

FSDC's report on opportunities arising from Chinese enterprises "Going Global"

The Financial Services Development Council (FSDC) today (30 April) released a report entitled "Chinese Enterprises 'Going Global': Opportunities and Hong Kong's Policy Responses", setting out recommendations on how Hong Kong can capitalise on business opportunities brought about by an increasing number of Chinese enterprises investing and expanding overseas.

The Chairman of the FSDC, Mrs Laura M Cha, said, "As the leading international financial and business centre in China, Hong Kong is poised to benefit by being the key facilitator for Chinese enterprises' going global process. The 'One Belt One Road' strategy will add further impetus to the trend of 'Going Global', and Hong Kong must consolidate our role as the 'Super-Connector' to help Chinese enterprises in expanding to the relevant markets covered by the 'Going Global' initiative."

The report pointed out that Hong Kong has been a popular platform for Chinese enterprises expanding overseas, taking up over half of the Mainland's outbound foreign direct investments. With the Central Government putting forward the strategy of Chinese enterprises "Going Global" in 2000, the number of Chinese companies setting up operations in Hong Kong has been on the rise and reached 957 by end-2014.

Noting that a number of concessionary measures have been implemented in Mainland's newly established Free Trade Zones to attract financial institutions and offer choices for Chinese enterprises to go global, the report opined that Hong Kong should maintain its position as the business hub of choice for enterprises with overseas aspirations by strengthening its core advantages as an IPO and financing platform, and enhancing offshore RMB business and professional services.

The report sets out a total of 16 recommendations. The report recommends the Hong Kong Special Administrative Region (HKSAR) Government to consider providing a more conducive tax environment by expanding the double taxation agreement network as well as offering accommodative tax treatment for offshore private equity funds and corporate treasury activities; facilitating Chinese enterprises' use of assets in the Mainland for offshore financing; simplifying regulatory requirements for Mainland operations of Hong Kong's commercial banks; attracting large-scale state-owned enterprises listing and operating in Hong Kong; stepping up

the promotion of Hong Kong's high-quality professional services in the Mainland and encouraging Chinese enterprises to set up captive insurance business in Hong Kong; and strengthening the talent pool by attracting professionals from outside Hong Kong as well as enhancing local talents' competitiveness.

For regulatory issues in the Mainland as identified by Hong Kong's financial service practitioners, the report suggests the Central Government to consider streamlining the relevant approval process for Chinese enterprises to go overseas; amending the relevant legislations and regulations such as "Document 10" to facilitate Chinese enterprises to carry out overseas listing as red chip companies; reviewing the practice of reducing/transferring state-owned shares; relaxing regulations on issuance of H-shares, preference shares, and convertible bonds; reducing the capital gains tax arising from transfer of assets; simplifying foreign exchange acquisition process; implementing pilot projects of professional manager system; and relaxing, in a targeted manner, regulatory controls over private enterprises.

The full report has been uploaded onto the FSDC website: www.fsd.org.hk for public viewing.

About the FSDC

The HKSAR Government established the FSDC in 2013 as a high-level, cross-sectoral advisory body to engage the industry in formulating proposals to promote the further development of Hong Kong's financial services industry and to map out the strategic direction for development.

The FSDC has set up five committees, namely the Policy Research Committee, the Mainland Opportunities Committee, the New Business Committee, the Market Development Committee and the Human Capital Committee.

Ends/Thursday, April 30, 2015