



Identifying new options for growth – Executive Summary

PwC's recommendations for the Chief Executive's 2025 Policy Address



Executive Summary

In this executive summary we present recommendations for the Government of the Hong Kong Special Administrative Region (HKSAR)'s consideration as it prepares the forthcoming Policy Address. These are classified under four main headings, as follows:



Strengthening Hong Kong's role as a global and regional connector

A key requirement of this role is to host and support businesses seeking a regional or global headquarter. To help achieve this, we recommend:

- Enhancing the existing talent admission schemes in Hong Kong to ensure they remain relevant and attractive.
- Establishing a one-stop services platform to help incoming businesses and executives by ensuring that the move to Hong Kong is as frictionless as possible. The platform should include job matching and offer financial support for childcare and elderly care.
- Introducing a regional headquarters tax incentive to attract more businesses.
- Allied with this, Hong Kong should leverage its unique role in China and its world-leading financial services sector to further develop high value-added supply chain services and promote the development of intellectual property (IP) trading.
- Accelerating enhancements to existing tax concessions for the maritime sector and the introduction of a new tax concession for commodity trading.
- Expediting its review of tax deductions relating to IP rights in order to encourage investment. This should include allowing deductions for upfront license fees and the acquisition of IP rights from group companies for tax purposes.
- Directing more resources to expediting the expansion of the tax treaty network and strengthening international collaboration, particularly with jurisdictions in ASEAN and along the Belt and Road.

Infrastructure to promote regional connectivity is increasingly important as the Northern Metropolis takes shape. Making optimum use of different Public-Private Partnership (PPP) models will help ensure project viability, along with flexible concession terms that cushion investors against real estate valuation risks, the government should also look at risk-sharing on Northern Metropolis sites. Further recommendations include:

- Establishing a government-led body to advise different departments on the PPP projects allocated to them.
- In order to incentivise regeneration of brownfield and other sites, there should be greater flexibility in usage changes, funded by the private sector.
- Tourism-focused development largely centres around development of Victoria Harbour. We recommend the establishment of a Harbourfront Development Authority as a new ecosystem of partnership and governance.



Driving new growth engines in Innovation & Technology

Accelerating artificial intelligence (AI) adoption across both public and private sectors is key to Hong Kong's development. In this section we look at new funding channels and the streamlining of existing schemes to promote AI and other areas of innovation and technology (I&T).

- We recommend establishing the Northern Metropolis as a hub for the headquarters of tech companies by leveraging its proximity to Shenzhen and to Hong Kong's distinct legal system.
- Establish Hong Kong as a leader in pharmaceutical research and development (R&D), complementing regional strengths in traditional Chinese medicine (TCM) development.
- Mandate AI pilot projects in government departments to address challenges such as mobility and healthcare.
- Establish a Hong Kong AI Research and Development Institute (Hong Kong AI R&D Institute) which collaborates with existing R&D infrastructure and prioritises commercialisation of projects.
- Host a premier AI Summit to position Hong Kong as the "AI Davos of Asia".
- Establish a Moonshot AI fund to support breakthrough projects that could lead to the development of AI patents or potential unicorns within 2–3 years.

In light of the HKSAR Government's recent Policy Statement 2.0 on the Development of Digital Assets in Hong Kong (Policy Statement 2.0), we recommend accelerating digital asset strategies. We also see the potential to position Hong Kong as a digital-first asset and wealth management (AWM) hub.

- Establish blockchain-native asset registries to facilitate tokenisation of assets.
- Establish mechanisms for registering the issuance and transfer of digital assets representing land, IP, equity shareholding and other assets.
- Explore the creation of blockchain-native fund vehicles using company digital member registers in an initial pilot project.



Optimising financial markets for sustainable growth

In addition to the extension of trading hours of the Hong Kong Stock Exchange in our 2024 recommendations, we make a number of recommendations focusing on enhancing the overall growth, accessibility and competitiveness of Hong Kong's capital markets.

- Extend the over-the-counter (OTC) market to serve as a platform providing early-stage funding to innovative companies and startups, which may eventually list through Main Board Chapter 18A or 18C of the Hong Kong Listing Rules.
- Expand the scope of confidential filing to include dual primary listing applicants, large-cap and high-growth companies, enabling them to safeguard sensitive information longer and maintain competitive advantage.
- Implement Primary Equity Connect, so that Chinese Mainland investors can subscribe to Hong Kong initial public offerings (IPOs) and vice versa. A phased roll out starting from Greater Bay Area (GBA)-based businesses would help implementation.
- Expand guidance on shareholder protection standards for overseas issuers to facilitate smoother preparation of listings.
- Expand Hong Kong's RMB-denominated financial product offerings, supported by tax incentives, as well as subsidies for issuance costs, to attract RMB flows.
- As a long-term objective, a phased withdrawal of stamp duty on stock trading would eventually bring Hong Kong's trading costs in line with other major equity markets.



Hong Kong's AWM industry is substantial, managing USD4.5tr of assets as of 2024 year-end. To build on its current strengths and enhance its role as a regional and global hub, the following strategic measures are recommended:

- Wealth Management Connect: Expand product scope and increase quotas. Consider extending the initiative beyond the GBA to a national level to broaden investor access.
- Mutual Recognition of Funds (MRF): Expand eligibility to Open-ended Fund Companies (OFCs).
- Exchange traded fund (ETF) in Stock Connect: Consider relaxing eligibility criteria for Southbound Trading.
- Explore possible visionary models to inspire discussion on the future of the Mandatory Provident Fund (MPF) system.

We note that the government will enhance preferential tax regimes for family-owned investment holding vehicles (FIHVs). We recommend further measures to encourage family offices to choose Hong Kong.

- Include artworks and other collectibles under the list of qualifying assets.
- Include residential and non-residential properties in Hong Kong in the list of qualifying assets under the FIHV tax concession for the purpose of calculating the minimum asset threshold.
- Accelerate the granting of Hong Kong residency status to principals and immediate family members of eligible family offices.



Advancing Hong Kong's appeal as a destination of choice

To sustain Hong Kong's leading role as a premier international financial centre amid expanding global wealth and shifting expectations, enhancing the city's regulatory environment is crucial. Additionally, refining the legal and tax framework is essential to bolster its status further.

- Implement specific tax rules to ensure that securitisation transactions do not result in additional or accelerated tax liabilities for Special Purpose Vehicles (SPVs).
- Regulatory support should extend to cross-border securitisation transactions, including recognition of Hong Kong SPVs in other jurisdictions and alignment with international standards.
- Promote Hong Kong-domiciled fund vehicles, aligning talent acquisition, tax policies, and regulatory innovation with enhanced cross-border access to the Chinese Mainland, thus reinforcing Hong Kong's status as a premier fund domicile.
- As real-world asset tokenisation develops, effective coordination among government regulators and departments is crucial to explore and implement blockchain-based asset tokenisation.
- Enhancing the "exit" strategies currently available to funds and private credit – a robust debt capital market, including secondary debt trading market, will add to Hong Kong's attractiveness to private fund investment and private credit.
- Expanding Bond Connect to permit the securitisation and repackaging of onshore assets and investments would also support the growth of a robust primary debt trading market in Hong Kong.





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