Immediate Release

HKVCA Welcomes 2021 Budget Speech Support for the Private Capital Industry

Hong Kong, 1st March 2021 – The HKVCA welcomes the announcement of the budget presented by the Financial Secretary and believes that it addresses critical issues within the economy, given the onset of COVID-19, and positions Hong Kong well for a return to normalcy.

New private equity-oriented legislation announced in the Budget significantly boosts Hong Kong's position as a private equity hub and provides further attraction for fund managers to operate in the city. The HKVCA also welcomes the government's decision to invest an additional HK$550 million into start-ups and technology companies through two venture investment programmes in Hong Kong.

H. Chin Chou, Chairman of the HKVCA, said, "The Budget Speech by the Financial Secretary demonstrates government's determination to optimise Hong Kong's existing private equity regime through the introduction of legislation for tax concessions for carried interest and a re-domiciliation mechanism for foreign funds. We expect these two bills will encourage more private equity and venture capital fund managers to re-locate to Hong Kong."

"We are delighted that the Hong Kong government has proceeded to implement supportive policies for stimulating the private equity sector in Asia, and particularly in Hong Kong. The discounted rate of tax on carried interest for local private equity firms and advisors as well as facilitating and subsidising the redomiciling of offshore limited partnerships to Hong Kong will undoubtedly strengthen the position of Hong Kong as a centre for private equity in the long run," commented John Levack, Vice Chairman of the HKVCA.

Johnny Chan, President and Executive Director of the HKVCA, said, "We are encouraged to see the deployment of $350 million and $200 million capital into the HKSTPC and Cyberport venture funds. These are important catalysts in the ecosystem, co-investing with venture capital fund managers, broadening funding sources and bringing first-class governance to our start-ups. The extension of the investment scope to later stages represents an effective strategy to propel more mature ventures closer to capital market events or exits."

“Family offices have also grown in importance as important sources of capital for venture capital and private equity funds, as evidenced in the increased level of co-investment activities they are undertaking. Government's decision to review tax arrangements for family offices is therefore an important further step in cementing Hong Kong's position as Asia's premier private equity hub,” Chan added.

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HKVCA is a member-based trade association which was established in Hong Kong in 1987. It currently has 480 members of whom 300 are Hong Kong based private equity managers across the full spectrum of the industry from venture capital, through growth capital and growth buyouts to institutional fund investors, fund of funds and secondary investors. HKVCA represents small teams investing in start-ups as well as the world’s 10 largest private equity firms.