

# Setting up Regional Headquarters in Hong Kong



Hong Kong is an attractive destination for companies of all sizes to set up their business, including multinational corporations or startups. The city is the third largest foreign direct investment destination globally in 2017<sup>1</sup>.

Companies choose to set up shop in Hong Kong for various reasons. They can test their products or services' acceptance by the huge local and international client base located in this global business centre. After securing a foothold in Hong Kong, they expand and take advantage of our proximity to market in the Greater China region and the Asia Pacific more widely, an area which can reach half of the world's population from within five hours flight from Hong Kong and is seen as the engine of global economic growth in recent years.

Hong Kong can provide a whole range of business and professional services, such as financial consulting services,

due diligence, branding, legal advice, tax planning and risk management, to support them expanding abroad, not least taking advantage of the Free Trade Agreement (FTA) with the Association of Southeast Asian Nations (ASEAN) countries.

For companies with more than one regional office, it is imperative to choose a regional headquarter (RHQ) location that facilitates business expansion while managing cost. Hong Kong is simply the best place to do it. Hong Kong is the world's freest economy and has a very business friendly environment with a low and simple tax system; robust rule of law and intellectual property protection; free flow of capital and information and safe investment environment. The high productivity and efficiency of Hong Kong is well-known around the world, which is of paramount importance for RHQs. As an international logistics and trade centre, Hong Kong can also offer high-

end logistics services, including global supply chain management solutions in the Guangdong-Hong Kong-Macao Greater Bay Area, Mainland China, ASEAN and countries along the Belt and Road and beyond.

## **An International Talent Pool**

It is also easy to dip into the rich international talent pool in Hong Kong and find the right people with global experience. Moreover, the Government has set up several admission schemes for talents, entrepreneurs and professionals to work in Hong Kong. Entrepreneurs and professionals from overseas and Mainland China may apply under the General Employment Policy which has no sector restriction.

Recently, the Government launched a new Technology Talent Admission Scheme which provides a fast-track arrangement for eligible technology companies and



institutes to admit overseas and Mainland Chinese technology talent to undertake research and development work for them and the Postdoctoral Hub programme that offers a monthly allowance of HK\$32,000 for each postdoctoral talent.

Needless to say, Hong Kong is a great city to live in. It is a safe and cosmopolitan city with breath-taking natural scenery, top-notch entertainment, global connectivity and world-class education, which makes recruiting and retaining talent so much easier.

### **Depth of Capital Market**

In addition to command and management, one of the key functions of RHQs is to serve as the corporate treasury centre to manage the company's cash position, process payments and manage relationships with financial institutions. Moving your corporate treasury centre to Hong Kong not only allows you to

enjoy all the benefits of an international financial centre, the Government allows the deduction of interest expenses in calculating profits tax for the intra-group financing business of corporations and reduces profits tax rate for specified treasury activities by half to 8.25 percent.

Furthermore, it recently launched a two-tier tax system for all Hong Kong registered companies with a tax rate of only 8.25 percent for the first HK\$2 million profit and 16.5 percent for the rest in order to further increase the attractiveness of Hong Kong.

The depth of Hong Kong's capital market with ample international institutional investors increases the demand for equity and corporate debts which in turn drives up valuation of listing companies. The city has been a top fund raising market with tremendous capability in initial public offering as well as strong sustainability of the post-market for further fundraising.

Listing in Hong Kong can also raise brand name awareness in the region and finance expansions or merger and acquisition in the local currency. These are just some of the reasons why moving your RHQ to Hong Kong and listing on the Hong Kong Stock Exchange is beneficial. Companies can also have access to a vibrant and international angel investors, venture capital and private equity community as sources of funding.

In short, Hong Kong is an excellent location for all kinds of companies to set up their RHQ. As the world's freest economy, with a rich mix of cultures and ethnicities, Hong Kong is one of the world's most international cities and is uniquely placed to serve as the gateway to and out of Mainland China.