CHARLTONS
易周律师行

HONG KONG STOCK EXCHANGE TREASURY SHARES REGIME AND COMPANY RE-DOMICILIATION REGIME IN HONG KONG

October 2025

Background to HKEX treasury shares regime

- Previously, Listing Rules prevented repurchased shares from being held by Listco in treasury for future resale
  - safeguard against risks of market manipulation & insider trading

  - Over 90% of HKEX-Listcos are incorporated in jurisdictions permitting holding of treasury shares
    - e.g. Mainland China, Bermuda & Cayman Islands

- Amendments to the HK Companies Ordinance (CO) on 17 April 2025
  - HK-incorporated Listcos are excluded from the requirement to immediately cancel repurchased shares

Benefits of the treasury share regime

Holding of treasury shares & permitted use governed by Listco's laws of incorporation & constitutional documents

Depending on local laws, treasury shares can offer Listcos

Alternative fund-raising means to placings

- Companies can resell the treasury shares in small lots on the market at full market price
    - new shares typically sold at a discount to market price
    - allow more flexibility in adjusting share capital & potentially reduces cost of capital

Greater flexibility – allow repurchase of shares for the following reasons:

- returning cash to shareholders;
- adjusting debt-to-equity ratio;
- increasing earnings per share;
- facilitating the exit of shareholders; or
- signaling to the market that its shares are undervalued

LR requirement to cancel repurchased shares removed

- Listcos can hold repurchased shares in treasury for future resale if allowed under laws of jurisdiction of incorporation (home laws) & constitutional documents
- Treasury shares remain listed shares if allowed under home laws

"Treasury Shares" definition

- Rule 1.01 — *"shares repurchased and held by an issuer in treasury, as authorised by the laws of the issuer's place of incorporation and its articles of association or equivalent constitutional documents which, for the purpose of the Rules, include shares repurchased by an issuer and held or deposited in CCASS for sale on the Exchange"*
    - treasury shares can be held by Listco's subsidiary, or an agent or nominee of Listco or its subsidiary, if permitted by home laws and constitutional documents
        - Note: under Bermuda & Cayman Islands laws, treasury shares must be held in Listco's own name
        - PRC — treasury H shares can be held in the name of Listco or a nominee
- Treasury shareholders' rights as shareholders (e.g. voting rights & rights to distributions) usually suspended under home laws until resale/transfer out of treasury
- Rule 10.06(5) — listed companies must ensure that treasury shares are clearly identified and segregated

Holding treasury shares in CCASS

Segregated CCASS account

- GL 119-24 – Listed companies can hold treasury shares that they intend to resell with CCASS registered in the name of HKSCC Nominees Limited (**HKSCCN**) as a common nominee
  - must be held in a segregated CCASS account

Home laws require repurchased shares to be held in Listco's own name

- Listco should
  - withdraw repurchased shares from CCASS on completion of repurchase & register them in its own name
  - only re-deposit treasury shares into CCASS if there's imminent plan to resell
- Shares cease to be classified as treasury shares on transfer to HKSCCN → but will still be treated as treasury shares under the Listing Rules
- Pending resale, Listco must ensure shares treated as treasury shares & not exercise any shareholders' rights

Home laws allow repurchased shares to be held in name of Listco or nominee

- Rights attached to shares will be suspended under home laws
- Treasury shares must be held in segregated account
- Listco must give instructions to share registrar & broker to identify repurchased shares held in CCASS as treasury shares

LR Restrictions on Share Repurchases

Restrictions on on-Exchange share repurchases

1 **Listco must have shareholders' approval to repurchase shares on-exchange under general or specific mandate**

2 **Mandate to limit repurchase of shares to 10% of Listco's issued shares (excluding treasury shares) at date of repurchase mandate (LR 10.06(c)(i))**

3 **Price Limit**

- No on-exchange repurchase at a price higher by 5% or more than the shares' average closing price for 5 preceding trading days

Resale/transfer of treasury shares treated as new share issue

- Resale/transfer of treasury shares subject to pre-emption under Rule 13.36 - must be
    - offered to shareholders pro rata or
    - be approved by shareholders under specific or general mandate
- General mandate must specifically authorise resale of treasury shares
- General mandate limit
    - is aggregate of (1) 20% of Listco’s issued shares (excluding treasury shares) on date of resolution granting mandate and (2) no. of shares repurchased under general mandate since date of general mandate up to 10% of Listco’s issued shares (excluding treasury shares) at date of share repurchase mandate
    - applies to new share issues & sale/transfer of treasury shares

Resale of treasury shares treated as new share issue (cont'd)

- An on-exchange resale under general mandate is subject to maximum price discount of 20% of the higher of:

  1. the closing price on the trading day immediately prior to the resale; and
  2. the average closing price in the 5 trading days immediately prior to the resale (LR 13.36(5A))

- Off-market resale under general mandate for cash consideration subject to maximum price discount of 20% of higher of:

1. the closing price on date of agreement for resale; and
2. the average closing price in the 5 trading days prior to the earlier of (a) the announcement of the resale (b) the date of the agreement for resale and (c) the date the price is fixed (LR 13.36(5))

PRC-incorporated Listcos

- Governed by Rules 10.05 and 10.06
  - not covered by Rule 13.36

- Under PRC law — A+H issuers do not need to cancel their treasury A shares
  - can hold and use repurchased A shares with board approval

- The resale of treasury A shares is not subject to the Listing Rules' shareholders' mandate requirement

Resale of treasury shares

1 Resale of treasury shares through agents or nominees

- Rule 1.01 — resale of treasury shares by a listed company or its subsidiary includes resale of treasury shares through their agents or nominees

2 Resale of treasury shares to connected persons

- Resale or transfer of treasury shares subject to same connected transaction requirements under Ch. 14A as a new share issue

- Resale or transfer of treasury shares to connected person require independent shareholders' approval unless exempt under LR 14A.92 (exemptions for pro rata issues to shareholders and shares issued under a share scheme that complies with Ch. 17)

- On-exchange sales of treasury shares exempt from all Ch 14A requirements if connected person does not know they are purchasing from Listco (LR 14A.92B)

Share schemes

- Share schemes can use treasury shares to satisfy share grants if specifically allowed under scheme rules

  Amending scheme rules to allow use of treasury shares to satisfy grants not regarded as a material alteration requiring shareholders' approval

- Share schemes using treasury shares to satisfy share grants → treated as share schemes funded by new shares under Ch 17

    - Grants subject to the scheme mandate limit

- Listcos must:
    - publish an announcement of the grant of share awards or options under a share scheme
    - file a next day disclosure return on transfer of treasury shares to a director under a share scheme
    - file a next day disclosure return on transfer of treasury shares to non-director participants only if transfer alone or with other events under LR 13.25A(2)(b) results in change of ≥5% of Listco's issued shares since last next day or monthly return

Dealing Restrictions

Dealings in treasury shares subject to restrictions on insider dealing & market manipulation under SFO

1 Moratorium on resales & transfers of treasury shares after share repurchase (LR 10.06(3)(a))

- 30-day moratorium on: resale/transfer of treasury shares after an on- or off-exchange share repurchase
- subject to carve-outs for sales or transfers of treasury shares:
  1. under capitalisation issues;
  2. upon vesting or exercise of share awards or options under a share scheme complying with Ch. 17; or
  3. pursuant to exercise of warrants, share options or similar that require Listco to transfer treasury shares that were outstanding before the share repurchase

2 Moratorium on on-exchange share repurchases after on-exchange resale or transfer of treasury shares (LR 10.06(3)(b))

- 30-day moratorium on on-exchange share repurchases after on-exchange sale or transfer of treasury shares

Other Dealing Restrictions

- LR 10.06(2)(e) & LR 10.06(A)(3) – Listcos prohibited from repurchasing shares on-exchange or reselling treasury shares on-exchange:
  - during period starting 30 days before earlier of board approval of financial results & deadline for publishing announcement of financial results & ending on date of results announcement
  - at any time when they have undisclosed inside information
- LR 10.06(2)(c) & 10.06(A)(1)
  - Listcos must not knowingly purchase shares from or sell treasury shares to a core connected person on-exchange
  - Core connected person must not knowingly sell shares to or buy treasury shares from Listco on-exchange
- LR 10.06(2)(d) & 10.06(A)(2) – if Listco appoints a broker to effect a repurchase of its shares or a sale of its treasury shares, must procure that the broker provides Stock Exchange with any information it requests re. the share repurchase or sale of treasury shares

New listing applicants

- New listing applicants can retain treasury shares after listing
  - must disclose details of treasury shares in the prospectus

- LR 10.08 – resale or transfer of treasury shares (or agreeing to resell or transfer) not allowed within 6 months of a new listing except for
  - a transfer under a Chapter 17 share scheme or
  - a transfer by a Listco that transferred its listing from GEM to the Main Board & disclosed plan to raise funds within 6 months of transfer in its listing document or announcement of transfer under Ch. 9B

Disclosure Obligations

Disclosure of the listed company's intention to hold treasury shares

- LR 10.06(1)(b) – Listcos must state whether they <u>intend to cancel the repurchased shares or hold them in treasury</u> in the explanatory statement for a proposed share repurchase mandate
    - Listed company can later change this decision

- LR 10.06(4)(a) – Disclosure of share repurchases in next day disclosure return to state whether shares to be cancelled or held in treasury & reasons for any deviation from intention stated in explanatory statement

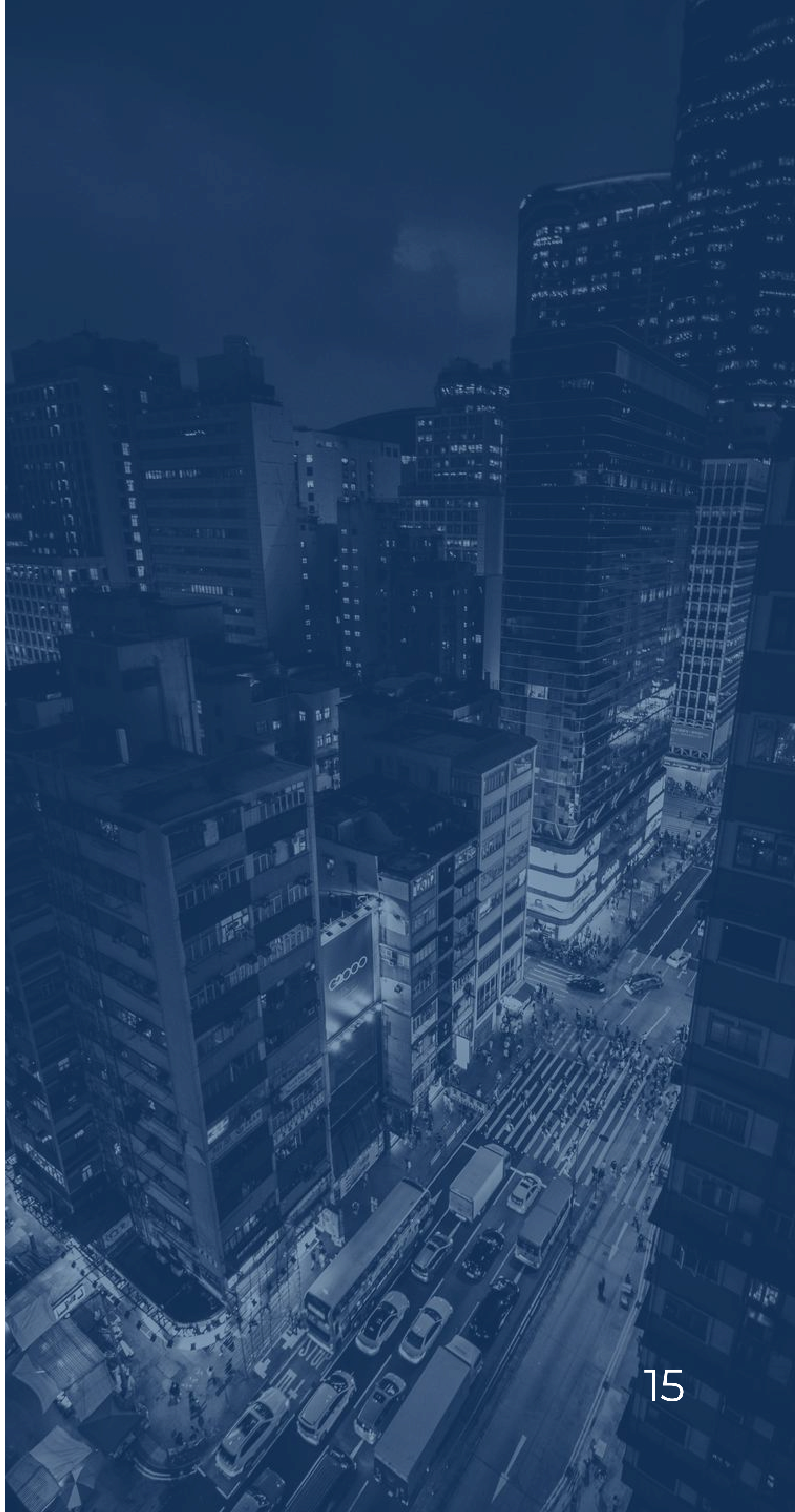
Disclosure Obligations

On-exchange resale of treasury shares

- Must be disclosed in next day return including key information (LR 10.06B(1))
- Separate announcement required if the resale (together with unannounced resales w/in previous 12 months) = ≥5% of Listco's issued shares (excluding treasury shares) (LR 10.06B(2))
- Annual & interim reports must disclose on-exchange resales of treasury shares for cash with details of:
  - monthly breakdown of resales
  - selling price & total funds raised
  - use of proceeds
  - reasons for resales

Cancellation of treasury shares

- Must be disclosed in next day return under LR 13.25A(2)(b)(vii) if (alone or with other events in LR 13.25A(2)(b)) results in change of ≥5% in Listco's issued shares since last return filed



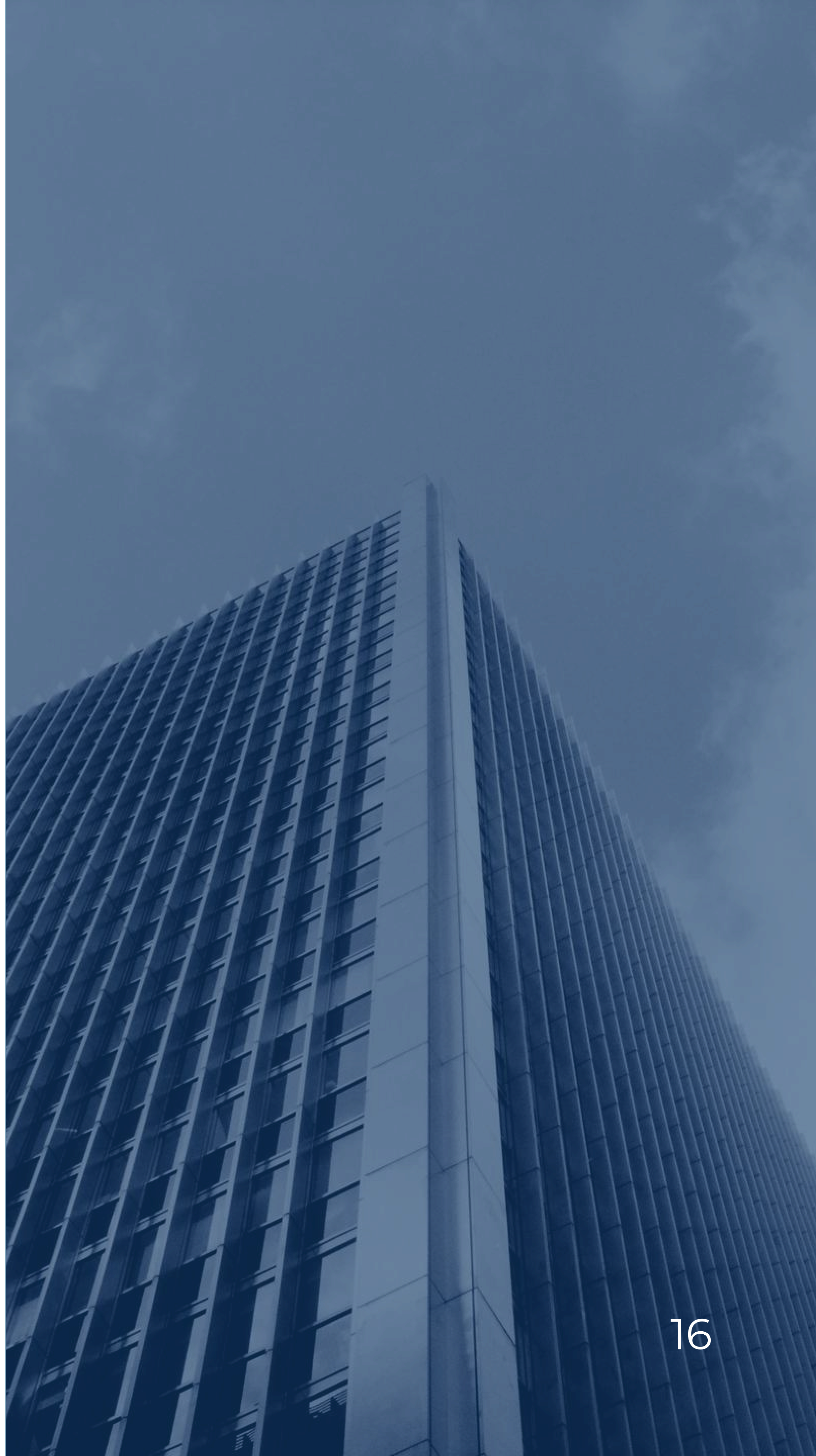
Other Listing Rule provisions

1 Voting rights attached to treasury shares

- LR 1.01 – Listcos holding treasury shares must abstain from voting on matters that require shareholders' approval under the Listing Rules

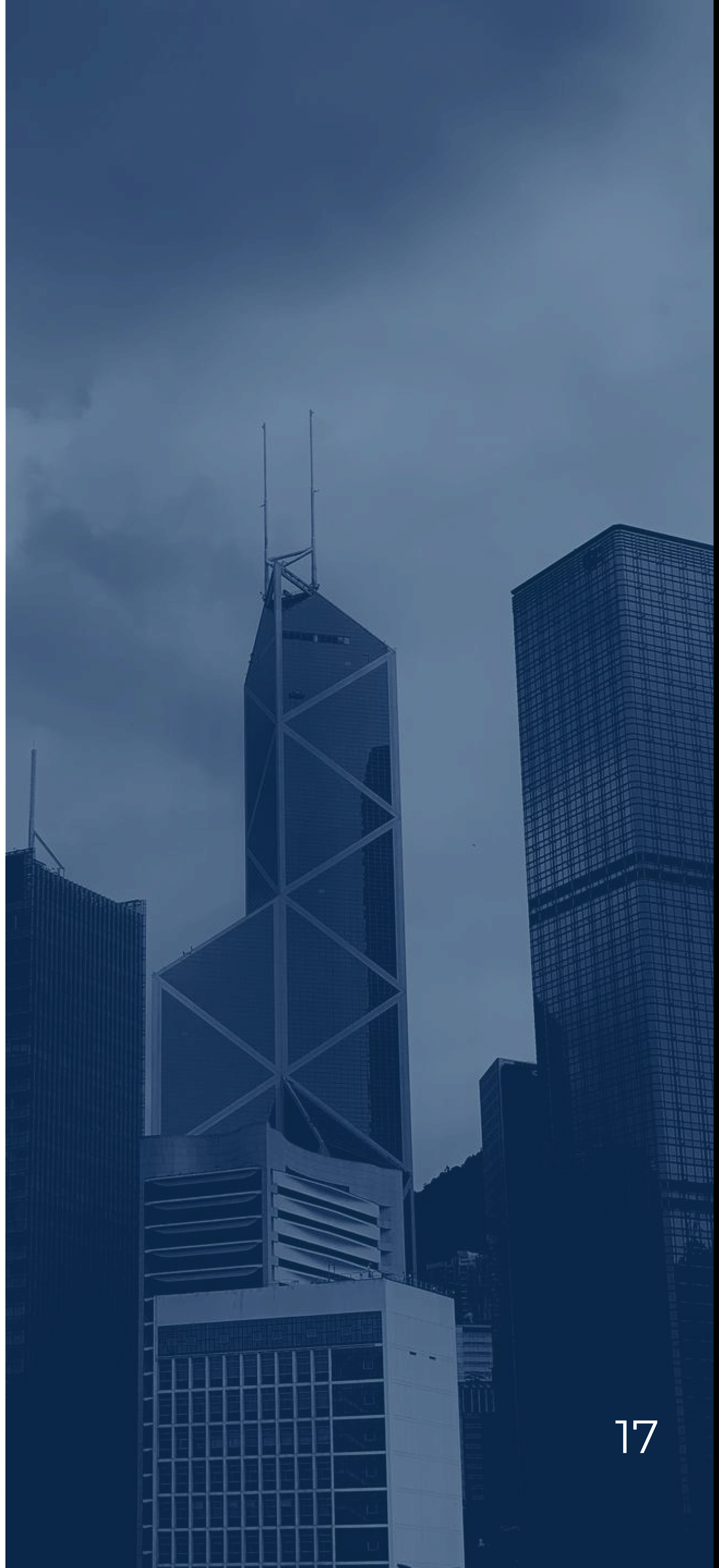
2 Excluding treasury shares when calculating issued shares

- Treasury shares excluded
  - from Listco's issued shares when calculating public float, market capitalisation, mandate limits, size tests
  - when calculating % of rights to vote (e.g. for definitions of controlling & substantial shareholders)



Takeovers Code and Share Buy-backs Code (Codes)

- Codes concerned with “voting rights” - typically suspended for treasury shares under home laws
- Codes’ definition of “voting rights” excludes voting rights attached to treasury shares
- Treatment of treasury shares under Codes generally not affected by treasury share regime
- <u>Treasury shares are disregarded in calculating mandatory general offer, voting, approval & acceptance thresholds</u>
- Listco’s repurchase of shares will result in increase in shareholders’ voting rights whether shares are cancelled or held in treasury
- Treasury shares are not outstanding share capital - offers do not need to include them
- Treasury shares are not “disinterested shares”
- Detailed guidance in SFC Practice Note 26



Disclosure of Interests Regime under Part XV SFO

- Treasury shares remain issued voting shares despite suspension of voting rights

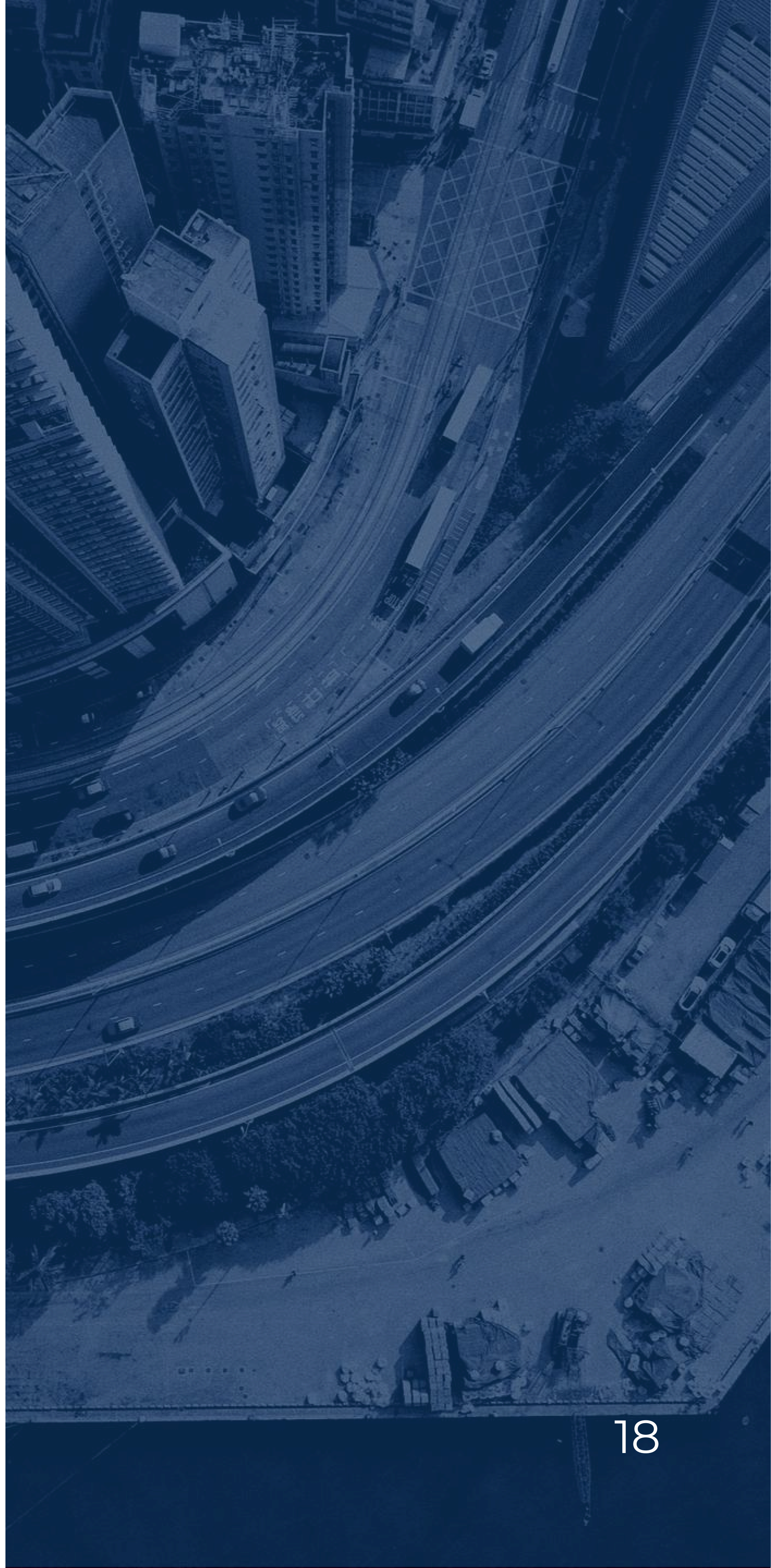
- Treasury shares must be included in Listco’s shares in issue when calculating % figure of a person’s interest

- No change to shareholders’ interests when Listco holds repurchased shares as treasury shares or resells treasury shares

- Listco must file substantial shareholder notice if it holds ≥5% of its shares as treasury shares
    - will need to file notice of change in level of interest on further repurchases & resale/transfer of treasury shares

Stamp Duty Ordinance

- Resale of treasury shares in secondary market = disposal of shares for valuable consideration subject to stamp duty



Treasury shares regime under the Hong Kong Companies Ordinance

- Legal Basis:
    - Governed by Subdivision 8, Division 4, Part 5 of the Hong Kong Companies Ordinance (CO).

- Applies only to listed companies that :
    - are formed and registered under the current or predecessor ordinance; or
    - have re-domiciled to Hong Kong.

- Shares repurchased by non-listed companies (private/public) will be regarded as cancelled.

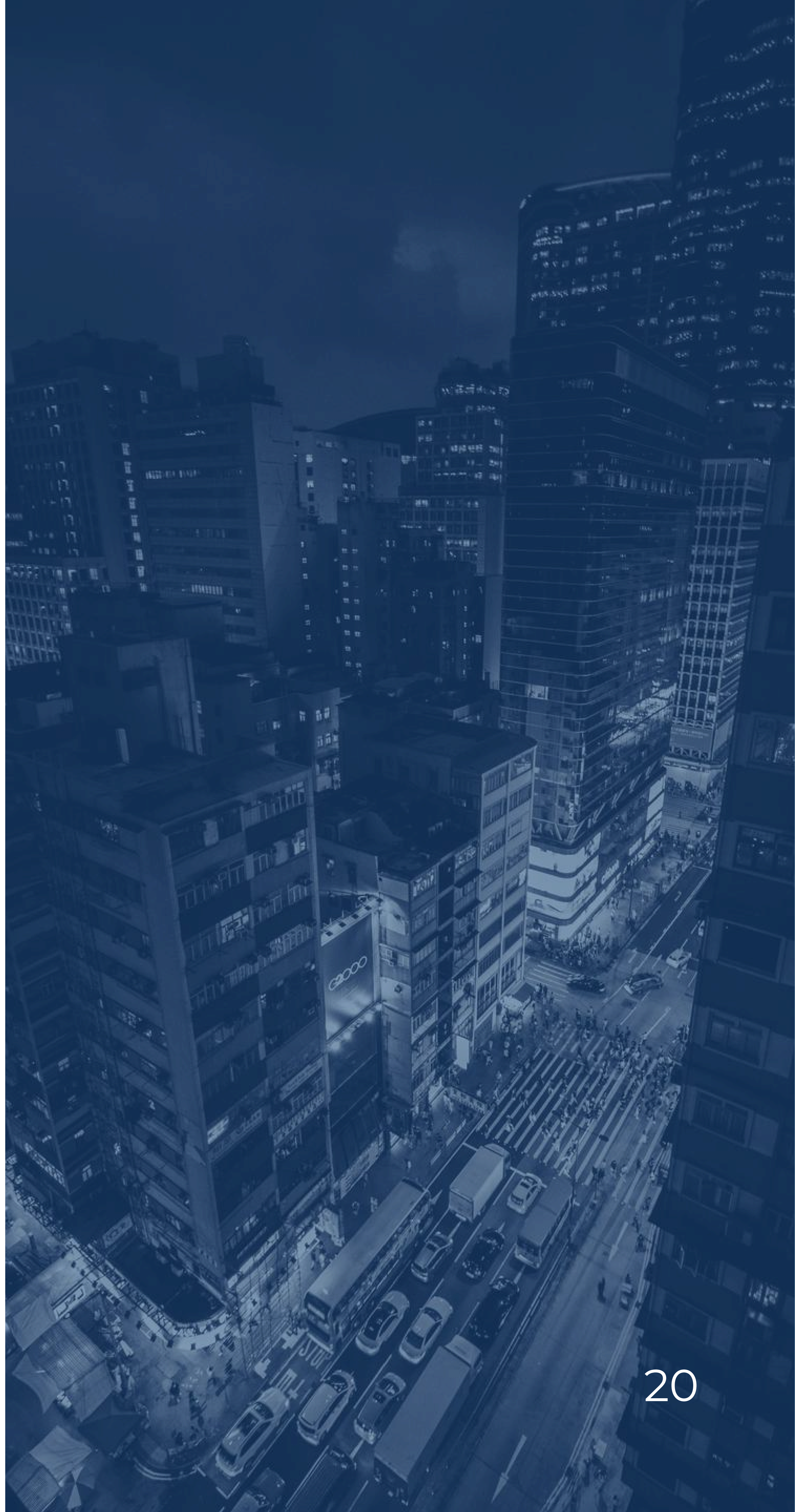
- Key Features:
    - Companies can hold repurchased shares as "treasury shares" (in its name or via a nominee).
    - Disposal methods: Cancellation, Transfer, or Sale.

- If a company holding treasury shares is delisted, the shares are automatically cancelled on the delisting date.

Treasury shares regime under the Hong Kong Companies Ordinance (cont'd)

Resale or Transfer of Treasury Shares

- Approval Requirements:
  - A transfer or sale of treasury shares is subject to the same approval requirements as the allotment of new shares (as per CO ss. 140, 141, 170(2)(a)).
- Non-Pro-Rata Disposals:
  - If treasury shares are not sold/transferred to shareholders on a pro-rata basis, it requires:
    - Specific shareholder approval, OR
    - A general mandate from shareholders covering treasury share resale/transfer.



Treasury shares regime under the Hong Kong Companies Ordinance (cont’d)

Suspension of Rights and Exclusions from Corporate Actions

- The holder of treasury shares is not considered a "member," "shareholder," or "contributory" under the CO (except for annual return disclosures).

- Suspended Rights:
  - CO S.272H - all rights attached to treasury shares are suspended, including:
    - Right to attend/vote at general meetings.
    - Right to receive dividends.
    - Right to receive distributions of company assets.

- Treasury shares must be excluded when calculating voting and shareholding thresholds (e.g., for ordinary/special resolutions, calling meetings).

- Bonus Shares:
  - Companies can allot fully paid bonus shares in respect of treasury shares.
  - CO S272I - deemed to have been bought-back upon allotment.

Treasury shares regime under the Hong Kong Companies Ordinance (cont'd)

Impact on Share Capital and Issued Shares

- CO S269 - The price paid for the shares is deducted from:
  - Share capital (if bought from capital);
  - Profits (if bought from profits); or
  - Both (proportionately)

- Holding shares as treasury shares does not change the issued share capital or number of issued shares.

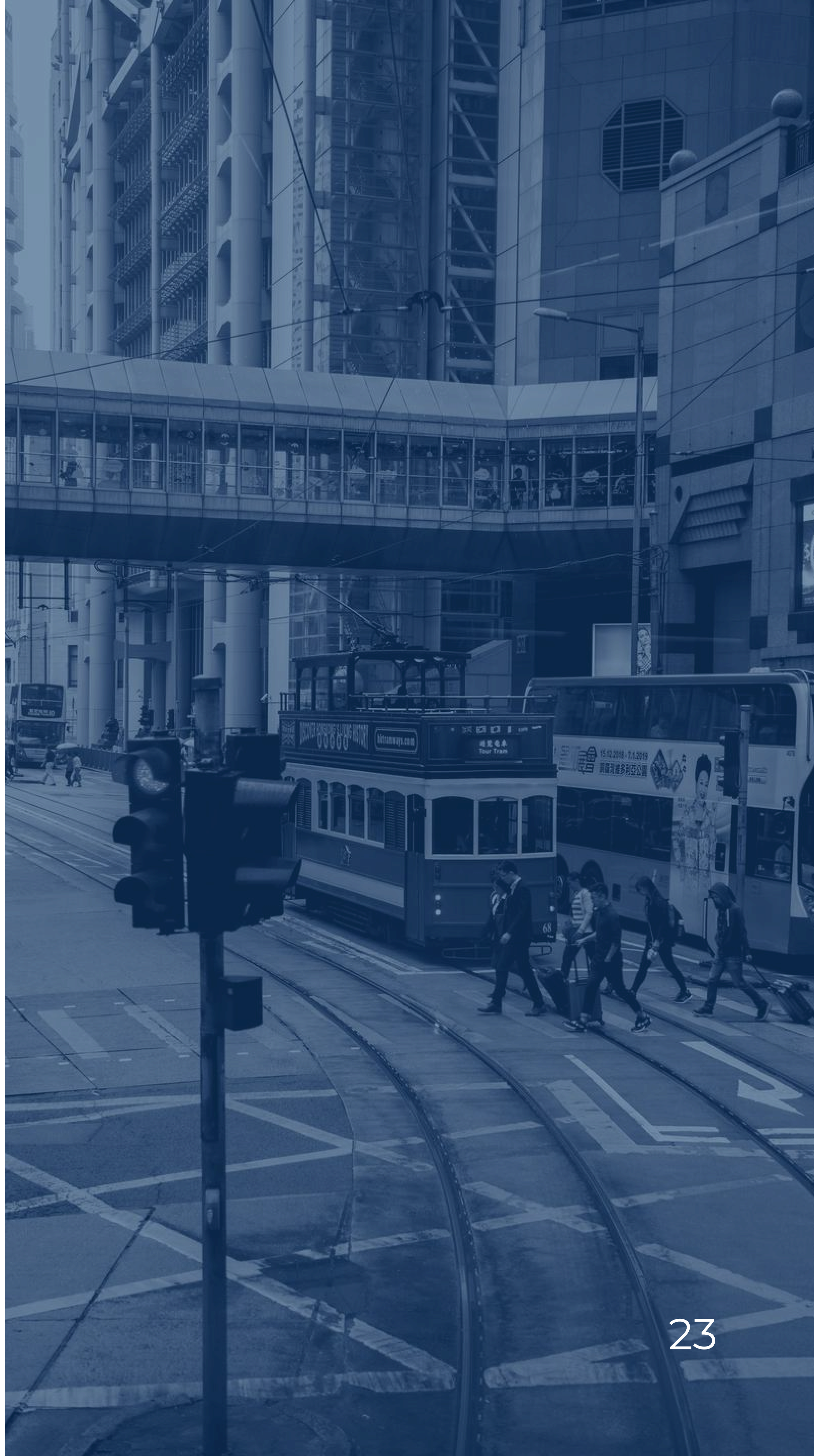
- Upon Cancellation:
  - Reduces the number of issued shares.
  - Does not affect issued share capital.

- Upon Sale/Transfer for Consideration:
  - Increases the amount of issued share capital.
  - The total number of issued shares remains unchanged (as shares are re-sold, not newly created).

Treasury shares regime under the Hong Kong Companies Ordinance (cont'd)

Notice Requirements under the Companies Ordinance

- Form NSC2 (Return of Share Buy-Back)
  - Due within 15 days of shares being delivered to the company.
  - Requires disclosure of shares held as treasury shares (including bonus shares allotted in respect of them).
- Form NSC22 (Return of Sale or Transfer of Treasury Shares)
  - Due within 15 days of a sale/transfer.
  - Details the number of shares, date, consideration, and statement of capital.
- Form NSC23 (Return of Cancellation of Treasury Shares)
  - Due within 15 days of a cancellation (or upon delisting).
  - Details the number of shares cancelled, date, and statement of capital.

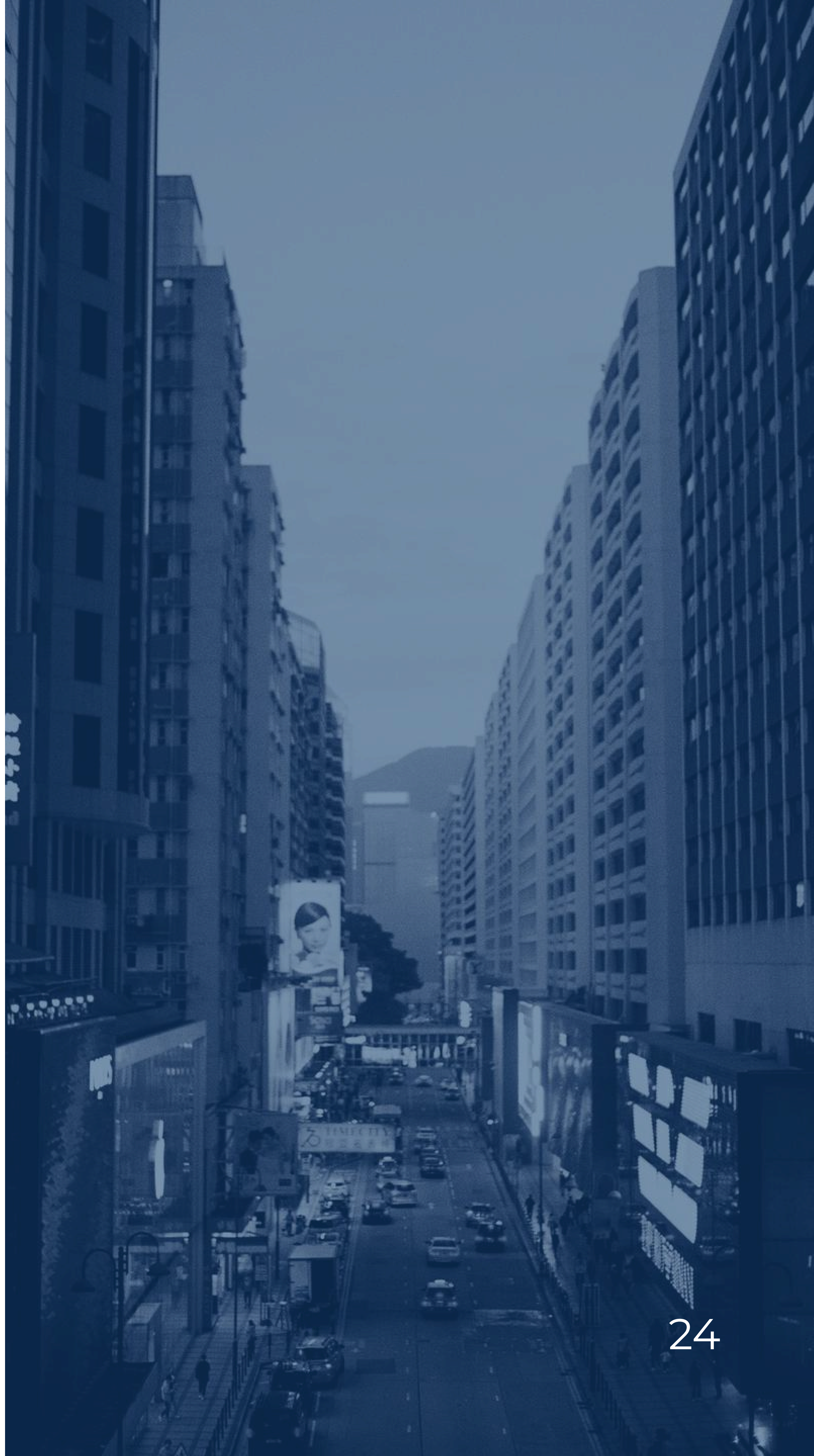


Treasury shares regime under the Hong Kong Companies Ordinance (cont’d)

Annual Reporting Requirements

- 5% Holding Disclosure:
    - Companies must disclose members holding ≥5% of any class of shares in the annual return.
        - For this disclosure requirement only, the company/nominee holding treasury shares is considered a "member."
        - If the company/nominee holds ≥5% of issued shares as treasury shares, its particulars must be disclosed in the annual return.

- No other period disclosures



Stamp duty

- Resale of treasury shares in the secondary market constitutes a disposal of the shares for valuable consideration.
  - subject to ad valorem stamp duty under the Stamp Duty Ordinance

PART II - COMPANY RE-DOMICILIATION REGIME IN HONG KONG

Background

Examples of methods of achieving re-domicile in Hong Kong in the past

- **Option 1**: set up a new company in Hong Kong and:
  a. transfer assets from the overseas company to the new Hong Kong company and wind up the overseas company; ***OR***
  b. shareholders of overseas company transfer their shares of overseas company to the Hong Kong company so the overseas company becomes the 100% subsidiary of the Hong Kong company which issues shares pro rata to the shareholders (Note 1)
     - may disrupt business operations

- **Option 2**: court-sanctioned scheme to approve restructuring so that the overseas-incorporated company becomes a wholly-owned subsidiary of a Hong Kong-incorporated company (Note 1)
     - approval of the shareholders and other stakeholders required
     - costly & extensive court procedures

Note 1: the overseas company subsidiary remains subject to overseas regulations whereas the Hong Kong company will be subject to Hong Kong company law

Amendment to the Companies Ordinance to introduce an inward re-domiciliation regime

- Effective on 23 May 2024
- administered by the Hong Kong Companies Registry

Legal effect after re-domiciliation

CO S820D - Continuity of re-domiciled company:

- Legal identity of the re-domiciled companies will be preserved and re-domiciliation will not create a new legal entity
  - continuity of the company’s business, rights and legal identity

- All property, rights, obligations, and contracts entered into would still be effective
- Legal proceedings that can be taken by or against the overseas company can still be commenced or continued by or against the company

CO S2(5A) - re-domiciled company will be treated as incorporated in Hong Kong

Benefits and obligations under Companies Ordinance would apply to re-domiciled company:

- e.g. CO s474: requirement for the appointment of a company secretary

Part 16 non-Hong Kong companies

- status as a registered non-Hong Kong company will immediately cease to be effective upon re-domiciliation

Outward re-domiciliation

- FSTB confirmed that an outward re-domiciliation will not be introduced at this stage
  - no current demand for re-domiciliation from Hong Kong to overseas jurisdictions

Eligibility

1 Company type

- Must be of the same or substantially the same company type as those that can be incorporated under the Companies Ordinance
  - The company cannot change its company type using the re-domiciliation process

- only 4 types of companies would be permitted:

  1. private companies limited by shares;
  2. public companies limited by shares;
  3. private unlimited companies with a share capital; and
  4. public unlimited companies with a share capital

  - Companies limited by guarantee without a share capital are not eligible

- No economic substance test

Eligibility (cont'd)

2 General requirements

Legal Compliance

- Law of original domicile must allow re-domiciliation to other jurisdictions
  - outward re-domiciliation is permitted for Cayman companies but not Singaporean companies
- Companies must meet all requirements under the laws of the original domicile on outward re-domiciliation

Period of existence

- Companies must have been incorporated for at least one financial year before application
  - for companies that have previously undergone re-domiciliation → one year from re-domiciliation date

Eligibility (cont'd)

3 Integrity requirements

- Companies must comply with the registration and incorporation requirements for HK companies under the Companies Ordinance
  - Application will be refused if the re-domiciled company is likely to be used to serve unlawful purposes, or engage in activities that are against public interest

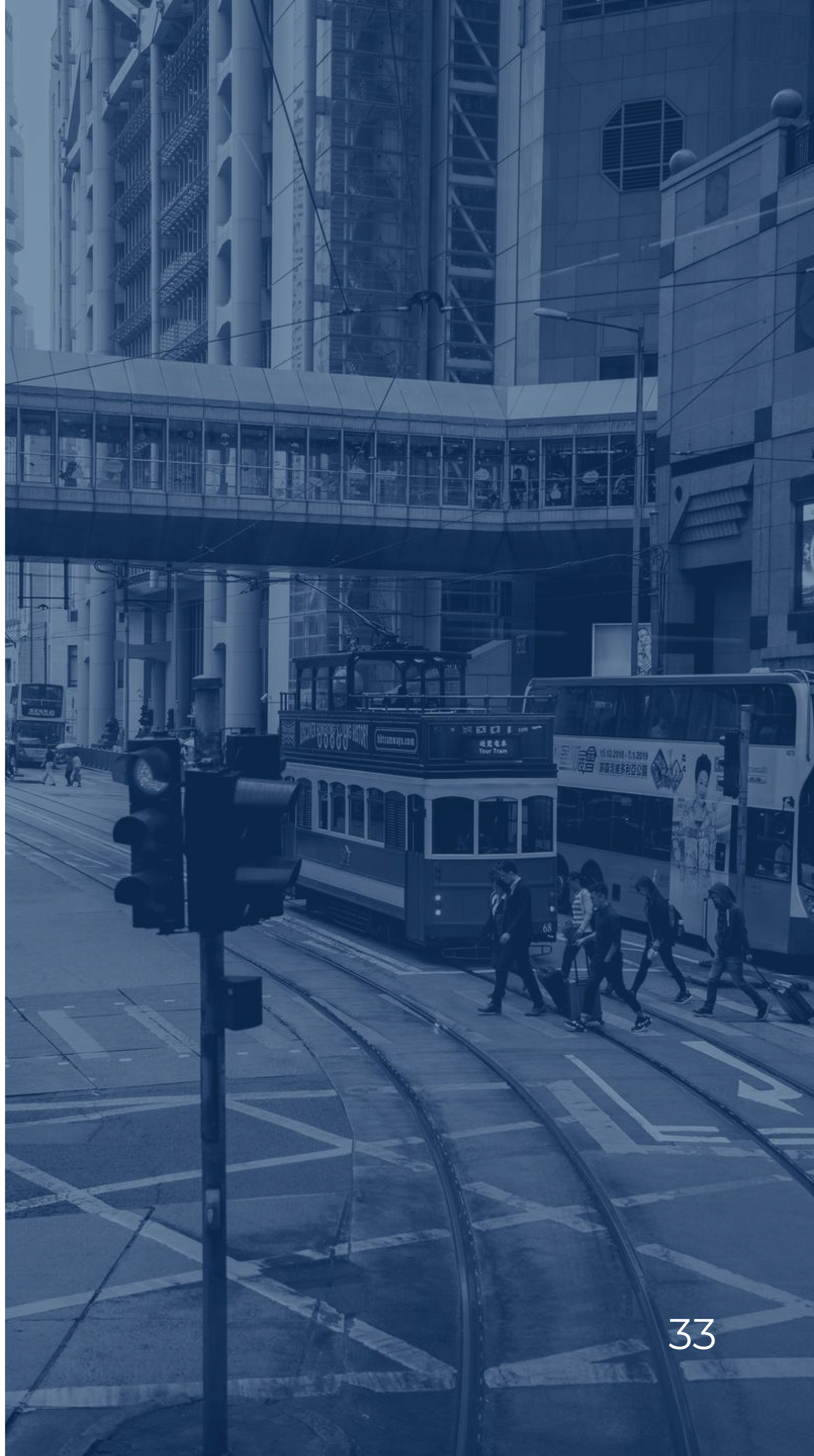
4 Financial status

- Must be able to pay all debts that fall due during the 12 months after the date of submitting the re-domiciliation application
  - must submit financial statements and other documents in support

Eligibility (cont'd)

5 **Creditor protection and members' approval**

- Application must be in good faith and not intended to defraud the company's creditors
  - must issue a notice of intention to re-domicile to Hong Kong to all creditors
- Company's re-domiciliation must be approved by members
- If neither the law of the original place of domiciliation nor the constitutional documents of the company require members' approval
  - re-domiciliation must be approved by way of a special resolution passed by at least 75% of the members entitled to vote



Application documents

1. **Duly completed and signed application form** — including following information:
   - company's original and proposed name;
   - company's original place of incorporation;
   - whether the company is a registered non-Hong Kong company under CO Part 16;
   - the company type;
   - the proposed registered office address and contact details;
   - particulars of the proposed directors and company secretary with directors' consent to act as directors;
   - particulars of current directors and company secretary who will not continue to act after re-domiciliation and
   - details of share capital and shareholders
2. **Proposed articles of association of the re-domiciled company**
3. **Certified copy of the certificate of incorporation**
   - If the company undergone re-domiciliation before, must also submit the certificate of registration
4. **Certified copy of the company's constitutional document**
   - e.g. charter, statute, constitution, memorandum or articles of association

Application documents (cont'd)

5 **Certified copy of the resolution passed by at least 75% of the eligible members**

- required only if members' approval of the re-domiciliation is not required under the law of the original place of domicile or the constitutional documents of the company

6 **Legal opinion from a legal practitioner qualified in the original place of domiciliation** – confirming the following (CO Schedule 6C S2(1)(f)):

- the company is duly registered and validly subsisting in its original place of domiciliation;
- the company type in the original place of domiciliation and the proposed company type subsequent to re-domiciliation are the same or substantially the same;
- proposed directors are not disqualified from being appointed as directors;
- (if there is a change of name) the name is approved by shareholders and will not affect subsequent de-registration;
- the proposed re-domiciliation is allowed under the law of the original place of domiciliation;
- all permissions and/or shareholders consents under the law of the original place of domicile and the overseas company's constitutional documents OR the 75% shareholder approval requirement have been met;
- the absence of any petition, orders or proceedings in relation to liquidation// appointment of liquidator or receiver// scheme, order, compromise or arrangement relating to the insolvency of the company;
- law of the original place of domicile allows the de-registration for the purpose of the re-domiciliation; and
- adoption of the proposed articles of association submitted with the application

Application documents (cont'd)

7 **Latest financial statements or audited financial statements**

- financial information up to a date not more than 12 months before the application
- statements need not be audited if the laws of the original place of domiciliation, the rules of the relevant stock exchange, or other similar regulatory rules do not require preparation of audited financial statements

8 **Certificate signed by a director** confirming that:

- the company has one place of incorporation;
- whether the company has previously undergone re-domiciliation, and its due registration;
- the company has not been notified of any proceedings or orders related to winding up or liquidation or any appointment of any receiver or liquidator// no resolutions has been passed to wind up or liquidate the company// no scheme, order, compromise or similar arrangement that relates to insolvency;
- notice has been served to all creditors;
- all consent or approval for the re-domiciliation and de-registration has been obtained;
- the company is not prohibited from deregistering from its place of original incorporation;
- the proposed articles have been duly approved and adopted by the shareholders;
- at least 1 financial year has passed since the company's incorporation;
- the application is made in good faith and is not for the purpose of defrauding creditors; and
- after making full enquiries into the matters of the overseas company, the board is of the view that the overseas company will be able to fulfill its debts falling due during the 12 months after the date of making the application.

Other documents — notice to the Business Registration Office, business registration fee & application fee

Application procedure

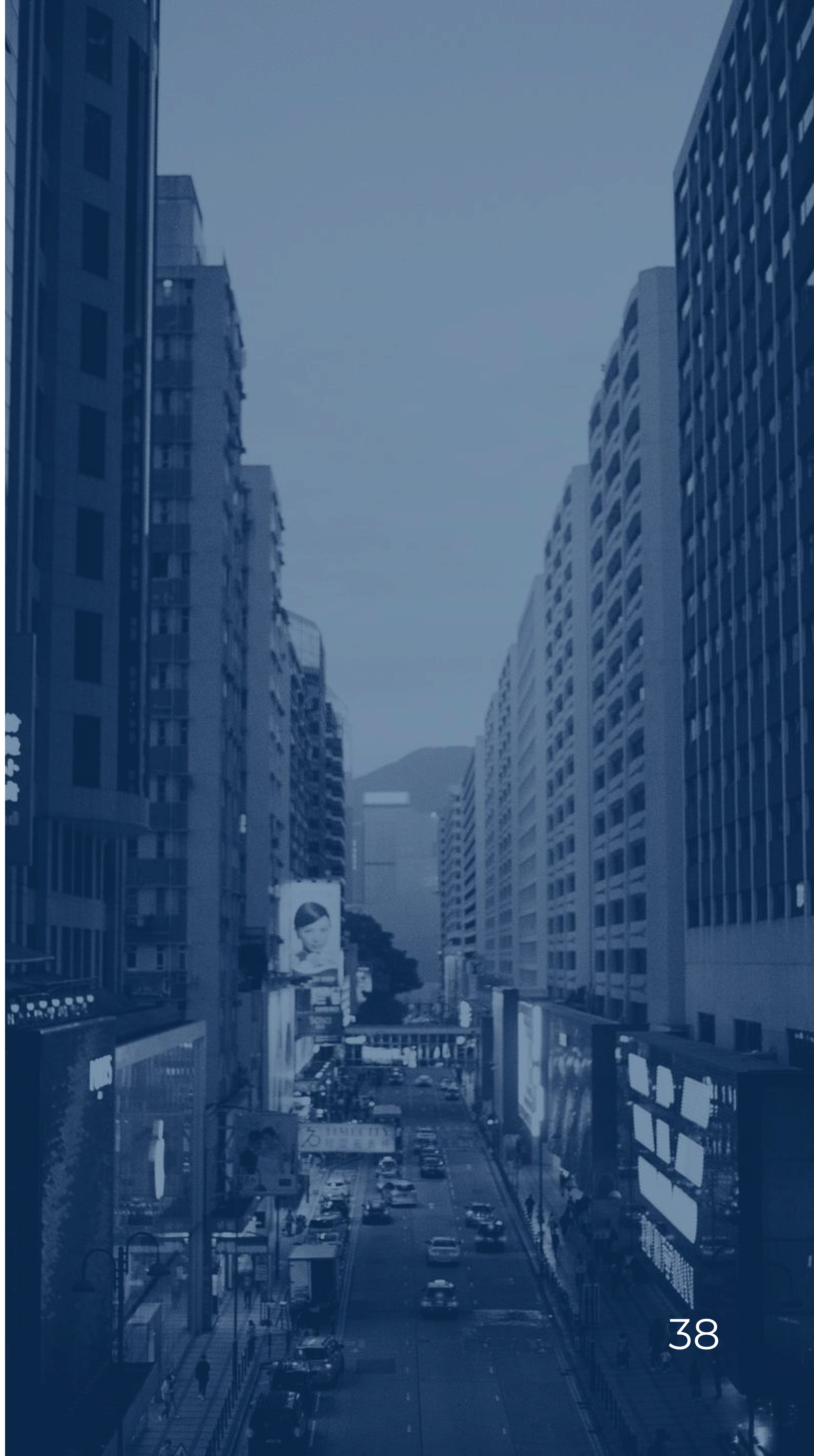
- All application documents should be addressed to the Registrar of Companies
- Expected processing time: around 2 weeks from receipt of all application documents

Post-Approval Process & De-registration

- **Upon Approval:**
  - The Registrar registers the company and issues a Certificate of Re-domiciliation.
  - The company is formally re-domiciled as of the certificate date.

- **Critical Next Step: De-registration Abroad**
  - The company must complete de-registration in its original place of domicile.
  - Evidence of de-registration must be submitted to the Hong Kong Companies Registry within 120 days

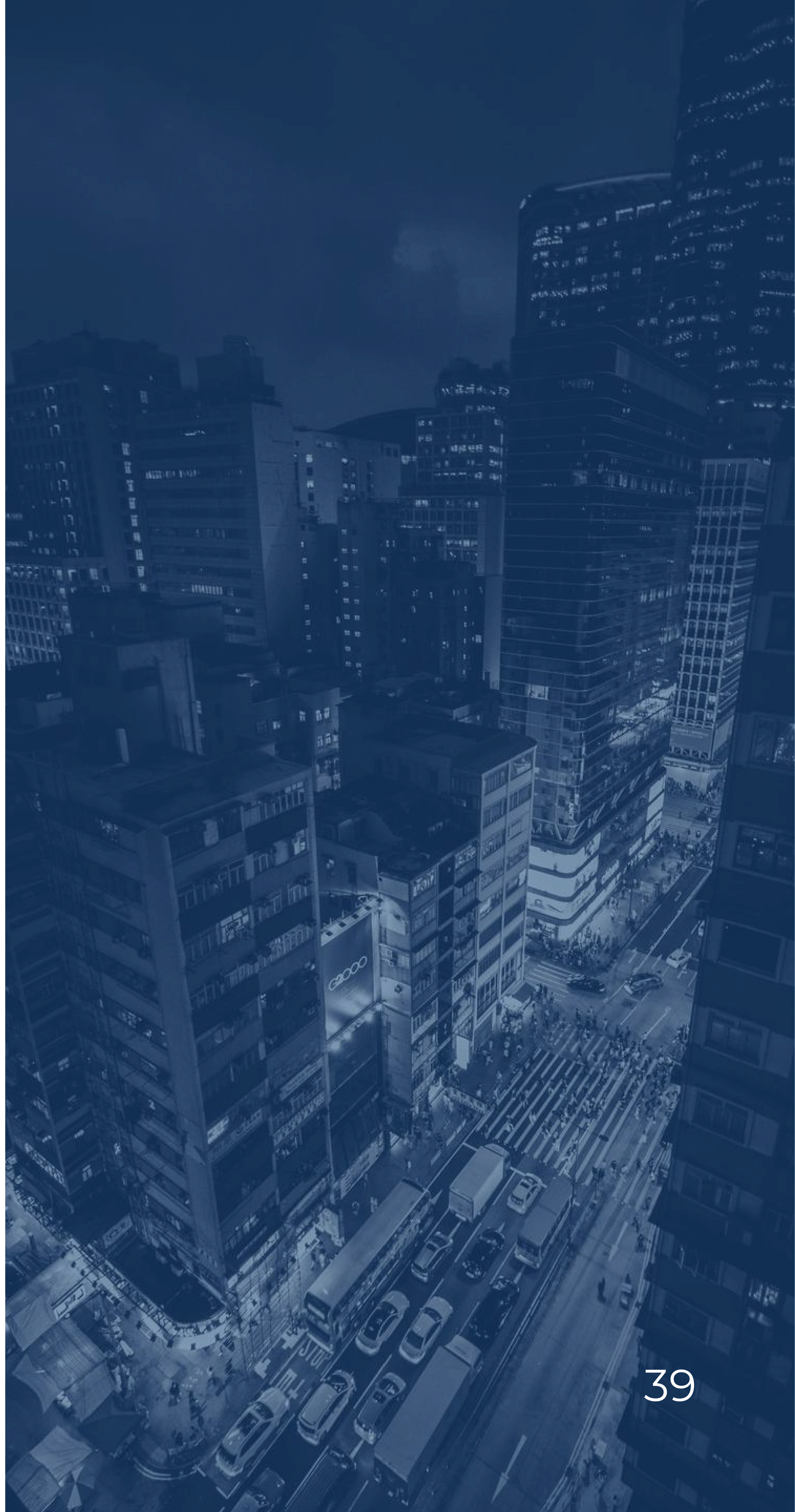
- Consequence of failure to comply with the deregistration time limit:
  - May result in the revocation of the Hong Kong registration.
  - The Registrar may grant an extension, potentially with conditions.



Post-Re-domiciliation Filings

- **Director Consent (CO S820G(1))**
    - A Statement of Consent to be a Director must be filed within 15 days of the re-domiciliation date.
    - Required only if the director did not sign the consent portion of the original application form.

- **Member Details (CO SS820H(2) & 820H(3))**
    - A Return of Particulars of Members (Form NSC21) must be delivered within 15 days of the re-domiciliation date.
    - The form must include:
        - A statement of share capital.
        - Required particulars of the company's members.



Post-Re-domiciliation Filings (cont’d)

- **Registration of Pre-existing Charges (CO S338A(4))**
  - A **Statement of Particulars of Charge (Form NM10)** must be filed within **one month**.
  - Applies in two scenarios:
    - **Charge Creation:** The company created a charge overseas that still exists and is of a type registrable under Hong Kong law.
    - **Property Acquisition:** The company acquired property (anywhere) that was already subject to a charge that still exists and is of a type registrable under Hong Kong law.
  - Note: Not required if the charge is already registered in Hong Kong.
- **Related Filing: Issue of Debentures (CO S341(1)(c))**
  - If a series of debentures creates a charge requiring registration under COS 338A(4), a **Statement of Particulars of Issue of Debentures (Form NM9)** must also be filed.
  - **Deadline:**
    - For issues **on or before** re-domiciliation: within **one month** of the re-domiciliation date.
    - For **subsequent** issues: within **one month** of the issue date.
- **Related Filing: Commissions on Debentures (CO S342(1)(d)(iia))**
  - Requires disclosure if:
    - A commission/allowance/discount was paid for debenture subscriptions.
    - The debenture is part of a series that creates a charge.
    - The charge was created by the company.
    - The charge requires registration under S.338A(4).
  - If all conditions are met, the required statement **(Form NM10)** must be filed within **one month**.

Tax arrangements

- CO S820D - re-domiciliation will not trigger a transfer of assets or change in beneficial ownership of assets
- Tax obligations in the original place of domiciliation will not be affected by re-domiciliation
  - preventing companies from using the regime as a means of tax evasion

- Hong Kong Profits Tax:
  - The company remains subject to profits tax on Hong Kong-sourced profits.
  - The Inland Revenue Ordinance (IRO) is amended to include re-domiciled companies as companies "incorporated in Hong Kong."
- Tax Residency & Treaties:
  - Re-domiciled companies may be treated as Hong Kong residents for the purposes of Double Taxation Agreements (DTAs).
  - Companies can apply to the Inland Revenue Department for a Certificate of Resident Status.
- Preventing Double Taxation (IRO Schedule 17L):
  - Specific rules govern the tax treatment of expenses and costs incurred pre- and post-re-domiciliation.
  - Unilateral tax credits are available to prevent double taxation if a profit is taxed overseas upon re-domiciliation and again in Hong Kong.

Stamp duty

- re-domiciliation process will generally <u>not</u> involve transfer of assets
  - stamp duty will generally <u>not be triggered</u>

Preservation of business continuity

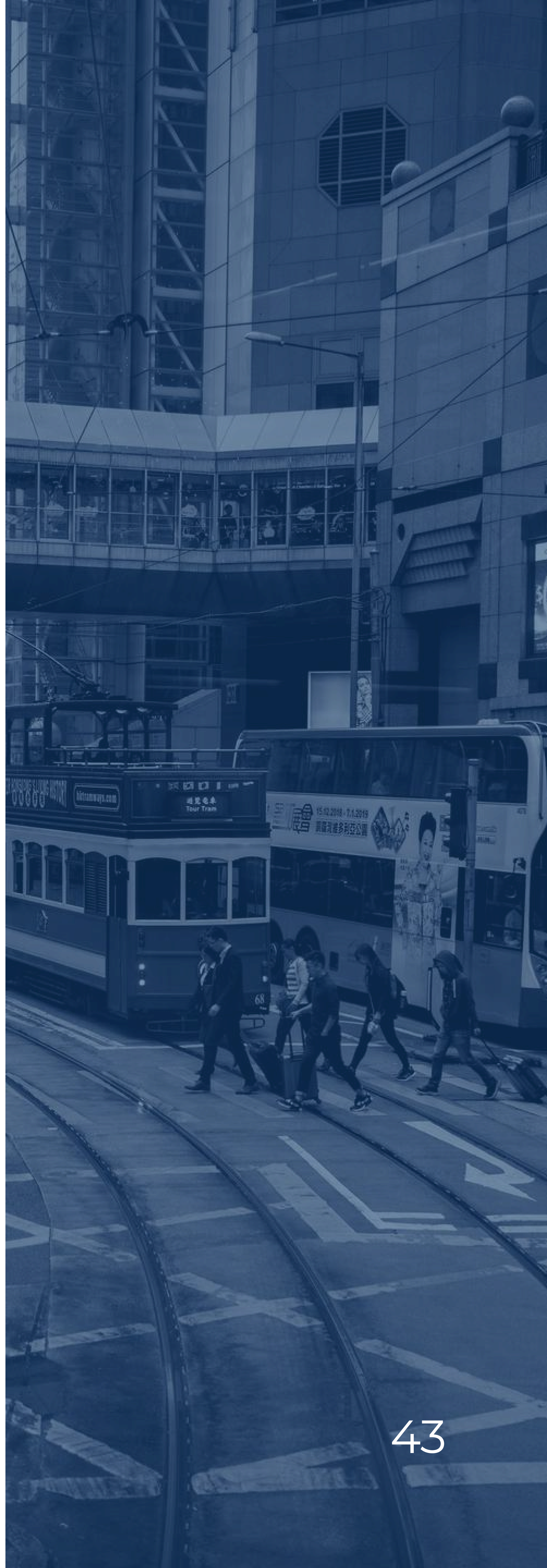
- CO and Business Registration Ordinance:
  - non-Hong Kong companies registered under Part 16 CO can keep existing company name and business registration number after re-domiciliation
  - Business Registration Office will issue an amended Business Registration Certificate upon registration as a re-domiciled company

Regulated Sectors: Banking & Insurance

- General Treatment for Regulated Companies:
  - Amendments to the Insurance Ordinance and Banking Ordinance
  - A re-domiciled company is treated as Hong Kong-incorporated only after it:
    - Is registered by the Companies Registrar, and
    - Has completed de-registration in its original domicile.

- Insurance industry specifics:
  - Insurance Ordinance : A "re-domiciled insurer" is defined as an insurer incorporated outside HK that has re-domiciled and been de-registered abroad.
  - A non-Hong Kong insurer must obtain a "letter of no-objection" from the Insurance Authority before applying to re-domicile.

- Banking Industry Specifics:
  - Applies to authorized institutions, their holding companies, and approved money brokers.
  - Prior Approval Required: Must seek approval from the Hong Kong Monetary Authority (HKMA) before applying to re-domicile.
  - Post-Approval Notifications:
    - Notify the HKMA and provide a copy of the Certificate of Re-domiciliation upon receipt.
    - Notify the HKMA again and submit evidence of de-registration once completed.



Consequential amendments

- Amendments have been made across the Companies Ordinance, its subsidiary legislation, and other Hong Kong ordinances.
- Key Change to Definitions:
  - The definition of "company" is expanded to include re-domiciled companies.
  - Re-domiciled companies are explicitly excluded from the definition of "non-Hong Kong companies."