## InvestHK assists 322 companies in first half of 2024

by rthk.hk
Jul 02, 2024

The government's investment promotion agency on Tuesday said it assisted 322 companies to establish or expand their business in Hong Kong in the first half of the year.

That was 43 percent more compared with the same period last year.

InvestHK said the companies injected over HK$38.3 billion into the economy and created more than 3,500 jobs.

At a press briefing, the Director-General of Investment Promotion, Alpha Lau, said these companies are from 33 economies, with nearly half from the mainland.

"For the mainland enterprises, over the past years, the percentage had always been hovering around 35 percent, because Hong Kong is an international city that's a springboard into the rest of the world," she explained.

"We are unlike any other Chinese city, which is why even Chinese enterprises have to come to Hong Kong. Most of them do anyway, to set up the first stepping stone or international headquarters to go outside of China."

Twenty-four percent of the 322 firms helped so far this year are from the financial services and FinTech sectors, while 19 percent are from the innovation and technology industry.

Lau also said InvestHK is currently scrutinising 310 applications received since March for the New Capital Investment Entrant Scheme, which aims to attract high-net-worth individuals to Hong Kong. She said she expects the scheme to bring in investments exceeding HK$9 billion.

Looking ahead, Lau said the agency will focus its promotional efforts in the coming months on the economies of the Association of Southeast Asian Nations (ASEAN), as well as in the Middle East and North Africa.

# Company re-domiciliation vital for HK

by news.gov.hk
Jul 03, 2024

Secretary for Financial Services & the Treasury Christopher Hui

Today, the Financial Services & the Treasury Bureau (FSTB) published the public consultation conclusion and latest legislative proposals for the company re-domiciliation regime. I would like to take this opportunity to share the thinking behind the proposals as well as the highlights therein.

**A focused policy to draw in enterprises**

It is a key policy objective of the current-term Government to enhance competitiveness through attracting enterprises and investment. The FSTB will put in place an inward re-domiciliation regime to turn the Hong Kong market into a cornucopia of enterprises that draws in foreign companies. These companies may bring demand for professional services, investment and job opportunities, which will transform into a new driving force for development of the local markets.

The policy intent of the proposed company re-domiciliation regime is to provide a simple and straightforward route for non-Hong Kong companies to transfer their domicile on the premise that the integrity of Hong Kong's business environment will be safeguarded. Last year, we carried out a public consultation and consulted the Legislative Council (LegCo) Panel on Financial Affairs. We are glad to note that the proposal is unanimously supported by the general public and the market.

**Enhanced procedures for business facilitation**

Our latest legislative proposals cover four types of companies that can be formed under the Companies Ordinance (CO), namely private companies limited by shares; public companies limited by shares; private unlimited companies with a share capital; and public unlimited companies with a share capital, with a view to focusing on attracting company types with high value-adding potential and economic benefits. Moreover, we have actively responded to the valuable views collected during the consultation, incorporating them to enhance the below re-domiciliation eligibility criteria and procedures to facilitate companies' applications for re-domiciliation and business continuity:

- **Relaxing requirement on financial statements:** The original requirement for submission of the latest audited financial statements as at a date no more than three months prior to the application date will be relaxed to submission of financial statements as at a date no more than 12 months prior to the application date. Whether the financial statements should be audited would be determined according to the requirements of the original domicile.
- **Extending deregistration period:** For the original requirement that a re-domiciled company should deregister from its original domicile within 60 days upon the issue of the certificate of re-domiciliation, the deregistration period will be extended to 120 days, and we will allow companies to apply for further extension of the period to increase flexibility if necessary.
- **Retaining company name and business registration number (BRO):** If a re-domiciled company is a non-Hong Kong company with a place of business in Hong Kong and registered under the CO prior to its re-domiciliation, it may retain its company name and BRO after re-domiciliation to enable continued operation of business.

- **Simplifying requirement on company members' consent:** For the protection of company members, consent from members should be obtained for re-domiciliation. We will simplify the relevant criteria to the effect that a company should comply with the requirements of the law of its original domicile or its constitutional documents. In the case that there is no such requirement, the company should obtain members' consent by a resolution passed by at least 75% of the eligible members. Both a resolution passed at a meeting and a resolution passed in written form will be accepted.
- **Ensuring proper regulation of financial institutions:** We will put in place mechanisms to require relevant insurance and banking institutions to approach their respective financial regulators in Hong Kong and be subject to the necessary assessments prior to making the re-domiciliation application so as to ensure proper transition.

**Clear tax obligations and elimination of burden**

To address base erosion and profit-shifting risks arising from the digitalisation of the economy, currently more than 140 jurisdictions indicated acceptance of the international reform proposals drawn up by the Organisation for Economic Co-operation and Development (BEPS 2.0). The BEPS 2.0 proposals ensure that in-scope large multinational enterprise groups pay a global minimum tax of at least 15% on income derived by their constituent entities in every jurisdiction where they operate, thus reducing the latitude for jurisdictions to introduce tax exemption or extremely low preferential tax rate as a means to enhance their tax competitiveness in future. In addition, the economic substance requirement imposed on some companies incorporated or registered in the no-tax or only nominal-tax jurisdictions in recent years increases the compliance cost borne by these offshore companies, in turn undermining the incentives for these companies to maintain their offshore registrations. The introduction of a company re-domiciliation regime in Hong Kong will enable these companies, especially those with a business focus in the Asia-Pacific region, to transfer their domicile to Hong Kong in response to the increasing compliance burden.

During the re-domiciliation process, a company may be taxed by its original domicile for its unrealised profits (commonly known as "exit tax"). If, after re-domiciliation, the company's actual similar profits are also taxed in Hong Kong, we will provide the company with unilateral tax credits for elimination of double taxation. Also, we will stipulate necessary transitional tax matters in the Inland Revenue Ordinance to provide certainty on the companies' profits tax obligations after re-domiciliation, thus facilitating their tax planning.

**All-out efforts for early implementation**

The introduction of a company re-domiciliation regime is of great significance in Hong Kong's corporate governance policy. It interfaces with multiple policy areas, requiring a comprehensive review of the applicability of different laws and regulations of Hong Kong to re-domiciled companies, so as to enable companies re-domiciled to Hong Kong to operate in an orderly manner as well as benefit from Hong Kong's strengths in our corporate governance regime, rule of law, taxation system and professional services. We are pressing ahead with the drafting of the legislation with a view to submitting the bill to LegCo as early as practicable. In the meantime, we look forward to your continued support for this exercise.

*Secretary for Financial Services & the Treasury Christopher Hui wrote this article and posted it on his blog on July 3.*

## 'Patent box' tax concession enacted

by news.gov.hk
Jul 05, 2024

The Inland Revenue (Amendment) (Tax Concessions for Intellectual Property Income) Ordinance 2024 has been published in the Gazette.

The amendment ordinance implements the Government's "patent box" tax incentive, which provides tax concessions for qualifying profits derived from eligible intellectual property (IP). It comes into force today and allows taxpayers to apply for the incentive starting from the 2023/24 year of assessment.

Eligible IP includes patents, copyrighted software and new plant variety rights. It may be registered in different places around the world, with profits sourced in Hong Kong benefitting from the tax incentive.

The concessionary tax rate is 5%, substantially lower than the existing normal profits tax rate of 16.5% in Hong Kong.

The Government noted that eligible IP must be developed by the taxpayers themselves. If the research and development (R&D) process involves the acquisition of IPs or the outsourcing of R&D activities, the proportion of profits eligible for the concessionary tax rate may be reduced.

Additionally, enterprises need to obtain local registration for their IP in order to enjoy the concession. This requirement will come into force two years after the "patent box" tax incentive comes into operation.

The Commerce & Economic Development Bureau said the "patent box" regime encourages enterprises to forge ahead with more R&D activities and promotes IP trading, thereby consolidating Hong Kong's competitiveness as a regional IP trading centre.

The Government said separately that in view of copyright issues arising from the rapid development of artificial intelligence technology, it will soon conduct a consultation to explore further enhancing the protections provided by the Copyright Ordinance, so as to ensure that Hong Kong's copyright regime remains robust and competitive.

# Local firms hit record 1.44m

by news.gov.hk
Jul 19, 2024

The Companies Registry today announced that 66,734 local companies were newly registered during the first half of 2024, bringing the total number of registered local companies to 1,440,935, an all-time high figure.

Meanwhile, 501 non-Hong Kong companies have newly established a place of business in the city and were registered under the Companies Ordinance. The total number of registered non-Hong Kong companies reached 14,959 as at the end of June, which is also a record high.

From January to June, the number of charges on properties of companies received for registration was 5,721, while the number of notifications of payments and releases was 8,808. There were also 1,520,759 documents delivered to the registry for registration.

For electronic search services, 2,564,604 searches of document image records were carried out.

As for the licensing of trust or company service providers, 324 licences were granted, resulting in 6,974 licensees up to mid-2024.

## IPOs on road to recovery as HKEX vets 106 applications

by www.thestandard.com.hk
Jul 26, 2024

Nancy Li

Hong Kong Exchanges and Clearing (0388) is currently processing 106 listing applications, said HKEX chief executive Bonnie Chan Yi-ting at a forum in Shenzhen yesterday, with some mainland tech firms showing interest in listing in Hong Kong, suggesting a recovery in the initial public offering market.

Forty new stocks have been listed in HKEX since this year, which is the third most in the world, Chan added.

As many tech companies need to invest heavily in research and development, HKEX decided to introduce Chapter 18C in its listing rules, which enables firms to seek financing in the market early on in their life cycle.

One company has already been listed last month through 18C and many others are preparing IPO applications, Chan said.

The new rule allows specialist technology companies that are unable to satisfy the profit test to apply for IPOs in Hong Kong.

State-owned venture capital company Shenzhen Capital Group has invested in a robotic research company, which in turn is applying for an IPO under Chapter 18C.

China Reform Holdings, a central state-owned enterprise specializing in promoting SOE reforms, said its long-term investment strategy is to invest in small companies that specialize in hard technologies.

Head of innovation and technology of Invest Hong Kong, Andy Wong Wai-cheuk, said that, beyond Chapter 18C, the government has established various funds and provisions to support R&D, the promotion of commercialization and the new industrialization acceleration scheme.

Meanwhile, Zhizi Automotive Technology, a mainland tech firm, plans to establish a research and development centre for hydrogen vehicles and expects to list in the city next year, according to its co-founder.

## China, Italy sign three-year action plan

by rthk.hk
Jul 28, 2024

Italian Prime Minister Giorgia Meloni vowed on Sunday to "relaunch" cooperation with China, signing a three-year action plan during her first official visit to Beijing since taking office, Italian news agency ANSA reported.

Meloni made the announcement during a meeting with Premier Li Qiang, as Rome seeks to improve trade ties with Beijing after it exited the Belt and Road infrastructure investment scheme last year.

The Italian leader said her five-day trip was a "demonstration of the will to begin a new phase, to relaunch our bilateral cooperation", ANSA reported.

The action plan will aim to experiment with new forms of cooperation, she added.

Meloni, who sees Chinese investment as a way to spur Italy's anaemic economic growth, will meet President Xi Jinping and National People's Congress Standing Committee chairman Zhao Leji.

She also attended an Italy-China business forum, to which companies including Italian tyre-maker Pirelli, energy group ENI, defence group Leonardo, wine producers and several Italian luxury fashion groups such as Dolce & Gabbana were invited.

The forum gives "another signal of the mutual interest... (to) balance more our interests, our commercial exchange," she said.

"China and Italy should adopt a win-win mentality and increase trade and investment cooperation, making cooperation even more dynamic and sustainable," said Premier Li at the opening of the forum, according to a video shared by Meloni's office.

Bilateral trade and industrial agreements are expected to be signed during Meloni's trip, a source close to the planning has said.

In 2019, Italy became the only Group of Seven country to join the massive Belt and Road Initiative but withdrew last year under US pressure over concerns about Beijing's economic reach. (Reuters)

# Economy still growing as firms push forward listing plans: Chan

by www.thestandard.com.hk
Jul 29, 2024

Hong Kong's overall economy continues to grow, with many enterprises actively pushing forward their plans to list on the Hong Kong stock market, Financial Secretary Paul Chan Mo-po said.

In a blog post yesterday, Chan said that his remarks would be backed by the city's upcoming Gross Domestic Product figures for the second quarter of this year, which are set to be announced this week.

He said that Hong Kong's private consumption weakened due to changes in people's consumption patterns and the high exchange rate of the Hong Kong dollar.

However, Chan said that recent figures have shown the value of the city's exports has been growing for three consecutive months, with a year-on-year increase of 12.5 percent in the second quarter.

"As external demand continues to increase and benefiting from the rapid growth of the country's overall exports, Hong Kong has been performing strongly in exports," Chan said.

He stated that despite the current high interest rates curbing investment sentiment, exports are expected to continue growing and the overall investment trend is also likely to continue.

"Many enterprises are actively promoting plans to list in Hong Kong, and the booming development of innovation and technology has also attracted many high-end talents from mainland China and overseas to pursue their careers in the city," Chan said.

To further support the growth, he said that the administration is planning to implement the HK$10 billion New Industrialisation Acceleration Scheme within this year, as proposed by Chief Executive John Lee Ka-chiu in his policy address last October. The scheme aims to provide financial assistance for technology enterprises.

Moreover, Chan said that the government-owned Hong Kong Investment Corporation is also attracting more cutting-edge technology companies as partners through long-term investment strategies.

He added that the city should make use of its "east-meet-west gene" to hold more international major events and expos, such as the Ani-com & Games Hong Kong, which he said has attracted many overseas exhibitors.

During a recent trip to Beijing, Chan met with Xia Baolong, director of the State Council's Hong Kong and Macau Affairs Office, who stressed the need for Hong Kong to reform and respond to profound shifts in its internal and external environments.

"We should know how to change first to pursue change, which requires the SAR to understand the direction of the national development blueprint and ensure that the city can take advantage of the country's strength to give full play of our own advantages," Chan noted.

He also expressed optimism about the market atmosphere in Hong Kong turning "positive and more active" in the second half of the year, with the expectation of lower interest rates and beneficial national policies.

# Chinese leaders pledge further support for flagging economy

by www.thestandard.com.hk
Jul 30, 2024

President Xi Jinping and other Chinese leaders stressed the need for further reform to support economic activity and the country's ailing property sector, state media reported Tuesday, following a key meeting centred on boosting growth.

Beijing is racing to achieve its goal of five percent annual growth in 2024, a target considered ambitious by many experts as the world's second-largest economy faces headwinds including an indebted real-estate market, flagging consumption and high youth unemployment.

Tuesday's gathering of the Communist Party's powerful Politburo of senior officials was billed as a chance for top leaders to take stock of the current economic situation and set out policy directions for the second half of the year.

They warned that "adverse effects brought about by current changes in the external environment are increasing", while there are "many risks and hidden dangers in key areas", state news agency Xinhua said.

The report did not include any specific new policies, though attendees highlighted the need to ease local debt pressure and "accelerate the construction of a new development model" in the property sector.

Rating agency Fitch in April slashed its outlook on China's sovereign credit to negative, citing heightened risks to the country's public finances.

Second-quarter growth slowed sharply to 4.7 percent year-on-year, according to official figures published this month.

Authorities have announced various measures in recent months -- including several key interest rate cuts -- in a bid to get the economy humming again.

Zhang Zhiwei, President and Chief Economist at Pinpoint Asset Management, said in a note that Tuesday's meeting showed "the government recognises that domestic demand is weak and plans to prepare some policy measures in the pipeline to address the problem"
.
"Monetary policy has already turned more supportive with the rate cuts recently, which is positive for the economy," said Zhang, adding that broader changes to fiscal policy could be "much more supportive".

"It is not clear at this stage if such a shift of fiscal policy will happen."

The Politburo meeting readout also outlined new efforts to boost domestic consumption and household welfare.

But Capital Economics' Julian Evans-Pritchard said: "The lack of any specifics means it is unclear what it will entail in practice.

"Overall, the communique suggests the primary focus of policy remains on economic security and nurturing new productive forces in high-end sectors."
(AFP)