Companies Registry resumes normal services starting from May 4

To align with the announcement by the Government yesterday (April 28) to resume public services under a phased approach starting from May 4, the Companies Registry announced today (April 29) that it will resume normal services from May 4 while maintaining a high degree of vigilance and adopting all necessary precautionary measures.

The Registry's counter services will resume normal opening hours with effect from May 4:

13/F and 14/F Queensway Government Offices and
12/F One Kowloon, Kowloon Bay

Monday to Friday
8.45am – 5.30pm

To achieve social distancing with a view to reducing the risk of the spread of the COVID-19 virus in the community, the Registry advises customers to continue to deliver documents electronically or by post. The Registry's services on registration of documents and public search services will continue to be provided electronically through the "e-Registry" (www.eregistry.gov.hk), Cyber Search Centre (www.icris.cr.gov.hk) and the website of the Registry for Trust and Company Service Providers (www.tcsp.cr.gov.hk).

Please check the latest announcements on the Registry's website at www.cr.gov.hk for details.

For enquiries, please call 2867 2600 or contact the Registry at email: crenq@cr.gov.hk.

HKSAR Government welcomes promulgation of Meteorological Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area (2020-2035) by China

Meteorological Administration

The Hong Kong Special Administrative Region (HKSAR) Government has welcomed the promulgation of the Meteorological Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (2020-2035) (Meteorological Plan) by the China Meteorological Administration (CMA).

A spokesman for the HKSAR Government said today (April 29), "Over the years, the meteorological authorities of Guangdong, Hong Kong and Macao have been maintaining close collaboration and exchanging experience on many different fronts, and have established a communication and liaison mechanism for high-impact meteorological events. The promulgation of the Meteorological Plan would help further strengthen meteorological co-operation among Guangdong, Hong Kong and Macao, involving areas such as meteorological data sharing, meteorological scientific research and innovation, and training of meteorological personnel. Such co-operation would in turn help enhance the meteorological services in the three places.

"The relevant co-operation initiatives will benefit the Hong Kong Observatory (HKO) in its development of fine-scale meteorological monitoring, warning and forecasting services, and will further enhance Hong Kong's capability in forecasting extreme weather events. The HKO will take forward the initiatives concerned in collaboration with the relevant authorities in Guangdong and Macao."

The full text of the Meteorological Plan is available at the CMA's website. Members of the public are also welcome to visit the HKSAR Government's Greater Bay Area website (www.bayarea.gov.hk) and the HKO's website (www.hko.gov.hk) for access to the relevant link to the document.

To tie in with the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), the meteorological authorities of the three places jointly launched the GBA Weather Website in April 2019. Developed and operated by the HKO, the website serves as a one-stop platform which provides weather information covering more than 60 regions within the 11 cities in the GBA. The website also offers weather forecasts of up to seven days with a view to providing convenient, reliable and quality weather services for persons commuting between different cities in the GBA. Aside from the above initiative, the first GBA Climate Bulletin jointly compiled by the meteorological authorities of the three places was released in July 2019 to give a summary of the climate situation of the GBA and its major weather and climate events in 2018.

Monetary statistics for March 2020

The following is issued on behalf of the Hong Kong Monetary Authority:

According to statistics published today (April 29) by the Hong Kong Monetary Authority, total deposits with authorised institutions increased by 0.2 per cent in March 2020. Among the total, Hong Kong dollar deposits declined by 0.7 per cent, while overall foreign-currency deposits increased by 1.0 per cent. Renminbi deposits in Hong Kong increased by 4.0 per cent to RMB664.2 billion at the end of March. The total remittance of renminbi for cross-border trade settlement amounted to RMB645.7 billion in March, compared with RMB481.0 billion in February.

Total loans and advances increased by 1.6 per cent in March. Among the total, loans for use in Hong Kong (including trade finance) went up by 1.7 per cent and loans for use outside Hong Kong increased by 1.4 per cent from a month ago. The Hong Kong-dollar loan-to-deposit ratio edged up to 90.1 per cent at the end of March from 89.9 per cent at the end of February, as Hong Kong-dollar loans decreased at a slower pace than Hong Kong-dollar deposits.

In the first quarter of 2020, loans for use in Hong Kong (including trade finance) increased by 3.4 per cent following growth of 0.6 per cent in the previous quarter. Analysed by economic use, the increase in loans during the first quarter was mainly led by loans to financial concerns, and loans to building, construction, property development and investment.

Hong Kong dollar M2 and M3 both declined by 0.7 per cent in March, and stayed virtually unchanged compared to a year ago. The seasonally-adjusted Hong Kong dollar M1 declined by 2.0 per cent in March, and dropped by 0.4 per cent compared to a year ago, reflecting in part investment-related activities. Total M2 and M3 both edged up by 0.1 per cent in March, and expanded by 2.2 per cent and 2.0 per cent respectively from a year earlier.

As monthly monetary statistics are subject to volatilities due to a wide range of transient factors, such as seasonal and IPO-related funding demand as well as business and investment-related activities, caution is required when interpreting the statistics.

Interest on Tax Reserve Certificates

The Government Gazette published today (April 29) contains a Legal Notice to the effect that the Secretary for Financial Services and the Treasury has authorised a change in the rate of interest payable on Tax Reserve Certificates. From May 4, 2020, the new annual rate of interest will be 0.2333 per cent against the current rate of 0.3167 per cent, i.e. the new rate will be $0.0194 per month per $100.

Tax Reserve Certificates bear simple interest, and interest is calculated monthly (including part of a month) from the date of purchase to the date of payment of tax.

Interest is only credited when certificates are used to pay tax and no interest is due where the principal value of a certificate is repaid to its holder.

The rate of interest payable on Tax Reserve Certificates is periodically revised in line with the market trend. Currently, it is reviewed every month based on the average prevailing interest rate for the 12-month time deposit for $100,000 to $499,999 offered by the three note-issuing banks.

The new rate will apply to all certificates purchased on or after May 4, 2020. Certificates purchased before May 4, 2020, will continue to earn interest at the rates prevailing on their respective purchase dates. Below is a summary of the interest rates for the past periods:

For certificates purchased on or after 0.0667
per cent per annum
December 7, 2009, and before January 4, 2010:

For certificates purchased on or after 0.0433
per cent per annum
January 4, 2010, and before August 6, 2018:

For certificates purchased on or after 0.0767
per cent per annum
August 6, 2018, and before November 5, 2018:

For certificates purchased on or after 0.2500
per cent per annum
November 5, 2018, and before January 17, 2020:

For certificates purchased on or after 0.3667
per cent per annum
January 17, 2020, and before February 3, 2020:

For certificates purchased on or after 0.3167
per cent per annum
February 3, 2020, and before May 4, 2020:

For certificates purchased on or after 0.2333
per cent per annum
May 4, 2020, until further notice:

This is always subject to the general rule that interest ceases to accrue after 36 complete months.

LCQ15: Promoting research and development activities

Following is a question by the Hon Jimmy Ng and a written reply by the Secretary for Innovation and Technology, Mr Alfred Sit, in the Legislative Council today (April 29):

Question:

The Chief Executive stated in the 2017 Policy Address that the Government had set a goal to double the gross domestic expenditure on research and development (R&D) (GERD) to about $45 billion a year, i.e. to increase the ratio of such expenditure to the Gross Domestic Product (R&D expenditure ratio) from 0.73 per cent to 1.5 per cent, by the end of the current Government's term of office. According to the Report on Hong Kong Innovation Activities Statistics 2018 (the Report), the GERD in 2018 was $24,497 million, and the R&D expenditure ratio was 0.86 per cent, which was still quite a distance from the goal of 1.5 per cent set by the Government. Quite a number of members of the industry have pointed out that to achieve the goal, the Government needs to expeditiously introduce new measures to encourage more enterprises to conduct R&D activities. In this connection, will the Government inform this Council:

(1) whether, in order to achieve the aforesaid goal of R&D expenditure ratio, the Government will (i) introduce new measures to encourage more enterprises to conduct R&D activities, and (ii) set specific indicators in respect of the field of R&D activities, the source of funds (i.e. from the Government, business sector, and parties outside Hong Kong and other local parties) and the number of R&D personnel; if so, of the details; if not, the reasons for that;

(2) whether it will examine the setting of a more aggressive long-term goal on the R&D expenditure ratio; if so, of the details; if not, the reasons for that;

(3) as the Report pointed out that while small and medium enterprises (SMEs) accounted for 94.1 per cent of the enterprises which had conducted R&D activities in 2018, their expenditure on in-house R&D activities accounted for less than 50 per cent of the relevant total expenditure incurred by all enterprises, whether the Government will introduce more measures to subsidise SMEs for conducting R&D activities; if so, of the details; if not, the reasons for that; and

(4) as the Report showed that while enterprises' expenditure on R&D activities contracted out to parties outside Hong Kong was $3,395 million (accounting for 75 per cent of the total expenditure on contracted-out R&D)

in 2018, such expenditure was not eligible for the enhanced tax deduction for "qualifying R&D activities" provided by the Government since April 1, 2018, whether the Government will study the inclusion of such expenditure in the scope of application of the tax deduction measures; if so, of the details; if not, the reasons for that?

Reply:

President,

Research and development (R&D) is the foundation of innovation and technology (I&T). The current term Government has been committed to increasing resources for R&D, and have set a goal to increase the Gross Domestic Expenditure on R&D (GERD) as a percentage of the Gross Domestic Product (GDP) to 1.5 per cent. To achieve this goal, a number of new initiatives have been introduced to support R&D work by universities and public research institutes, encourage R&D investment by the private sector, provide R&D infrastructure to the industry, as well as proactively attract and retain talent for R&D work.

According to the Hong Kong Innovation Activities Statistics 2018 released recently by the Census and Statistics Department, the GERD of Hong Kong in 2018 amounted to $24,497 million, representing an increase of 10 per cent when compared to the corresponding figure of 2017. The overall number of R&D personnel has also continued to increase steadily.

The reply to the various parts of the question is as follows:

(1) to (3) The Government hopes to increase the overall R&D expenditure in Hong Kong, and to gradually reverse the ratio of public sector versus private sector expenditure on R&D from government-led to public-private participation, which is more sustainable. To this end, we have launched various initiatives in respects of R&D investment, talent and infrastructure to attract enterprises to invest more in R&D activities.

For R&D investment, we have provided a two-tiered enhanced tax deduction for qualifying R&D expenditures incurred by enterprises since April 1, 2018. The deduction is 300 per cent for the first $2 million of the aggregate amount of payment made to "designated local research institutions" for "qualifying R&D activities" and qualifying R&D expenditures incurred by enterprises, and 200 per cent for the remaining amount. There is no cap on the amount of the relevant enhanced tax deduction which applies to all enterprises. This initiative provides incentive to encourage more enterprises to conduct R&D work in Hong Kong.

Among the tax returns received for the 2018-19 assessment year, the Inland Revenue Department received 110 claims for tax deduction relating to R&D expenditures, involving an expenditure for tax deduction of over $1.8 billion. Although the concerned amendment bill to the Inland Revenue Ordinance was only passed in October 2018, and therefore may not have an immediate effect on the year of assessment, the total expenditure of tax deduction for the year of assessment 2018-19 has already been higher than that in 2017-18. Since enterprises' enhancing R&D investment would mostly require detailed planning and even business adjustments, it usually takes longer time for effects to be seen. Various factors, including last year's social incidents, the COVID-19 epidemic, the global economic downturn, etc., may also affect companies' resource investments in commencing R&D work. We expect that it may take longer to show the actual effect of the enhanced tax deduction.

The various schemes under the Innovation and Technology Fund (ITF) finance projects that can contribute to I&T upgrading and industry development in Hong Kong, encourage private enterprises (including small and medium enterprises (SMEs)) to invest in R&D and applied technology, and commercialise outstanding local R&D achievements. From 2016 to 2019, the ITF had funded around 8 500 projects with a total funding commitment of about $7.73 billion. Compared to the previous four-year period (2012 to 2015), the number of projects funded and total funding commitment have increased by two and 1.4 times respectively. Also, the funding commitment for R&D projects has increased by 70 per cent. Generally speaking, a significant share (over 80 per cent) of the ITF funding is used to fund enterprise-led projects. Specifically, the Enterprise Support Scheme provides dollar-for-dollar matching funding of up to $10 million for each approved project for private companies to carry out in-house R&D work. As at end February 2020, 134 applications involving 116 private companies have been supported, with private companies contributing about $507 million and the ITF contributing about $433 million. We provide 40 per cent cash rebate to designated applied R&D projects of eligible enterprises through the R&D Cash Rebate Scheme. As at end February 2020, 1 390 companies have been granted cash rebates of about $602 million. Moreover, the Partnership Research Programme was launched in January 2019 to consolidate the previous University-Industry Collaboration Programme and the collaborative stream of the Innovation and Technology Support Programme to fund collaborative R&D projects jointly conducted by private companies with local R&D Centres, universities and other designated public research institutes. As at end February 2020, 35 projects have been funded involving funding of about $61.5 million.

In respect of R&D talent, the Government subsidises eligible enterprises/organisations in recruiting research personnel to engage in R&D work through the Researcher Programme (RP) and Postdoctoral Hub (PH). Currently, the maximum monthly allowances for researchers holding bachelor's and master's degrees are $18,000 and $21,000 respectively, and that for each postdoctoral talent is $32,000. As at end February 2020, the RP has approved nearly 4 800 applications with total funding of about $1.28 billion, and the PH has approved nearly 920 applications with total funding of about $530 million. Starting from March 9, 2020, the funding scope of the two programmes has been expanded from enterprises/organisations undertaking ITF-funded R&D projects, incubatees and I&T tenants of the Hong Kong Science and Technology Parks Corporation (HKSTPC) and the Cyberport as well as start-ups selected for investment under the Innovation and Technology Venture Fund to all technology companies conducting R&D activities in Hong Kong.

In addition, the Government launched in mid-2018 the Technology Talent Admission Scheme to provide a fast-track arrangement to admit technology talent to conduct R&D work in Hong Kong. As at end March 2020, the Innovation and Technology Commission has allotted 334 quotas and the Immigration Department has approved 110 employment visa/entry permit applications in accordance with the relevant quotas. To support Hong Kong's technological development, we have, starting from late January 2020, extended the applicable technology areas of the scheme from seven (i.e. biotechnology, artificial intelligence, cybersecurity, robotics, data analytics, financial technologies and material science) to 13 (the six new areas are 5G communications, Internet of Things, integrated circuit design, microelectronics, digital entertainment and green technology), and broadened the scheme's coverage to all companies undertaking R&D activities in these 13 areas in Hong Kong. The enhancements will allow more companies to benefit from the certainty and streamlined procedures offered by the scheme, thus expediting the admission of technology talent from different parts of the world to undertake R&D work in Hong Kong.

The Government will also launch the STEM Internship Scheme within this year to subsidise undergraduates and postgraduates of STEM-related programmes in local universities to undertake short-term internships. We welcome participation by private enterprises to provide short-term R&D internship positions to students.

In respect of R&D infrastructure, through the Hong Kong Science Park (Science Park) and the Cyberport, the Government provides incubation and support services to technology-based companies and start-ups. In recent years, the Government has supported various development projects of the HKSTPC and the Cyberport with a view to providing more scientific research and laboratory space for the I&T sector, including local enterprises. These development items include the Science Park Expansion Programme Stage 1, the development of R&D-related facilities by HKSTPC with an allocation of $3 billion, the expansion of Cyberport with $5.5 billion earmarked, and Phase 2 of the Science Park Expansion Programme with $3 billion reserved. The Government is also actively developing the 87-hectare Lok Ma Chau Loop area into the Hong Kong-Shenzhen Innovation and Technology Park as a key base for co-operation in scientific research.

Apart from the above measures that are directly related to private enterprises undertaking R&D work, the current Government also aims to create a vibrant I&T ecosystem by introducing different measures, for example establishing the InnoHK research clusters, co-investing with venture capital funds in local I&T start-ups through the Innovation and Technology Venture Fund, injecting funding into the Research Endowment Fund to substantially increase research funding for post-secondary institutions, etc. We believe that the increasingly sophisticated local I&T ecosystem will be highly conducive to encouraging companies to conduct more R&D activities in Hong Kong.

The Government expects the effect of these measures to be realised gradually, contributing to a further increase in the GERD. We will keep a close watch on the relevant situation, and introduce suitable measures as and when appropriate for encouraging R&D investment by private enterprises (including SMEs), or consider whether to set other indicators or longer-term goals as needed.

(4) The objectives of providing enterprises with enhanced tax deduction for qualifying R&D expenditures are to attract enterprises to invest more in R&D projects in Hong Kong, promote local R&D work, and groom local R&D talent. To this end, enterprises are eligible for up to 300 per cent enhanced tax deduction for payment made to "designated local research institutions". For payment on R&D activities outsourced to research institutions outside Hong Kong, enterprises can still qualify for 100 per cent tax deduction.

Permitting enterprises to claim enhanced tax deduction for R&D activities outsourced to non-local research institutions goes against the policy to promote local R&D activities. The Hong Kong Special Administrative Region Government is also not empowered to verify the R&D competency of institutions outside Hong Kong, and whether the claimed R&D work and expenditure are true.