointment," the economists said, adding that since the end of August, "policy momentum exceeded expectations clearly" due to some property easing measures.

Citi's peer Hang Seng Bank (0011), meanwhile, maintained its growth projection at 5.3 percent for the country. While policymakers are stepping up the support, the effect on the economy will take some time to show, the bank said.

This came as Sunac China (1918) saw its shares jump 6.3 percent following a court approval for its multibillion-dollar offshore debt restructuring plan. The ruling occurred 17 months after Sunac first defaulted on a US dollar note. Creditors representing 98 percent of claims voted at a meeting last month backed the proposal.

Sunac's debt plan covers an estimated US$10.2 billion (HK$79.6 billion) of creditor claims, US$5.7 billion of which would be compensated with new US dollar bonds. The remainder will be settled through getting shares of its property-management arm and convertible notes.

Wealth converging on GBA: FS

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Financial Secretary Paul Chan

For Hong Kong's asset and wealth management industry, it remains strong and resilient. Although we saw a drop in assets under management (AUM) last year – though still at US$4 trillion it was consistent with the market returns in 2022.

And we continued to be Asia's premier booking centre in terms of cross-border asset flows, with AUM totalling US$2.2 trillion in 2022.

The number of ultra-high-net-worth individuals in Hong Kong last year reached 12,500, making Hong Kong the world's top city in which wealthy individuals manage their investment portfolios.

I take heart in this year's "Hong Kong Private Wealth Management Report," produced by the Association in concert with KPMG. The report notes, and I quote, "despite the challenges posed by COVID-19 restrictions and external headwinds, the city's many advantages as a private wealth-management hub remain intact."

Family Offices

I know that family offices are a key part of that business, and I am happy to share some exciting progress here in Hong Kong.

We welcome family offices from around the world to set up in Hong Kong, to tap into our unique advantages and far-reaching opportunities. To this end, in my Budget this year, I have allocated HK$100 million to support Invest Hong Kong's team in attracting and serving more family offices.

Our Wealth for Good in Hong Kong Summit, in March, made that clear. On that occasion, we released our Policy Statement on Developing Family Office Businesses in Hong Kong. It outlines a range of measures to develop a favourable and competitive environment for global family offices and asset owners.

They include a new Capital Investment Entrant Scheme. It's expected to channel substantial funds into Hong Kong's capital market. We are actively pursuing it, and are finalising its details.

Our efforts include enabling regulatory measures. For example, amendments were made in May to provide profits-tax exemptions for family-owned, investment-holding vehicles managed by single family offices in Hong Kong.

Our financial regulators also issued a circular on streamlining the suitability assessment for sophisticated professional investors, addressing a major regulatory pain point faced by the industry.

Regulation aside, we are nurturing a vibrant ecosystem to help the family offices sector prosper. In June this year, InvestHK launched its Network of Family Office Service Providers. The network offers members mutual business referral opportunities and facilitates concerted efforts in promoting the industry to target markets.

No less important, it also enables representation of the industry in policy advocacy, and allows the Government to brief the industry on our latest thinking and policy developments.

People are central to the wealth and asset management sector. That is why we have stepped up the development of Hong Kong's talent pool. The Financial Services Development Council is setting up a new Hong Kong Academy for Wealth Legacy. Working with the Government, industry, and academia, it will offer talent-development services to industry practitioners as well as next-generation wealth owners.

Speaking of training talent for the sector, we appreciate the efforts of the Private Wealth Management Association (PWMA), in particular your training programme co-organised with the Hong Kong Monetary Authority to provide internships for our university students.

Hong Kong's appeal to family offices also rests with our ambition to become the philanthropic centre for global family offices. Our recent initiatives in this direction include facilitating applications for charitable tax-exemption status. We have also increased, for the purpose of tax concessions, the beneficial interest a qualified charity may hold in family-owned investment-holding vehicles.

Besides, with the wonderful lifestyle that embraces the best of East and West – from children's education, food and sports, to hiking trails, cultural life and much more – Hong Kong is the city in which people from all over the world would like to work, live and raise a family.

Yet, ladies and gentlemen, beyond the family offices sector, there are indeed good news, encouraging developments for the industry.

Opportunities brought by strategic enterprises

They include the opportunities brought by the coming of strategic enterprises. The Government of this term is keen on attracting strategic enterprises to settle in Hong Kong. These are companies in the fields of life and health science, artificial intelligence and big data, fintech, as well as advanced manufacturing and new energy. Just a couple of days ago, we welcomed around 30 such enterprises to settle or expand their business in Hong Kong. Together, they will bring some $30 billion in investments and create 10,000 jobs in Hong Kong, the majority of which are research and management positions. Coming with these enterprises are their founders, innovators and high-ranking executives. All the more so, a circle of companies in the ecosystem, the related industry chain and their management as well. This would mean more business for our asset and wealth management sector.

Wealth Management Connect

Then, the Greater Bay Area (GBA) Cross-boundary Wealth Management Connect Scheme. As you all know, last week the financial regulators of the Mainland, Hong Kong and Macau jointly announced enhancements to the scheme, to allow more residents and securities firms to participate, enlarge the scope of eligible investment products, increase individual investment quotas, and enhance promotion and sales processes. These will certainly bring new impetus to the growth of the asset and wealth management sector. With the GBA growing in affluence, the room for further growth is huge. We will continue to work hard to deepen the connect scheme.

Enhancing the securities market

In fact, a vibrant financial market, with a broad range of investment products, is crucial to the attractiveness and competitiveness of Hong Kong as an asset and wealth management centre. On this, we have never stopped moving.

One priority area is our securities market. Over the past few years, we have been working hard to enhance the competitiveness of our listing platform. I am sure you are aware of the various initiatives, and I am not going to recap here.

I would just like to highlight the recent setting up of the Task Force on Enhancing Stock Market Liquidity. Among other things, the task force will review the listing regime and the market's structure and trading mechanisms. It will also explore how to broaden fund flows, attract more quality enterprises to list in Hong Kong, promote product innovation and diversity, and enhance price discovery and trading efficiency.

The task force will submit its report to the Government very soon.

Broadening fixed income assets

Another focus would be broadening Hong Kong's fixed income asset offerings. This, of course, includes the bonds issued by the Hong Kong Special Administrative Region Government to the order of about HK$65 billion in each of the coming years.

Indeed, the Hong Kong Mortgage Corporation is also one of the largest bond issuers in Hong Kong, with total outstanding debts amounting to HK$157 billion as at August this year. It has been extending its product variety to satisfy the investment community's need for portfolio diversification and yield enhancement. For example, it has issued social bonds since last year, with a total issuance amount of around HK$31 billion equivalent.

Hong Kong has also seen a remarkable growth of renminbi and green and sustainable bonds. Last year, the volume of offshore RMB bonds issued in Hong Kong reached RMB330 billion, nearly 10 times the amount in 2010. Last year, the total amount of green and sustainable debt arranged or issued in Hong Kong exceeded US$80 billion, up more than 40% compared to the year before, with green bond issuance accounting for about one-third of the market share in Asia.

The launch of Swap Connect's northbound trading, in May this year, also enables investors holding Mainland Government bonds to manage their risks.

More RMB product offerings

Speaking of RMB products, Hong Kong is making bold steps to boost the liquidity of offshore RMB, enhance the relevant infrastructure, and offer more investment and risk-management products denominated in the currency.

That, of course, includes deepening and expanding the connectivity with the Mainland's financial markets. Through Hong Kong, investors are having convenient access to the Mainland's stock, bonds, and now ETFs and derivatives. And vice versa for Mainland investors for products available in Hong Kong.

Another recent step forward was in June this year, setting in motion the Hong Kong Dollar-Renminbi Dual Counter for 24 major stocks listed on the Hong Kong Stock Exchange.

Concluding remarks

Ladies and gentlemen, there's more, lots more, in the pipeline. Let me just say that Hong Kong is committed to sharpening our competitive edge in asset and wealth management, and no less so, in reinforcing and elevating the status of Hong Kong as an international financial centre.

Through it all, I know we can count on the support of the PWMA. The association, as Amy (Chairman of the PWMA's Executive Committee Amy Lo) noted, is celebrating its 10th anniversary this year – a decade of working closely, and well, with its members, the industry and the Government for the long-term development, and flourishing, of Hong Kong's asset and wealth management industry.

May I conclude by referring to this year's Hong Kong Private Wealth Management Report once again. It says: "While geopolitical tensions are a concern for members and clients, what is often lost is the strength of Hong Kong as a wealth management hub. There is a need for a more proactive articulation and marketing of Hong Kong's strengths, including the advantages of the 'one country, two systems' framework, the US dollar-exchanged rate and the free flow of capital..."

Financial Secretary Paul Chan gave these remarks at the Private Wealth Management Association Wealth Management Summit 2023 on October 6.

Tax exemption bill to be gazetted

by news.gov.hk
Wednesday, Oct 11, 2023

The Hong Kong Special Administrative Region Government said today it will propose an amendment bill to refine Hong Kong's foreign-sourced income exemption (FSIE) regime by expanding the scope of its coverage. In relation to foreign-sourced disposal gains, the expanded regime would cover assets other than shares or equity interests.

The Inland Revenue (Amendment) (Taxation on Foreign-sourced Disposal Gains) Bill 2023 will be gazetted on October 13 and introduced into the Legislative Council on October 18.

The Hong Kong SAR Government stressed that, as a staunch supporter of international tax co-operation, Hong Kong has been working closely with the European Union (EU) and other international organisations in countering cross-border tax avoidance.

The proposed legislation will align Hong Kong's FSIE regime with the international standard by requiring corporate taxpayers to have adequate economic substance in Hong Kong to enjoy tax exemption with regard to foreign-sourced disposal gains, and prevent shell companies from deriving tax benefits through double non-taxation of foreign-sourced disposal gains.

The Hong Kong SAR Government said that after the proposed refinements are made to the FSIE regime, Hong Kong's tax system will continue to maintain a competitive edge, and that its territorial source principle of taxation will be upheld. It added that the majority of taxpayers will not be affected.

In response to the EU's inclusion of Hong Kong on its watchlist on tax co-operation in 2021, the Hong Kong SAR Government enacted the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 last December to establish a new FSIE regime for foreign-sourced dividend, interest, intellectual property-related and disposal gains in relation to shares or equity interests received in Hong Kong by multinational enterprise (MNE) entities.

Through the proposed bill, Hong Kong's tax regime will be brought into line with the latest requirement outlined in the EU's Guidance on Foreign Source Income Exemption Regimes, as updated in December 2022, that disposal gains, as a general class of income covered by FSIE regimes, should be subject to the economic substance requirement.

Hong Kong and other jurisdictions enacting ongoing FSIE reforms have been requested by the EU to further amend their FSIE legislation by the end of 2023 and implement the refined regimes with effect from January 2024.

Hong Kong is being kept on the EU watchlist pending completion of the necessary legislative amendments. The Hong Kong SAR Government will request that the EU swiftly remove Hong Kong from the watchlist upon completion of the legislative amendments.

The refined FSIE regime will continue to cover only four types of foreign-sourced passive income received by MNE entities in Hong Kong, leaving foreign-sourced active income unaffected.

Under the refined regime, exemption and relief will continue to be provided to minimise the compliance burden on affected MNE entities. Foreign-sourced non-intellectual property (IP) disposal gains will be exempt from tax if an MNE entity has adequate economic substance in Hong Kong.

For foreign-sourced IP disposal gains, the extent of tax exemptions will be determined by the nexus approach promulgated by the Organisation for Economic Co-operation & Development.

Foreign-sourced non-IP disposal gains derived from, or incidental to, the business of a trader or a regulated financial entity, or the profit-producing activities of a taxpayer benefitting from an existing preferential tax regime, will fall outside the scope of the refined FSIE regime.

To ease the compliance burden on covered taxpayers and facilitate corporate restructuring, a new intra-group transfer relief applicable to disposal gains will be introduced through the bill.

Any tax charged on disposal gains will be deferred if the asset concerned is transferred between associated entities, subject to specific anti-abuse rules.

In addition, double taxation relief will continue to be available under the refined FSIE regime to mitigate possible double taxation.

The Hong Kong SAR Government will maintain a variety of business-facilitating measures, including simplified reporting procedures, availability of advance rulings, administrative guidance and technical support from the Inland Revenue Department to facilitate tax compliance, with a view to reducing compliance burdens while enhancing tax certainty and ensuring tax transparency.

700bn yuan set aside to support Belt and Road projects

by www.rthk.hk

Wednesday, Oct 18, 2023

President Xi Jinping on Wednesday announced that 700 billion yuan will be deployed to help bankroll Belt and Road projects during his keynote speech at the opening ceremony of the third Belt and Road Forum for International Cooperation.

Here are some of the major facts and figures from his address:

780 billion yuan

The president said the China Development Bank and the Export-Import Bank of China will each be setting up a 350-billion-yuan financing window to fund Belt and Road projects on the basis of market and business operation. Another 80 billion yuan will be added to the Silk Road Fund – an investment fund that covers a range of sectors including energy, infrastructure and sustainable development across Belt and Road countries.

US$97.2 billion

President Xi said US$97.2 billion worth of agreements were completed during the CEO Conference at the start of the Belt and Road Forum. This includes three projects worth more than US$450 million on investment and technical co-operation involving Hong Kong enterprises.

US$37 trillion

With the initiative aimed at breaking down trade barriers, President Xi expects a more open global economy to yield a total worldwide trade in goods worth in excess of US$32 trillion from 2024 to 2028; and trade in services over the same time span to reach US$5 trillion. He said China will remove all restrictions on foreign investment access in the manufacturing sector, and set up pilot zones for Silk Road e-commerce cooperation.

100,000 training spots

As part of the initiative's push to promote green development, President Xi said authorities will further cooperation in areas such as green infrastructure, energy and transportation, and exchange expertise in solar power and low-carbon development. This will include the provision of 100,000 training opportunities for partner countries by 2030.

100 joint laboratories

China is planning to increase the number of joint laboratories built with other BRI partners to 100 over the next five years, as the nation seeks continued advancement in scientific and technological innovation. President Xi said authorities would also support young scientists from overseas to travel to China to work on short-term programmes.

China's third quarter GDP growth beats forecasts

by www.rthk.hk
Wednesday, Oct 18, 2023

China's economy grew at a faster-than-expected clip in the third quarter, data showed on Wednesday, while domestic consumption also picked up pace last month, suggesting the recent recovery may carry enough steam to reach Beijing's full-year growth target.

Gross domestic product grew 4.9 percent in July-September from the year earlier, data released by the National Bureau of Statistics (NBS) showed, versus analysts' expectations in a Reuters poll for a 4.4 percent increase but slower than the 6.3 percent expansion in the second quarter.

On a quarter-by-quarter basis, GDP grew 1.3 percent in the third quarter, accelerating from a revised 0.5 percent in the second quarter and above the forecast for growth of 1 percent.

The NBS said if the nation’s fourth quarter year-on-year GDP growth could be above 4.4 percent, the full-year GDP target of around 5 percent could be achieved. Positive momentum of China's economic recovery is more obvious in the third quarter, the bureau added.

The economy faltered in the second quarter after a brief post-Covid recovery, dragged by a property downturn and huge debt.

Beijing has in recent weeks unveiled a raft of measures, including more public works spending, interest rate cuts, property easing and efforts to shore up the private sector.

The government has set a full year 2023 growth target of around 5.0 percent.

Industrial output in September grew a stronger than expected 4.5 percent from a year earlier, but the pace was unchanged from August, according to the data. Analysts had expected a 4.3 percent increase.

Growth of retail sales, a gauge of consumption, also beat expectations, rising 5.5 percent last month, and accelerating from a 4.6 percent increase in August.

Fixed asset investment grew 3.1 percent in the first nine months of 2023 from the same period a year earlier. Property investment in the first nine months of 2023 fell by 9.1 percent from a year earlier, after slumping 8.8 percent in January-August, the data showed.

Tax-certainty bill published

by news.gov.hk
Wednesday, Oct 18, 2023

The Inland Revenue (Amendment) (Disposal Gain by Holder of Qualifying Equity Interests) Bill 2023 will be published in the Gazette on October 20 and introduced in the Legislative Council on November 1.

The bill seeks to provide greater certainty of non-taxation of onshore gains on disposal of equity interests that are of a capital nature. A tax-certainty enhancement scheme will give holders assurance of non-taxation on their gains, provided they meet certain criteria.

Specifically, gains will be treated as capital and not chargeable to profits tax if the investor entity concerned has held certain equity interests in the investee entity for 24 consecutive months immediately before the date of disposal and these interests amount to at least 15% of total equity interests in the investee entity.

The scheme excludes certain gains which are not normally considered as capital in nature and gains arising in circumstances where the risk of abuse is relatively high, so as to strike a balance between facilitating businesses and upholding the integrity of the tax system.

Where gains are not eligible for the scheme or taxpayers do not elect to use the scheme, the Inland Revenue Department will continue to use the “badges of trade” approach to determine the appropriate tax treatment.

Stressing that Hong Kong is renowned for its simple and competitive tax system, which does not tax gains on disposal of equity interests of a capital nature, the Government said the scheme will further enhance the competitiveness of the city’s tax regime through greater upfront certainty of non-taxation of gains.

It added that the scheme will be more competitive than similar schemes in other tax jurisdictions as it involves wider coverage of businesses and equity interests, a lower threshold for equity holdings, and more flexible arrangements such as allowing the minimum holding percentage of 15% to be met on a corporate group basis.

The scheme will be applicable to gains accrued in an assessment year beginning on or after April 1, 2023, and where disposal occurs on or after January 1, 2024.

City to sustain competitive edge: CE

by news.gov.hk
Wednesday, Oct 25, 2023

Hong Kong continues to create strong impetus for growth but must sustain its efforts in view of fierce global competition, Chief Executive John Lee said today in his 2023 Policy Address as he outlined initiatives to attract enterprises, investment and talent to Hong Kong.

Mr Lee stressed that measures launched last year on each of these aims have so far generated positive results.

On efforts to attract talent, he said some 160,000 applications had been received, and that of these 100,000 had now been approved and around 60,000 individuals had already arrived in Hong Kong as of the end of September.

He also noted that the Office for Attracting Strategic Enterprises had reached out to over 200 strategic enterprises, with 30 indicating that they plan to establish a foothold or expand their operations in Hong Kong. These plans involve about $30 billion in new investment and the creation of around 10,000 new employment opportunities.

Meanwhile, in the first nine months of this year, Invest Hong Kong (InvestHK) assisted over 300 Mainland and overseas enterprises in establishing or expanding their operations in Hong Kong, representing an increase of more than 25% over the same period last year.

The Chief Executive said that Hong Kong will continue to strive to attract enterprises, particularly those relevant to the city's development across "eight centres", including advanced technology, innovation and strategic industries.

Adding that the development of Hong Kong's "headquarters economy" will continue apace, with enterprises being attracted to set up headquarters or corporate divisions here, Mr Lee iterated that Hong Kong is ideally placed to help foreign enterprises tap into the Mainland whilst also assisting Mainland enterprises in expanding abroad. He added that the Hong Kong Special Administrative Region Government will discuss with the relevant central authorities further measures to help Mainland enterprises establish a presence in the city.

He also outlined that the Government will introduce a mechanism to help companies domiciled overseas re-domicile in Hong Kong. Explaining that the mechanism will appeal in particular to companies focused on markets in the Asia-Pacific region, and that InvestHK and the Hong Kong Exchanges & Clearing will reach out to major Hong Kong-listed companies domiciled overseas, he said the aim was to present the necessary legislative amendments to the Legislative Council in the first half of next year.

Mr Lee announced, meanwhile, that in order to attract more overseas companies to establish operations in Hong Kong, and to facilitate business travel to the Mainland for people working in such companies, foreign staff working for companies registered in Hong Kong may, from tomorrow, apply to the Chinese Visa Application Service Centre in Hong Kong for multiple-entry Mainland visas that are valid for two or more years. Their applications will enjoy priority processing, he added.

The Chief Executive also highlighted various new measures that the Government believes will attract and retain talent. Having launched the Hong Kong Talent Engage scheme online last year, it will establish a physical office for the initiative by the end of this month to provide support for talent arriving in Hong Kong. Looking further ahead, a talent development conference will be held in 2024 to promote co-operation in talent attraction in the Greater Bay Area.

The Government will also expand its Top Talent Pass Scheme by adding eight esteemed institutions from the Mainland and overseas to the list of eligible universities under the scheme, with effect from November. Moreover, from today Hong Kong's visa policy in respect of employment for citizens of Vietnam who qualify as talent, as well as the criteria for Vietnamese applicants for multiple-entry visas for the purposes of business or travel, have been relaxed. The visa policy with regard to Laotian and Nepalese talent coming to Hong Kong for employment or training opportunities, or to study at University Grants Committee-funded institutions, will also be relaxed.

Mr Lee added that the Government will implement a Capital Investment Entrant Scheme, with details to be announced by the end of the year. Under the scheme, eligible investors who make investments of $30 million or above in certain assets can apply for entry into Hong Kong.

Under the Vocational Professionals Admission Scheme, meanwhile, starting with the cohort admitted in 2024/25 non-local students on full-time professional Higher Diploma programmes designated by the Vocational Training Council will be allowed to stay in Hong Kong for one year after graduation to seek jobs relevant to their disciplines.

The Chief Executive also unveiled plans to set up a dedicated office and an expert group within the next year to carry forward the establishment of the Hong Kong International Legal Talents Training Academy. Capitalising on Hong Kong's bilingual common law system and international status, the academy will promote talent exchange activities in regions included in the Belt & Road Initiative. It will also provide training for individuals involved in foreign-related legal affairs in the Mainland, and nurture legal talents conversant with international law, common law, civil law and the Mainland's legal system.

Mr Lee also revealed that the Independent Commission Against Corruption will establish the Hong Kong International Academy Against Corruption in the first quarter of 2024. The academy will organise training for anti-corruption professionals from around the world, as well as for the public and private sectors in Hong Kong, and promote experience-sharing among anti-corruption experts and scholars from Hong Kong, the Mainland and overseas.

Headquarters economy to help HK fight for talent

by rthk.hk
Wednesday, Oct 25, 2023

Tens of thousands of people have moved to Hong Kong since last year under measures designed to attract talent, but the city will need to strengthen its efforts to remain competitive, Chief Executive John Lee said on Wednesday.

The government will develop a headquarters economy to attract firms to the SAR and help them tap into the mainland market, Lee said in his Policy Address.

At the same time, the authorities will look at ways to get mainland companies to set up headquarters or divisions in Hong Kong.

Lee said the government will also introduce a mechanism to make it easier for companies domiciled overseas to re-domicile in the SAR.

From October 26, foreigners working for companies registered in Hong Kong will be able to apply for multiple-entry visas to the mainland that are valid for two years, the CE said, adding that these people will also be given priority processing.

The chief executive said his administration will bring back the Capital Investment Entrant Scheme, allowing those who make investments of HK$30 million or more to move to Hong Kong.

"This will strengthen the development of our asset and wealth management business, financial services and related professional services," Lee said.

Other Policy Address measures aimed at attracting and retaining talent include setting up an office for Hong Kong Talent Engage – which provides support for those moving to the city – as well as adding eight outside universities to the Top Talent Pass Scheme and relaxing visa requirements for people from Vietnam, Laos and Nepal.

Meanwhile, a two-year pilot programme will allow non-local students of full-time professional Vocational Training Council higher diploma programmes to be allowed to stay in Hong Kong to look for a job in the 12 months after their graduation.