

THE LEGISLATIVE COUNCIL

61 local firms move domicile

A TOTAL of 61 companies listed in Hongkong had moved their headquarters abroad by the end of last year, said the Financial Secretary, Sir Piers Jacobs.

This represented 10.83 per cent of the territory's total market capitalisation at the time, he added.

Replying to a question from Mr Poon Chi-fai, Sir Piers also said that any government action to prevent local companies from re-domiciling elsewhere would damage Hongkong's status as a free international financial centre.

He maintained that re-domiciling was not necessarily damaging to Hongkong.

The re-domiciled companies

remained substantially the same as before their relocation, he said.

"Their management and the majority of their public shareholders generally remain in Hongkong," he said. "Their Hongkong assets are unaffected by the move, and their contribution to and involvement in Hongkong's economy are basically unchanged."

But Mr Poon was dissatisfied that the Government's support for leading local companies that have re-domiciled, such as the Hongkong and Shanghai Bank, might lead other major firms to following suit.

This, he said, would have far-reaching negative effects on the

public's confidence in Hongkong's future.

In reply, Sir Piers maintained that the Government's position on the Hongkong Bank's restructuring arrangements was neutral.

"If our press release was read carefully, it would be apparent that what was supported was the actual restructuring that left the Hongkong Bank in Hongkong."

"We were saying that the restructuring as it took place, the arrangements as they are to take place, will in fact leave the bank firmly and securely in Hongkong," he added.

Sir Piers noted that the Government would encourage local

companies to stay by emphasising Hongkong's attractive investment environment.

He also maintained that re-domiciled companies should be allowed to operate freely as long as they abided by the same rules as companies incorporated in Hongkong in terms of their obligation to investors.

But the Government would take steps to uphold the sound investor protection framework for shareholders in the domiciled companies, he added.

Sir Piers also maintained that domiciled companies did not enjoy any specific concessions or privileges granted either by Hongkong law or the Government.

The only difference upon domiciling, he said, was that the companies ceased to be bound by the Hongkong domestic company law.

But he added that specific provisions in the Companies Ordinance were applied to overseas-incorporated companies which operated businesses in Hongkong.

The overseas-incorporated companies, he added, continued to be subject to Hongkong securities regulations to protect the interests of investors in the Hongkong market.

He also pointed out that domiciled companies were liable to taxation in Hongkong.