NEWSLETTER

Fidinam Group Worldwide

November 2021
Issue 16

Highlights

- Introducing Fidinam Singapore new Managing Director
- Hong Kong positions itself as Asia’s Private Equity Hub
- Fidinam expanding to Melbourne

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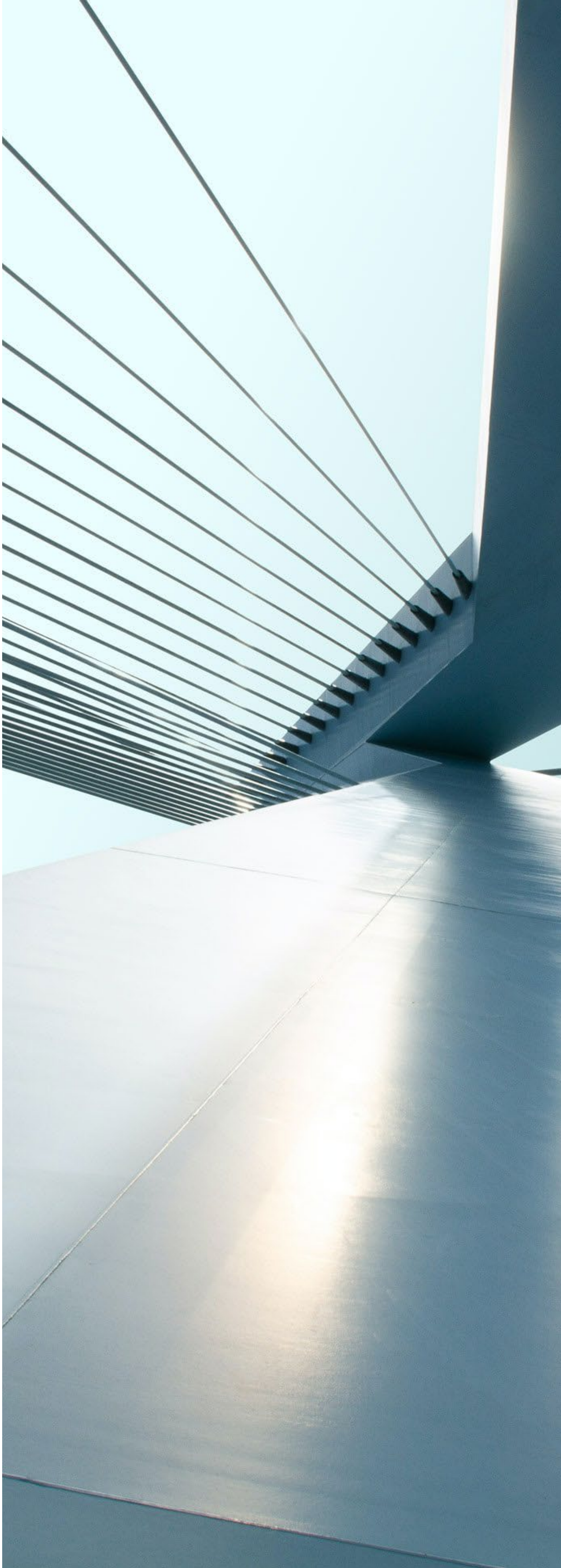

INTRODUCING NEW MANAGING DIRECTOR OF FIDINAM SINGAPORE

Fidinam Group Worldwide is delighted to announce that Marta Giordano has been appointed as new Managing Director of Fidinam Singapore.

Marta Giordano
Managing Director
Fidinam Singapore
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Ms. Giordano has over 15 years of experience in the Corporate Services industry, of which the last nine have seen her in either a management or leadership role.
In this role, Marta works with teams throughout offices to ensure the delivery of the highest level of corporate services.

"Under the leadership of Marta Giordano, Fidinam Singapore can serve its clients with the highest level of professionalism and further strengthen its strong positioning in serving corporate and private clients in the Region,"

said Alessandro Pedrinoni, CEO Fidinam in Asia Pacific.

After commencing her career as a tax advisor in Milan, Ms. Giordano moved to Singapore, where she became Partner at a well-known consulting firm.

In the last 14 years, she developed in-depth experience in the professional and business consultancy environment, managing a portfolio of blue-chip clients across a range of industries and regions. She was instrumental in assisting foreign investments into Singapore and South- and Northeast Asia, advising clients on corporate, taxation, accounting and immigration law.

Ms. Giordano was also responsible for business development for existing and emerging markets as well as identifying potential targets for geographic expansions and new alliances with local service providers and professionals. Marta Giordano graduated in Business Management & Administration from the Catholic University of the Sacred Heart in Milan and is a professional Chartered Accountant.

Qualifications & Memberships

- Certified Chartered Accountant registered with Order of Professional Accountants of Milan
- Chartered Accountant registered with ICAEW (Institute of Chartered Accountants in England and Wales)
- Certified Auditor registered with Register of Auditor

Fidinam Singapore
WE HAVE MOVED

We are delighted to announce that effective **1 SEPTEMBER 2021** Fidinam Singapore has moved to a premium location in the Central Business District to better serve you.

Our new adress is
OUE DOWNTOWN GALLERY
6A SHENTON WAY, #04-01
SINGAPORE 068815

HONG KONG POSITIONS ITSELF AS ASIA'S PRIVATE EQUITY HUB

1 Year Anniversary from the launch of the "Limited Partnership Fund Regime" in Hong Kong

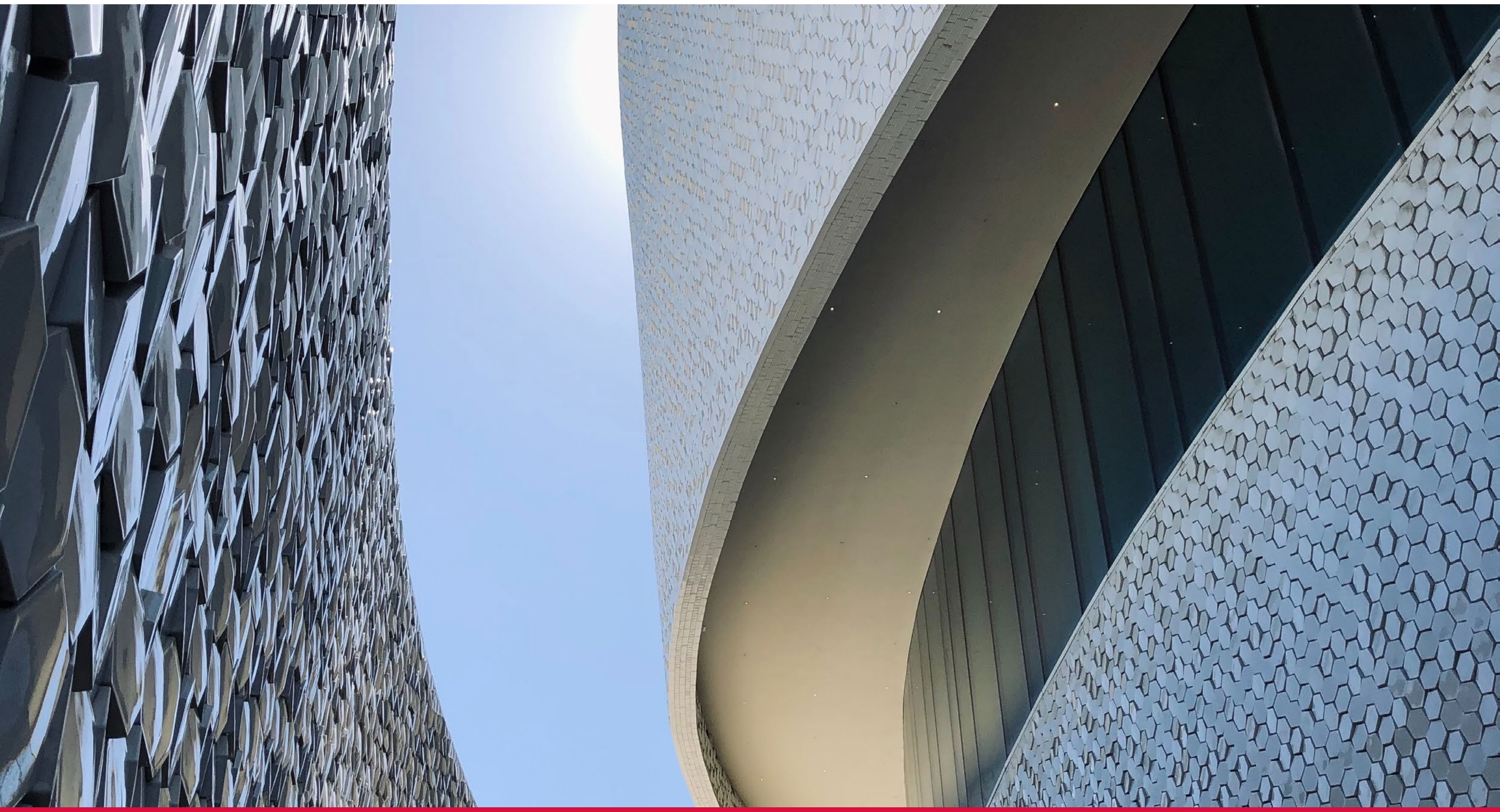
On 31th of August 2021, Hong Kong SAR celebrated the first anniversary of the launch of its Limited Partnership Fund Regime (LPF Regime).

One year after the implementation, the Financial Services and the Treasury Bureau (FSTB) successfully announced that nearly 330 new funds had already been registered under the new regime.

The LPF Regime represents a significant step ahead in developing Hong Kong as a leading private equity hub.

Hong Kong SAR is indeed planning to strengthen its role as an international asset and wealth management center and to further promote the development of the Greater Bay Area through more active private equity investments. This plan is taking shape through the implementation of the so-called "3-Step Approach", which besides the new Fund regime, also foresees (i) the adoption of favorable tax policies, including concessions for carried interest distributed by eligible private equity funds operating in Hong Kong, and also (ii) the introduction of a re-domiciliation mechanism for foreign funds to relocate to Hong Kong.

Sharpening its competitive edge as a private equity funds market is crucial to capturing Asia's huge market opportunities and growing the Hong Kong local asset and wealth management industry.



Main features

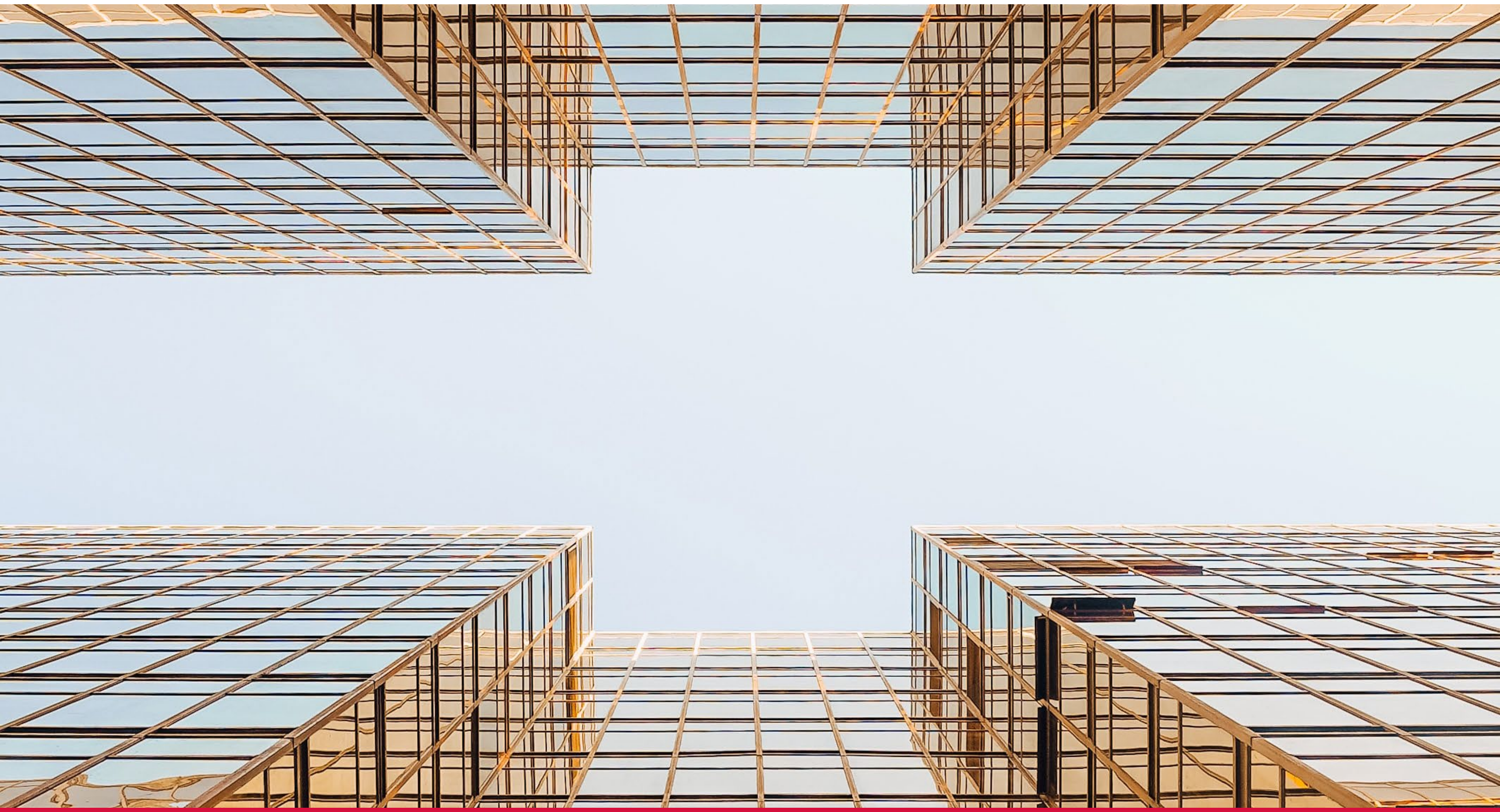
The Limited Partnership Fund Ordinance (Cap. 637) (the "LPFO"), which came into effect on August 31, 2020, introduces a new entity type for private equity and venture capital funds in Hong Kong: the Limited Partnership Fund ("LPF").

> **An LPF is a form of partnership enterprise which enjoys great flexibility in making arrangements between partners.**

The LPFO sets out few eligibility criteria for an LPF to be registered: a fund qualifying for registration under the LPF regime must indeed be constituted by one general partner ("GP") and at least one limited partner with limited liability ("LP"). The GP can itself be, or must appoint, an investment manager to carry out the day-to-day investment management function of the LPF.

An LPF is not a separate legal entity; hence the GP bears unlimited liability for the debts and liabilities of the LPF and has ultimate responsibility for the control and the proper management of the fund.

The application for an LPF must be submitted by (I) a registered Hong Kong law firm or (II) a solicitor admitted to practice in Hong Kong on behalf of the proposed GP. The limited partnership agreement does not have to be submitted to the Company Registry while processing the registration, hence it remains a private document.



Benefits

The newly enacted LPFO is comparable in many aspects to limited partnership regimes in other commonly used jurisdictions (such as the Cayman Islands), particularly in terms of contractual flexibility and the allocation of liabilities. The new LPF framework provides several benefits such as:

- No restriction on investment scope
- Flexible in capital contribution and profit distribution
- Compared to other jurisdictions such as the Cayman Islands, the setting up and maintaining fees of an LPF in Hong Kong are relatively low
- LPFs that satisfy certain conditions can enjoy the Unified Profits Tax Regime
- HK Government offers tax concessions for carried interest issued by LPF operating in Hong Kong subject to fulfilment of certain conditions
- No stamp duty for contribution, transfer or withdrawal to/from the LPF
- Greater privacy: Information on LPs is not publicly disclosed

The new regulations implemented in Hong Kong, supported by the intense promotional initiatives performed by local institutions and organizations like Invest HK and the Family Office Association, outlines a clear future for Hong Kong: to further strengthen itself as the focal point for asset management in the entire region.

By Patrick Heimann
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TAX RELIEF BACK IN HONG KONG

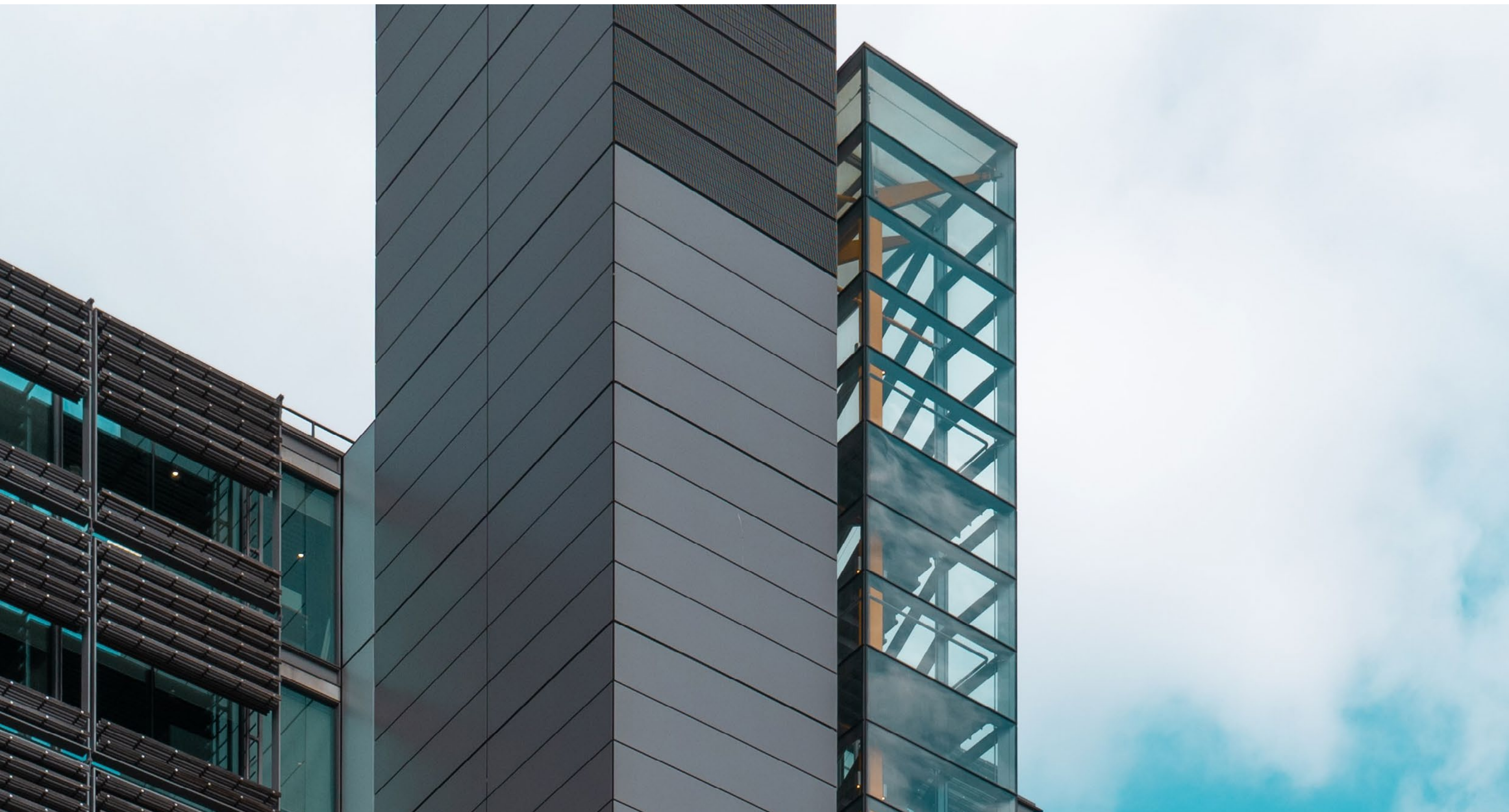
The Inland Revenue Bill 2021 (Bill 2021) proposes several changes to the current tax rules derived from the revised Departmental Interpretation and Practice Note No. 28 (DIPN 28) issued in July 2019.

The proposed changes are in order to provide relief from double taxation to both Hong Kong tax residents and non-residents, in respect of withholding tax suffered on payments received from foreign jurisdictions. The new rules shall take effect from the year of assessment 2021/22.

Upon amendment of the DIPN 28 by the Inland Revenue Department in 2019, tax relief granted in consideration for payment of withholding tax on overseas income was limited in several ways:

- Under the amendment of section 16 (1)(c), it was only available for certain categories of interest, gains or profits on some debt instruments. As a consequence, many types of payments suffering withholding taxes were excluded from tax relief (such as dividends, royalties, rents, services fees, etc.).

- Under the newly added section 16 (2J), it was not granted for withholding taxes applied on payments coming from Double Taxation Agreement (DTA) jurisdictions. This second limitation was problematic mostly for non-Hong Kong tax residents, who could neither get a tax credit nor a tax deduction for the foreign withholding taxes paid on income derived from DTA territories. This second limitation was mainly problematic for the banking sector since many foreign financial institutions primarily operate in Hong Kong through branch structures, which do not have an autonomous legal personality and are classified as non-Hong Kong residents for tax purposes.



Bill 2021

The proposed changes of the Bill 2021 alleviate these limitations:

- They provide tax relief for "specified tax", thus enlarging the scope of deductions to a wider range of overseas withholding taxes suffered on income chargeable to Hong Kong profits tax, according to the introduction of the new provision 16 (ca). This should apply to the majority of withholding taxes levied. The only exclusion remains foreign taxes not computed by reference to profits or income (i. e. value-added tax and/or goods and services tax or equivalent).
- They enable non-residents (mainly Hong Kong branches of foreign entities) to enjoy such tax relief, regardless of whether Hong Kong entered or not into a DTA with the jurisdiction levying the foreign tax.

The Bill 2021 hence offers positive changes, which shall enhance the deduction of foreign taxes to relieve double taxation issues arising in Hong Kong.

It will significantly impact the banking sector since, as explained in point 2) above, it will grant such tax relief to Hong Kong branches under section 16 (1)(c) for specified interest, gains or profit (already granted by the revised DIPN 28) and under the new section 16 (1)(ca) for other gross income (with some limitations under the revised section 16 (2J) and section 50AA).

In practice, some companies book their net income (gross profits after deduction of foreign withholding taxes) as revenues, in which case the foreign withholding taxes are directly booked as expenses/costs. Though tolerated in practice by some auditors, companies should actually book their gross income as revenues and apply for a tax credit for the foreign withholding related to such income.

The Inland Revenue Department has not yet clarified if Bill 2021 will have a retrospective application. If not, there might be cases where taxpayers could be exposed to double taxation in the years of assessment 2019/2020 and 2020/2021.

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INTRODUCING FIDINAM COMPLIANCE MANAGER

Jema Baluran is Compliance Manager at Fidinam Hong Kong. She has over 20 years of experience across the field of compliance, internal audit and accounting.

Jema Baluran
Compliance Manager
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We are glad to announce Ms. Baluran as Compliance Manager at Fidinam Hong Kong. With the introduction of our compliance services we can serve our clients with high quality and professionalism, dedicated to setting up and maintaining compliant businesses.

Prior to joining Fidinam, Jema has worked as Client Services and Compliance Manager for a Hong Kong trust company. She has further held positions as Verification and Internal Audit Team Leader, Audit Manager, Financial Controller, and Audit Manager in different industries in Asia.

She holds a Bachelor of Science in Accountancy from Polytechnic University of the Philippines, Diploma in International Financial Reporting Standards from the Institute of Accounting Technicians (Canada), Executive Certificate in Finance and Compliance, and Executive Diploma in Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) from HKU SPACE.

HONG KONG: PROPOSALS TO ENHANCE ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING REGULATION

In September 2019, the Financial Action Task Force (FATF) published the mutual evaluation report on Hong Kong, which concluded that it has a strong legal foundation and effective system for combating money laundering and counter-terrorist financing, but also sets out the FATF's recommendations on different areas.

Regarding the FATF recommendations, the Hong Kong Government conducted a public consultation from November 2020 to January 2021. In May 2021, the Financial Services and the Treasury Bureau (FSTB) released its consultation confirmations regarding proposals to enhance the anti-money-laundering and counter-terrorism financing regulation in Hong Kong. This includes the introduction of a licensing regime for virtual asset services providers (VASPs), a two-tier registration regime for dealers in precious metals and stones (DPMS) and miscellaneous technical amendments under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO).

In line with this, licensed VASPs will be subject to the customer due diligence and record-keeping requirements as stipulated in the AMLO. And whilst DPMS is already subject with the current AMLO regime, engaging in large cash transactions will be subject to more rigorous anti-money laundering (AML) and counter-terrorist financing (CTF) scrutiny.

Taking the opportunity to amend the AMLO, the government has proposed introducing certain amendments to address some technical issues identified in the FATF mutual evaluation report on Hong Kong.

This includes (i) amending the definition of a politically exposed person (PEP) in accordance with the FATF requirement, (ii) aligning the definition of beneficial owner in relation to a trust under the AMLO with that of controlling person under the Inland Revenue Ordinance, (iii) allowing engagement of digital identification system to assist the conduct of customer due diligence, (iv) enhancing the deterrent effect for unlicensed money service operation by raising the sentencing level to a fine of $1,000,000 and imprisonment for two years, (v) and consolidating the different provisions under various ordinances enabling regulatory authorities to exchange supervisory information for AML and CTF purposes into a unified provision under the AMLO.

Given the forthcoming updates on AMLO and regulatory requirements, **Fidinam is here to assist its clients with our compliance services.**

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FIDINAM EXPANDING TO MELBOURNE

As a result of its recent acquisition 226 Flinders Lane Melbourne (Invicta House) on behalf of ST Real Estate, Fidinam Australasia Real Estate (Fidinam) is pleased to announce the official opening of its second Australian office in Melbourne, Victoria.

Fidinam now manages a substantial portfolio of Melbourne CBD commercial assets on behalf of off-shore investors. Fidinam was already located in Sydney, New South Wales and by increasing its footprint with an office in Melbourne it can provide more “boots on the ground” for investors unable to travel to Australia.

Additionally, it supports the investment strategy of our investors who have taken a long-term view of commercial property in Melbourne and Sydney.

The Melbourne officehas been managed by Jack Perkins from August 2021, ensuring we can continue to meet the needs of our investors.

New opportunities in Australia

A local presence will allow us to accelerate acquisition and leasing opportunities, service a greater client base, work more closely with our tenants; while working in real-time, allowing us to adapt quickly.

Matthew Burrows, Managing Director of Fidinam in Australia:

"To better serve our clients and exposure in the Melbourne market, it seemed like a natural evolution to open a Melbourne office. To be able to internally promote Jack Perkins to run operations in Melbourne is a testament to the growth and culture of the organization."

Patrick Lardi, Vice Chairman STRE:

"Having an owner representative on the ground is key to our impressive track record in Australia, and more so during the current border closures. Looking forward, we are excited to commence the redevelopment of "Invicta House" and "Swan House" in Flinders Lane in Melbourne".

With a portfolio of commercial assets over AU$500m, Fidinam is looking to grow its portfolio to circa AU$1bn over the next five years, in which Melbourne will play a large role in achieving this. A heavy capital expenditure program is planned over the next two years, with the refurbishment and releasing of over 14,000 square meters of high-end boutique commercial real estate in Melbourne's CBD.

Alessandro Pedrinoni, CEO Fidinam in Asia Pacific:

"We are excited by the ongoing expansion of Fidinam in the Region. The establishment of our Melbourne office is another step to increase our reach and ability to service our clients."

"Invicta House" 226 Flinders Lane, Melbourne

"Swan House" 415 Flinders Lane, Melbourne

About ST Real Estate

ST Real Estate Holding Inc. (STRE) commenced investing in Australia in 2010, driven by the motto:

> **‘Re-thinking risk in a more uncertain world” as a result of the GFC, and this is even more pertinent now after COVID-19.**

STRE’s strategy regarding risk diversification is based on an innovative and proven approach, combining exposure to Asian growth, through real estate investments in Sydney and Melbourne and expanding real estate strategy in the United States.

As a result of this strategy STRE is directly and indirectly exposed to over 50% of global GDP. Today STRE controls approx. $1bnAUD in real estate assets in Australia and the United States.

By Matthew Burrows
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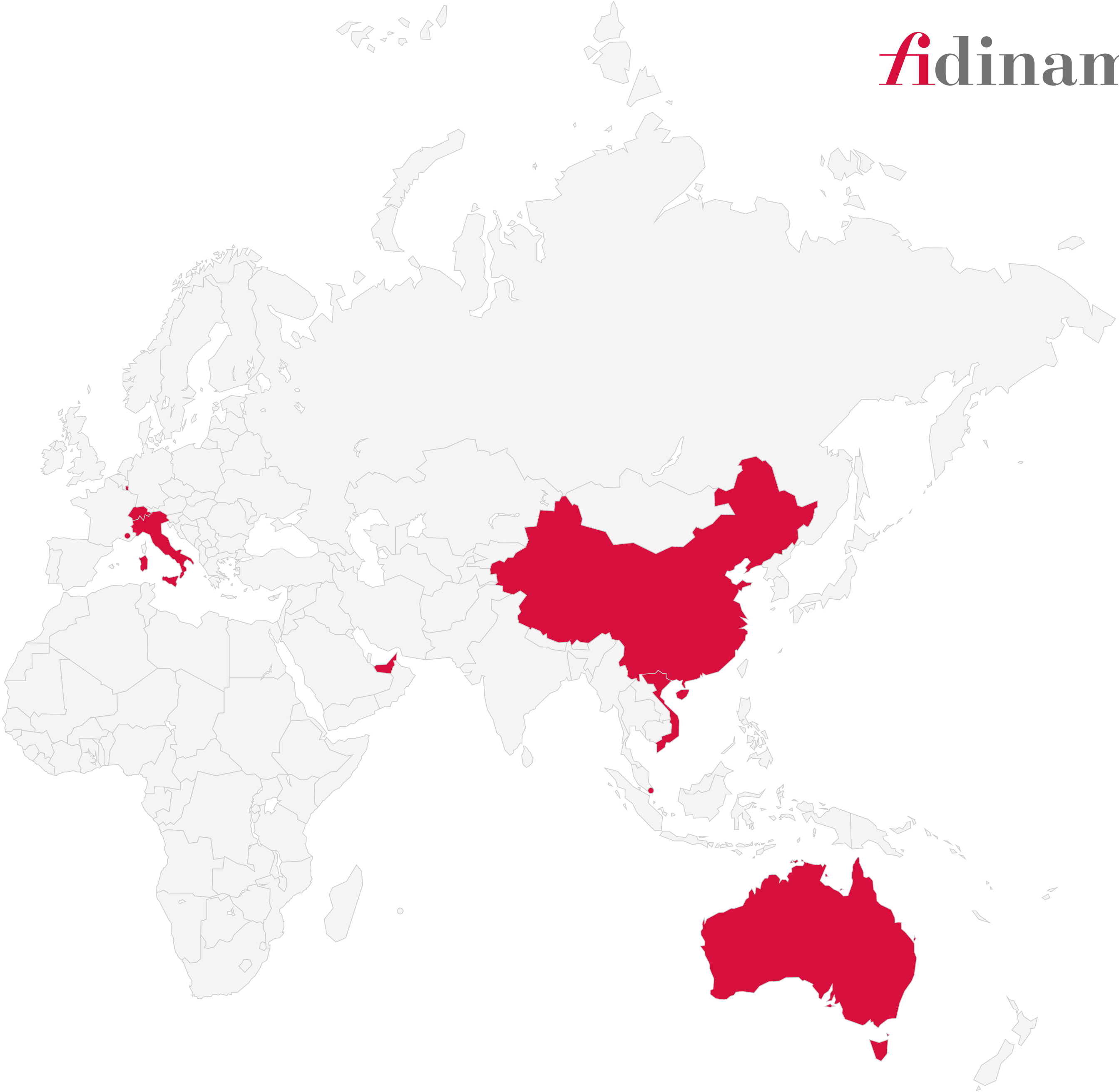

fidinam

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