

# Hong Kong Australia Business Association (Queensland Chapter)

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Welcome to the First Edition of the HKABA QLD Newsletter.

## Hong Kong Forum 28 – 29 November 2011

Hosted by the Hong Kong Trade Development Council (HKTDC), the Hong Kong Forum is the annual flagship event of the Federation of Hong Kong Business Associations Worldwide, a unique network of 33 Hong Kong Business Associations in 24 countries with more than 11,000 individual business executives and professionals from around the world as member associates.

Every year member associates of the Federation converge to Hong Kong from across the globe to attend the two-day Forum. The Forum gives Federation members from around the world the latest insights and information on doing business in Hong Kong and the Chinese mainland. The programme ranges from panel discussions and thematic workshops to topical addresses, networking sessions and face-to-face communication with senior executives from Hong Kong and around the world. Member associates can also join an optional programme to the Pearl River Delta.

We are looking forward to more success stories and new initiatives in reinforcing the role of Hong Kong as your best partner in this global business world.

For further details, please go to:

<http://www.hkfederation.org.hk/forum/forum2011/main/index.asp>

# The Hong Kong Securities Exchange

## Global Mining Finance Market

Managing Director of GRT Lawyers, Glenn Vassallo shares his thoughts on close range Asian markets

### **Why Hong Kong?**

#### **Access to Asian capital markets**

It is a well-known fact that our economy relies heavily on access to foreign money. While some feel that this creates pathways for profits to leak off-shore, the reality is that without these funds profit generation from Australian opportunities would be a mere fraction of their present value.

The GFC, European debt crises and instability in the US economy have served to highlight the strength that Asian economies have come to garner, relative to long-standing economic super powers. China is now the world's second largest economy, with some economists speculating it will outstrip the US by 2020 (based on factors such as GDP, trade, foreign investment, inflation, exchange rates and demographics).

#### **Hong Kong offers a friendly business environment**

Access to Chinese capital can be difficult to obtain. The reality is that the Shanghai Exchange is closed to Australian companies and Chinese investors face a gauntlet of bureaucratic hurdles and approvals to obtain approval for investment abroad. Cultural difficulties can also lead to misunderstandings and tensions.

By contrast, Hong Kong offers an investor friendly environment, transparent governance and sophisticated work force. Most significantly, it has been awarded preferential status in terms of dealing with mainland China, making it the obvious gateway for Chinese trade and investment. Ease of access is further aided by Hong Kong's geographic proximity to Australia.

#### **“Hong Kong will become the latest mining finance market in the world”**

(Robert Friedland, Chairman of Ivanhoe Mines: Key note address - Mines & Money Hong Kong 2010)

In mid-2010 the Hong Kong Stock Exchange (SEHK) introduced a series of changes to listing and disclosure criteria creating a more favourable listing environment for resource companies, including relaxation of onerous financial tests, the introduction of a JORC type reporting regime and articulation of suitable mineral assets. This initiative created a more certain path for listing applicants in the resource sector and raised the integrity of investment offerings and flow of information to investors, making the SEHK more accessible to issuers and more credible to investors.

To take advantage of the relaxed criteria applicants must be in or near production, with adequate reserves (at least 'indicated' or 'contingent') and be able to map out the path to production including indicative timetable and costs.

SEHK also recognise that newly-formed infrastructure project companies may be unable to meet trading record, profitability or financial criteria and facilitate case-by-case assessment of waivers or variations to admission tests.

The official language of the SEHK is English.

Summary only. Other criteria apply.

## Listing on the Hong Kong Stock Exchange (SEHK)

### Primary versus secondary listings

SEHK's listing rules for overseas issuers are different depending on whether their primary listing is on HKEx or another exchange. GRT Lawyers can provide specialist advice on the operational rules applicable to your circumstances. HKEx must be satisfied with the regulatory environment and shareholder protections of the home exchange or jurisdiction or alternatively be satisfied that adequate protection can be offered through changes to the issuer's constituent documents. The ASX is not specifically recognised by SEHK's listing rules as a suitable exchange, however has on a number of occasions been accepted as suitable by SEHK's Listing Committee.

### Two markets to choose from

The SEHK offers two market options: (1) the Main Board; and (2) the Growth Enterprise Market (or GEM). The table below sets out the key listing criteria for both markets.

» Requirement	» Main Board	» GEM
Market Theme	Larger established companies, able to meet financial admissions tests	Secondary board. Stepping stone to Main Board
Listing Type	Dual, primary and secondary listings permitted	Dual listings permitted. Secondary listings not permitted
Overseas issuers	Assessed on case-by-case basis	Assessed on case-by-case basis
Financial admission tests	3 Alternative Tests:  (1) Profits of HK\$50m in last 3 yrs, with HK\$20m in most recent yr and Market Cap of HK\$200m+  (2) Market Cap of HK\$4bn+ and Revenue of at HK\$500m+ for most recent audited FY  (3) Market Cap of HK\$2bn+; Revenue of at HK\$500m+ for most recent audited FY; and Cashflow from operating activities of HK\$100m+ in aggregate for immediately preceding 3 FYs	Trading record of at least 2 FYs comprising:  (1) Cashflow from operating activities in the ordinary course of business of HK\$20 m+ in aggregate for immediately preceding 2 FYs  (2) Market Cap of HK\$100+
Market Cap	Minimum of HK\$200m (based on expected issue price)	Minimum of HK\$100m (based on expected issue price)
Operating history <sup>2</sup>	At least 3 FYs	At least 2 FYs
Management & ownership history <sup>2</sup>	Management continuity for 3 preceding FYs  Ownership continuity and control for at least the most recent audited FY	Management continuity throughout 2 preceding FYs  Ownership continuity and control throughout the preceding full FY
Shareholding and Spread	At least 25% of total issued capital (subject to minimum market cap of HK\$50m) in public hands at all times	At least 25% of total issued capital (subject to minimum market cap of HK\$30m) in public hands at all times
	Lower percentage (between 15% - 25% may be accepted for market cap over HK\$10bn)	
	Shares in public hands must be spread among at least 300 holders (for financial admission tests (1) or (3)) and 1,000 holders (for financial admission test (2))	Shares in public hands must be spread among at least 100 holders
	No more than 50% of securities in public hands can be beneficially owned by 3 largest public shareholders.	
Underwriting	Mandatory	Not mandatory, however minimum subscription amount in prospectus must be met

For further information on whether a listing in Hong Kong may be right for you contact Glenn Vassallo, Managing Director of GRT Lawyers on 0422 857 760.

See commentary above in respect of specific variations for resource companies and newly-formed infrastructure project companies. Other specialist categories apply (e.g. for investment companies and schemes)

# International Solutions

JBWere / Anne Cherry

JBWere Private Wealth Management expands its international capabilities

JBWere has recently launched a new international offering for its wholesale clients. This international portfolio solution allows advisers to assist clients who are increasingly looking to build diverse portfolios across regions and asset classes.

There are some good reasons right now to consider investment into international markets to diversify your portfolio. Currently, the global market environment means valuations for Australian investors are more attractive than ever. In an increasingly globalised world, the Australian equity market is becoming smaller and the spread of sectors is quite narrow (financials and mining make up 70% of its index). Finally, with the Australian dollar at an all time high plus the opportunity for hedging and risk management there has never been a better time to look at offshore opportunities.

JBWere clients can now access international investment markets through the Swiss Private Bank Lombard Ordier. The launch of this new investment capability gives wholesale clients access to international portfolio solutions including personalised investment advice and global research and execution across all markets and asset classes.

Working alongside Lombard Ordier, JBWere's international capability is focused on delivering the broadest range of international investment opportunities and a complete service in terms of reporting and administration with access to:

- » Investment opportunities across a wide range of classes including:
- » Equities across global markets
- » Managed investments; offshore managed funds, ETFs, hedge funds

- » Foreign currency fixed interest securities;
- » Derivatives; Futures OTC, ETOs over FX, equities, commodities and index.
- » Structured and bespoke solutions
- » Multi currency fiduciary deposits
- » Comprehensive administration and reporting services including corporate actions management.
- » Online access to research, reporting and breaking news
- » Tailored portfolio solutions – Global specialist supporting advisers in providing advice.

Accessing this global platform for wholesale clients is designed to be secure and simple. Clients will receive a secure online portfolio for all account information as well as reporting and analysis tools. As a client you will partner with a JBWere advisory team who will work with you to establish your objectives and deliver a range of international investment opportunities. To satisfy Australian and Singapore laws clients will need to have a wholesale account certificate and invest a minimum of \$1m into the platform.

JBWere has built a strong reputation in Australia delivering sophisticated investment solutions to clients for over 170 years. Linking with Lombard Ordier brings together two organisations with over two centuries of Private Banking tradition, both founded on innovative spirit and creative investment solutions, values that align strongly to JBWere.

You can learn more about JBWere international investment capabilities by contacting us Eddie Yuen on 07 3258 1124, [eddie.yuen@jbwere.com](mailto:eddie.yuen@jbwere.com).



# It's a small world...

While the increase global executive mobility has been an ever present trend over the past decade or more the growth of the Asian economies and global pursuit for resources is seeing more and more small to medium enterprise grappling with issues of sending teams of professionals and company executives off shore. At the same time a number of legislative changes and broader trends, including the growth in popularity of self managed superannuation funds (SMSF) and the softening of the US dollar have occurred. Consequently companies and employees must consider a wider range of implications associated with relocation and expatriate assignments in what is already unfamiliar territory. This comes in addition to the typical analysis and structuring to deal with the local regulatory environment applicable at a corporate level.

As the rules currently apply, with limited exception, worldwide employment income is included in a resident individual's Australian taxable income with an associated credit for tax paid offshore. This position which has prevailed since July 2009 necessitates careful assessment of any expatriate employment contract that may lurk in the bottom of HR or Finance Director's draws.

Australian residency for income tax purposes relies upon an individual's circumstances, yet has significant implications with respect to the employer's obligations in both jurisdictions and the structuring of appropriate compensation packages. It is critical that the company and individual work collaboratively to achieve an appropriate outcome where dealing with remuneration and other benefits.

The growth in popularity of self managed superannuation funds (SMSF) among professionals and executives means that these too become an added complication when considering offshore movements. Broadly, maintaining complying

superannuation fund status is paramount and requires the fund be an "Australian superannuation fund". Of particular importance to outbound individuals is that complying status requires central management and control of the fund is ordinarily in Australia; and the majority of the fund's assets are attributable to Australian resident active members. Basically, active members are contributing members. In instances where fund assets are liquid and the individual's move more long-term, rolling benefits into a public offer fund may be appropriate. However, as is not uncommon, where the fund holds property or other relatively illiquid assets consideration must be given as to the ability of the fund to remain complying where a member/s is absent from Australia and potentially not a resident. While the outcome depends on individual circumstance and preference it is essential this be considered early on.

Currency exposure is another consideration for expatriates. Large companies have been managing currency exposure "since time in memoriam", and small to medium enterprises are becoming increasingly sophisticated in this respect. However, it is only of late (and in light of the softening US dollar) that expatriate individual's are looking more and more at the appropriateness of their contracted currency and managing their exposure. At an individual level strategy will be largely dictated by the term of employment and intended time offshore, the denomination of any debt exposure or other obligations and the company's willingness to be flexible with either the contracted currency or insulating the individual from significant exchange movement.

These considerations, together with the important family consideration such as offshore accommodation, education and in some instances security, should not perturb individual or companies from entering foreign markets.

# Event Calendar

## 8 November 2011 Food and Wine Appreciation Dinner

We are honoured to have as our Wine Master

**Mr. Tony Harper**  
Tony is a well respected Independent Wine and Spirits Professional. He is the Wine review editor on multiple major newspapers. He is also on the Judge Panel on major Wine competition.

**HKABA**  
is hosting  
its 2011  
**Food & Wine  
Appreciation Dinner**

**Hong Kong - Australia Business Association**

Hong Kong - Australia Business Association  
(ABN: 64 335 486 717)  
Level 3, 98 Gresham Street,  
Sydney, NSW 2003  
At: Tenara Lee  
Tel: (02) 9267 2120 Fax: (02) 9263 0909  
Email: hkaba@hkaba.com.au

If you have colleagues or friends that would like to attend, please complete another form.

Name \_\_\_\_\_  
Position \_\_\_\_\_  
Organisation \_\_\_\_\_  
Tel \_\_\_\_\_ Email \_\_\_\_\_

Payment Details (EVP data: 02 Nov 2011)  
Concessions available after 22 Nov 2010 will be shown in full

Cost:	Non-Members:	\$360.00 per person
	Table of 10:	\$3500.00 per table
	Members:	\$130.00 per person
	Table of 10:	\$1200.00 per table

PLEASE FILL IN YOUR CHECK OR CREDIT CARD PAYMENT TO HELP FINANCE YOUR MEMBERSHIP FOR THE YEAR!

PLEASE SEND BY:  
 Via Card  Member Card  
(Member's Australian Express card not accepted)

MEMBER'S NAME \_\_\_\_\_  
SIGNATURE \_\_\_\_\_  
Card No. \_\_\_\_\_  
 expiry date \_\_\_\_\_

A special event based around a seven course dinner. Each delicious Asian cuisine will be accompanied by a specially chosen Australian and New Zealand wine. An entertaining and fun filled night featuring wine guessing games for all.

Sponsors:  
HKTC, Moore Stephens, Westpac, NAB, JBWere, Vanjien, KPMG

## 28-29 November 2011 Hong Kong Forum

## Food and Wine Appreciation Dinner 8 November 2011

With the success in 2010, we are hosting our Food and Wine Appreciation Dinner again this year. It will be on the 8 November 2011 at the Landmark Restaurant Sunnybank Plaza. It will be a degustation style menu with Premium Chinese Food matching the Premium Australian & New Zealand wine. According to our QLD Chapter president, Penfolds 707 and Wagyu beef is on the menu. Tony Harper will be the Wine Master for the evening. If you do not want to miss out this event, please see the above invitation flyer for details.

## Easy Steps to Join Us or Renew Your Membership

Just a reminder to all members to renew your membership to enjoy special discounts offered exclusively to members for our events.

To renew your membership online –

- 1/ Visit HKABA website at [www.hkaba.com.au](http://www.hkaba.com.au)
- 2/ Login from top of the webpage with your username and password

Not yet a member? Why not follow the steps below to join us and extend your professional business network?

Online application –

1/ Visit [www.hkaba.com.au/memberapply.html](http://www.hkaba.com.au/memberapply.html) for online application

2/ Submit a completed form with details of membership payment option

Alternatively,

1/ Download the application form at [www.hkaba.com.au/membership/application.html](http://www.hkaba.com.au/membership/application.html)

2/ Send a completed form to HKABA

3/ Settle membership fee payment by credit card or bank cheque

For membership details and benefits,

Visit: [www.hkaba.com.au/membership/index.html](http://www.hkaba.com.au/membership/index.html)