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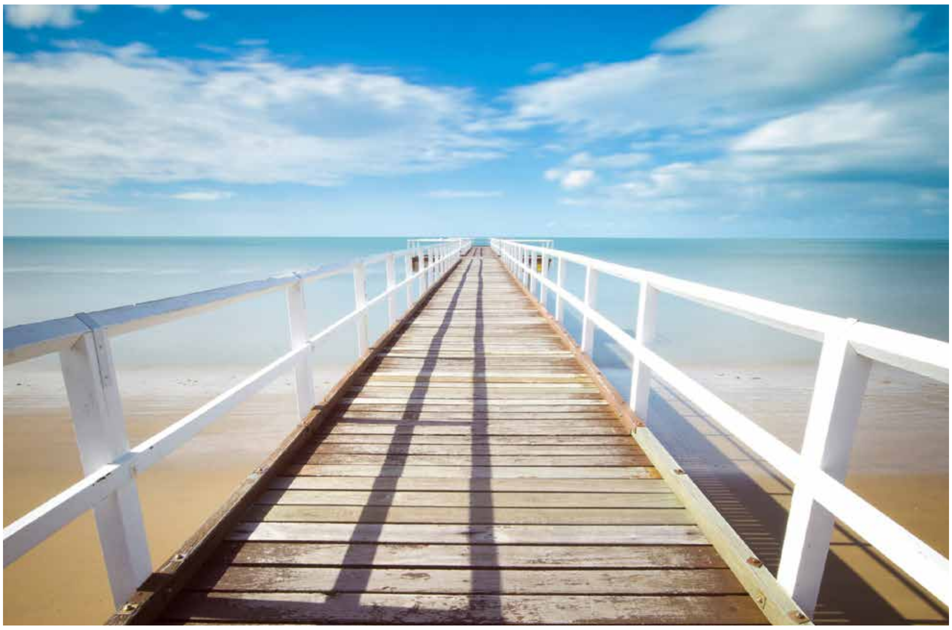

SUITABILITY FOR LISTING

The Stock Exchange of Hong Kong Limited (the Exchange) issued a Guidance Letter on 3 June 2016 in relation to the issue of suitability for listing and the related Initial Public Offering (IPO) vetting considerations.

The Exchange notes that there have been a number of listed companies in which their controlling shareholders either changed or have gradually sold down their interests shortly after the minimum regulatory lock-up period of 12 months following a new listing. Although these are just normal share transactions when viewed on a stand-alone basis, such activities could lead to opportunities for market manipulation, insider trading and unnecessary volatility in the market post-listing, none of which is in the interest of the investing public. Accordingly, the Exchange has concerns in respect of listing applicants whose size and prospects do not appear to justify the costs or purpose associated with a public listing. These issues also raise questions regarding the reasons and justification for their listings.

The Exchange's concerns have led to a review of all new listings on the Main Board and Growth Enterprise Market between 2012 and 2014, together with selected companies in 2015, with the aim of identifying the characteristics of companies with suitability issues. Based on the review, the Exchange has identified in the Guidance Letter that such listings are associated with one or more of the following characteristics:

(i) small market capitalisation;
(ii) only marginally meeting the listing eligibility requirements;
(iii) the fundraising being disproportionate to the listing expenses (ie a high proportion of the listing proceeds being used to pay the listing expenses);
(iv) pure trading businesses with a high concentration of customers;
(v) asset-light businesses, where the majority of the assets are liquid and/or current assets;
(vi) a superficial delineation of the business from the parent, whereby the applicant's business is artificially delineated from the parent by geographical area, product mix or different stages of development; and/or
(vii) having little or no external funding at the pre-listing stage.

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These characteristics call into question whether such companies are suitable for listing and whether they should be subject to a more focused review by the Exchange.

In this regard, the Exchange expects that when a potential IPO applicant exhibits some of the seven aforementioned characteristics, the IPO application should provide a robust analysis to substantiate that the applicant is suitable for listing. In particular, special consideration should be given to the following areas:

(i) Use of proceeds – disclosure is required concerning the specific uses of proceeds which are commensurate with the applicant's past and future business strategy and observed industry trends. A commercial rationale for listing needs to be stated.

(ii) Future objectives and strategies – comprehensive analysis should be provided to demonstrate that the applicant has a detailed strategic plan for its business operations and growth.

(iii) Profit and revenue growth – where an applicant (a) has experienced decreasing or low profit and revenue growth; or (b) is expected to record decreasing or low profit and revenue growth after listing, a comprehensive analysis is required to substantiate that the applicant's business is sustainable.

(iv) Potential sunset industries – where an applicant is in a potential sunset industry or in an industry that has declining market prospects, the applicant needs to demonstrate that it is feasible and that it has both the ability and resources to modify its business to respond to the changing demands of the market. The applicant should also demonstrate that the returns from the business justify the cost of listing.

The Exchange will take into account the facts and circumstances of each applicant and may impose additional requirements or conditions on applicants with the characteristics mentioned above.

Over the past few years, we have participated in dozens of successful IPO projects and have accumulated a wealth of experience in both identifying and resolving business and technical issues associated with such projects. It has always been our strategy to handle such issues at an early stage of the process together with clients and other IPO professionals, such as lawyers and sponsors. This not only expedites the vetting process by the regulators but also avoids incurring unnecessary delays and professional costs in addressing such issues during the final stages of the application. Companies that are interested in seeking a listing on the internationally renowned Hong Kong stock market are welcome to discuss their potential plans with us.

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BDO TAX INSIGHT

Are losses from the trading of listed company stocks tax deductible?

Many office workers have invested in Hong Kong stocks. In their investment portfolios, certain stocks are for long-term investment and dividend income, while some are for short-term speculation. But are losses incurred by an individual from the trading of listed company stocks tax deductible?

According to the Inland Revenue Ordinance, unless the taxpayer is considered as engaging in the business of stock trading in Hong Kong, and is eligible for personal assessment, the losses incurred by him/her from the trading of Hong Kong listed stocks are not deductible against salaries and other income.

In a case that has gone to the Court of Final Appeal (FACV 14/2007), the taxpayers, a couple, claimed that the husband was engaged in the business of stock trading, conducting over 5,000 transactions in the relevant five years which involved a total of HK$2.8bn. The Hong Kong Inland Revenue Department refused to let them deduct the losses on dealings in securities and futures when computing their total income under personal assessment. The taxpayers appealed to the Board of Review which was not satisfied that the husband was truly a trader after considering all the factors put forward by their tax representative. The taxpayers continued their appeal until they reached the Court of Final Appeal, but judgment was finally given against them where the husband was not found to be a reliable witness and was regarded as an evasive one.

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Does Hong Kong taxation apply when working in Qianhai, Shenzhen?

To draw talents, Qianhai, Shenzhen has introduced a policy offering individual income tax subsidies to overseas high-level talents and talents in short supply, including people from Hong Kong. Upon confirmation and approval, financial subsidies will be given by the Shenzhen government to these people on the portion of their individual income tax, derived from wages and salaries and payable in Qianhai, that exceeds 15% of their taxable income from wages and salaries (calculated based on the Individual Income Tax Law in the mainland).

At the end of 2015, 71 overseas talents (out of which 37 were from Hong Kong) successfully obtained the relevant financial subsidies for the year of 2014. They come from 24 different enterprises in Qianhai, covering different fields including finance, modern logistics, information services, technology, and professional services.

However, although it is said that the subsidies are calculated using the 15% tax bracket, the tax deductible or allowances applicable to individual income tax in the mainland is lower than those in Hong Kong. In that case, the amount of tax payable calculated based on the Individual Income Tax Law in the mainland is higher than that calculated in Hong Kong. At the same time, not every application will be approved, and hence, people in Hong Kong planning to work in Qianhai should take these into consideration prior to the move.

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RECENT SUCCESSES ON THE HONG KONG CAPITAL MARKET

In addition to acting as the auditors and/or reporting accountants for Hong Kong-based listed companies, BDO Hong Kong is also actively providing professional services to international clients who plan to list on the Hong Kong Stock Exchange. So far this year, we successfully assisted seven initial public offerings (IPO) clients to list on the Hong Kong Stock Exchange (see **Fig 1**). In 2015, we have successfully assisted 15 companies listed in Hong Kong.

Our most recent three successful IPO cases in Hong Kong capital market make a very important milestone for BDO Hong Kong. These cases demonstrate we not only assist international clients to list in Hong Kong but we also work closely with other BDO member firms in providing seamless market-leading professional service around the world.

Hong Kong Main Board

Chuan Holdings Limited (Chuan) (stock code: 1420), with over 20 years of experience in the provision of earthworks to the construction industry in Singapore, was successfully listed on the Hong Kong Main Board on 8 June 2016. The new funds raised from IPO amounted to approximately US$30 million. Its market capitalisation is approximately US$120 million. We worked with BDO Singapore on this engagement.

Michael Cheung, Assurance Director, is the engagement director and led the firm's assurance services team to handle this engagement.

Hong Kong GEM Board

Worldgate Global Logistics Ltd (Worldgate) (Stock code: 8292) was successfully listed on 6 July 2016. It is a well-established integrated logistics solution provider founded in Malaysia for over 15 years, providing comprehensive international freight services, transportation services as well as warehousing services to customers worldwide.

The new funds raised from IPO amounted to approximately US$9 million. The market capitalisation of Worldgate is approximately US$35 million. We worked with BDO Malaysia in completing this IPO exercise.

For this engagement, the firm's assurance services team is led by Peter Pak, Assurance Director.

Future Data Group Limited (Future Data) (Stock code: 8229) was successfully listed on 8 July 2016. In particular, Future Data is the first Korean-based company listed on the HKEx. The new funds raised from IPO amounted to approximately US$8 million. Its market capitalisation reaches to approximately US$30 million. Future Data is a Korean-based company established in 1997. It engages in the provision of integrated systems with network connectivity, cloud computing and security features and maintenance service to customers in Seoul.

Patrick Li, Assurance Director, is the engagement director. BDO Hong Kong works with BDO Korea on this engagement.

Fig 1 Clients successfully listed on the Hong Kong Stock Exchange

Name of Hong Kong listed clients	Sector	Stock exchange	Code	Listing date
Future Data Group Limited	Information Technology	GEM Board	8229	8/7/2016
Worldgate Global Logistics Limited	Logistics	GEM Board	8292	6/7/2016
Chuan Holdings Limited	Construction	Main Board	1420	8/6/2016
Expert Systems Holdings Limited	System Applications & IT Consulting	GEM Board	8319	12/4/2016
Ching Lee Holdings Limited	Construction	GEM Board	8318	29/3/2016
Fire Rock Holdings Limited	Information Technology - Software & Services	GEM Board	8345	18/2/2016
Gameone Holdings Limited	Development, operation, publishing and distribution of online and mobile games	GEM Board	8282	13/1/2016

CHINA INC'S ONGOING OVERSEAS ACQUISITION SPREE CONTINUES UNABATED AROUND THE WORLD

- M&A levels in China slow in the first quarter of 2016, falling below Q4 2015 levels, possibly due to Chinese New Year slow down
- Q1 2016 M&A deal volumes still 17.9% ahead of Q1 2015
- Overseas acquisitions are a key driver for M&A, with Greater China generating almost 23% of global mid-market M&A deal volumes in Q1 2016.

After the exceptional growth levels seen in 2015, the Greater China region has opened its account in 2016 with a somewhat muted performance.

As global M&A activity dipped in Q1 2016, China also saw a decline (see **Fig 1**), reporting a 35.9% decrease in mid-market deal volume and a 31.3% fall in deal value against Q4 2015 levels.

Perhaps it was not surprising that global M&A took a breather given the astonishing takeover activity levels of 2015, but China also had its own regional drivers. The first quarter is traditionally the lowest for M&A activity in the region, with the Chinese New Year and its long build-up period resulting in a sharp decline in economic activity as the business world effectively closes down for a few weeks.

While M&A levels in Greater China declined from the last quarter, deal volumes in Q1 2016 were still 17.9% ahead of Q1 2015 levels (and 16.2% ahead in terms of deal value). This is in marked contrast to the decline in year-on-year M&A activity seen across all other major markets over the same period. Whether China is still on an upward M&A trend, and will move ahead to report full year growth in 2016 remains to be seen, but overall market sentiment for further growth appears positive, with a key driver being high demand for overseas acquisitions.

Key deals and sectors

With M&A levels falling in other markets at the start of 2016, China was able to register a 22.9% share of global mid-market deal volumes in Q1 2016. This quarter also saw the largest reported overseas acquisition made by a Chinese company to date, namely the announcement of Chinese state-owned chemical company ChemChina's US$43.8bn acquisition of Swiss agribusiness Syngenta AG. This quarter also saw a US$14bn bid attempt by Anbang Insurance to derail Marriott International's purchase of Starwood Hotels & Resorts, prior to Anbang's subsequent withdrawal from the process.

These transactions highlight the rising confidence of PRC companies and the increasing scale of their bidding for overseas targets. Chinese companies continue to enjoy a moderately low cost of capital relative to western buyers, supporting such large bids. Capital allocation in China has a long history of inefficiency, where typically only state-owned or larger privately-owned businesses secure the lion's share of bank lending, at the expense of smaller privately-owned companies with good growth opportunities. Chinese banks are, however, now increasingly lending support to PRC firms on their overseas acquisitions, driven by government support, and often at high levels of leverage, allowing PRC companies to bid competitively against their international peers on global transactions.

Overseas targets

There are good reasons for Chinese companies to look overseas for growth, enabling them to gain access to IP, management expertise and advanced manufacturing technologies that may not be available domestically. As the growth rate in the domestic economy slows, and rising labour costs erode profit margins, overseas acquisitions are seen as a means of securing higher investment returns, and to improve competitive positioning in the highly congested domestic markets, through new brands, technologies and enhanced management know-how.

Fig 1

PE/TRADE VOLUME & VALUE

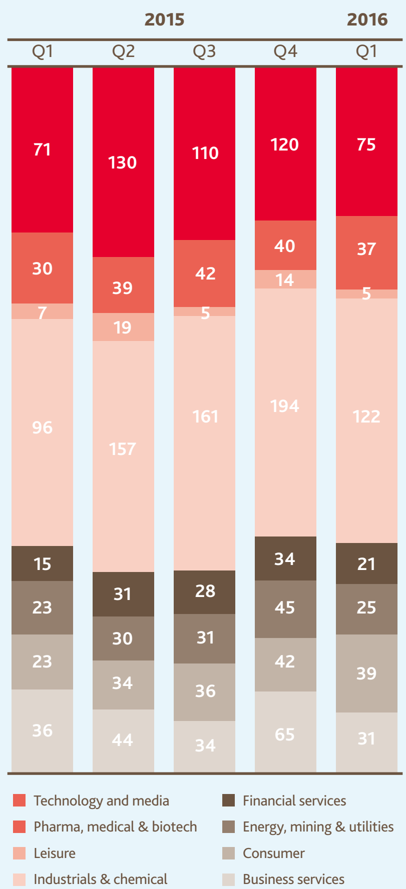
Fig 2

CHINA HEAT CHART BY SECTOR

Industrials & chemicals	368	32%
Technology and media	202	18%
Consumer	138	12%
Business services	106	9%
Financial Services	94	8%
Energy, mining & utilities	90	8%
Pharma, medical & biotech	83	7%
Leisure	64	6%
TOTAL	**1,145**	**100%**

Fig 3

CHINA MID-MARKET VOLUMES BY SECTOR



Some commentators highlight that Chinese companies have spent too long becoming the world's manufacturing hub. They argue that while this strategy may have raised living standards markedly throughout China over the last 30 years, China now has insufficient brands, services and technology to meet the rapidly changing tastes and rising income levels of its domestic population, which is increasingly being met by overseas acquisitions.

Industrials & Chemicals and TMT have remained the two key target sectors for M&A in the Greater China region, representing 58% of total deal volumes in 2015, and 55% in Q1 2016 (see **Fig 3**).

Looking ahead

European markets' slow recovery from the global financial crisis has continued to provide a good flow of assets at attractive valuations, which PRC companies have increasingly targeted over recent years. Coupled with slowing economic growth in its home market, outbound M&A may provide a good basis for Chinese companies to secure growth overseas, which may also moderate the impact of economic volatility in the domestic market.

Despite the economic slowdown, the appetite of PRC companies for offshore investment has not slowed, and instead appears to be fueling demand for further investment overseas. The latest BDO Heat Chart as at Q1 2016, as shown in **Fig 2**, reports a total of 1,145 potential deals for the Greater China region, which is almost unchanged from its position at the end of 2015, suggesting continued momentum for M&A in the region.

Whether the decline in M&A seen in QI 2016 shows that Greater China is following global trends or is simply a temporary slowdown due to seasonality, strong momentum continues to build for overseas investment by PRC companies, in a trend that shows no sign of abating anytime soon.

This article was written in early June, prior to the EU Referendum in the UK. Brexit, if implemented, is expected to impact on global M&A markets, with possible delays in investments expected following the heightened volatility across financial markets. This could include delayed investments by PRC companies, particularly into the UK market, although the falling value of sterling could add some upside.

For enquiries about M&A and now we can support your acquisition or disposal, please contact Paul Williams, Director of Specialist Advisory Services at paulwilliams@bdo.com.hk.

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Horizons is a quarterly M&A publication prepared by BDO's specialist M&A teams around the globe, reporting on the latest mid-market M&A trends in this region and around the world. To obtain a copy of Horizons, please visit www.bdo.com.hk/web/en/publications/Publications/International

BREXIT & FINANCIAL SERVICES

How brexit will affect the financial services sector

The UK's vote on June 23rd to leave the European Union sent shockwaves through financial markets and the reverberations will continue for some time to come. Over the last few days we witnessed Mark Carney, President of the Bank of England, pledging GBP 250 billion to stabilise markets, the ECB committing to inject liquidity in financial markets if necessary and the 27th June saw a suspension of trading in shares of RBS and Barclays.

However, beyond the short term response of markets, a Brexit triggers important questions about London's position as Europe's financial centre and the UK-based financial industry's long-term ability to access the European single market. A loss of the EU 'passport' would have a profound impact on the sales and distribution strategies of financial firms located in London.

The strong British influence in the EU is also felt at the regulatory level. The UK plays an important role in the three European Supervisory Authorities (ESAs) in the financial services sector in terms of their technical input, physical resources and market expertise. Decreasing UK influence in the ESAs as a result of Brexit will be seen in the final content of legislation as well as on the way European supervisors agree to apply the rules.

In addition, the ESAs are funded through the EU budget and contributions from Member States, in accordance with their size. The UK leaving the EU will likely lead therefore to a decrease in the budget of the ESAs.

Regardless of the timeline for the UK's exit, a withdrawal process that has not yet commenced, the much sought-after regulatory certainty will hinge on two important questions: how can the UK ensure the EU 'passport' for its financial services firms to access the EU singlet market? What domestic legislative changes will the UK have to undertake to ensure access to the EU single market?

In this briefing, prepared with the assistance of external advisers, we provide an overview of how various financial services subsectors might be affected, the daunting domestic legislative challenge the UK will face and the wider impact of Brexit of the EU agenda on financial services. It represents best efforts at predicting the situation in the first week of July 2016.

Access to the EU single market – it is all about regulatory equivalence

From an EU perspective, the decision to leave the EU will place the UK in the category of a third country. Financial firms based in these countries can only access the EU Single Market if the legislative framework of their country is deemed 'equivalent'. The procedure for assessing and obtaining this equivalence decision may vary from legislation to legislation. Moreover, some EU laws do not contain equivalence mechanisms.

Wholesale capital markets

The Brexit decision casts a cloud of uncertainty over the trading, clearing and settlement operations of UK financial markets. The first immediate question is whether the UK will implement MiFID II and MiFIR, scheduled to enter into force in January 2018, or will develop a different framework.

This question becomes more critical for UK capital markets once MiFID II becomes applicable across the whole EU in January 2018. To sustain existing capital markets, it will be critical for the UK to obtain equivalence for its trading platforms. In the context of MiFIR's trading obligation for shares and derivatives, the absence of adequate equivalence could mean EU-based brokers and investors are not able to trade on UK trading venues, with a detrimental impact on volumes and liquidity as a result.

The UK will also need to secure equivalence for clearing houses, such as LCH, CME and the LME, under European Market Infrastructure Regulation (EMIR). This equivalence will give them the coveted status of Qualified Central Counterparties without which it would imply a manifold increase of capital requirements for clearing members. In this context the protracted negotiations between the EU and US to get mutual equivalence over the better part of 4 years are a sobering reminder of the complexity of these equivalence discussions. It is not automatic.

Finally, many questions emerge around Central Securities Depositories whose regulatory framework is nearly exclusively determined by the Central Securities Depositories regulation and which would need to be replaced.

Asset and investment management

The buy side will also be significantly affected by Brexit. The equivalence challenges under the two main asset management legislations – UCITS and AIFMD – are quite different.

The UCITS directive requires a fund and its management company to be located in the EU and does not contain provisions for third country equivalence. Currently many funds and their management companies are located in Luxemburg or Ireland with the investment and portfolio management being conducted out of London. The ability to maintain the model of providing portfolio management services out of London will depend on the UK's ability to get equivalence under MiFID II & MiFIR, which will enter into force in January 2018, probably before the departure of the UK from the EU. Otherwise buy side firms may be forced to relocate their operations inside the EU.

The AIFMD contains equivalence provisions for third countries. A crucial part of the AIFMD – the granting of an EU passport to third country firms – has not yet entered into force. The European Commission is scheduled to take a decision on that towards the end of 2016. The prospects of the UK becoming a third country may significantly impact the Commission's decision.

Therefore, important question marks exist regarding the ability of the UK-based asset and investment management industry to effectively access the EU single market.

> A lack of passport would mean fund managers would need to seek separate approvals in each EU Member State before distributing their funds there.

Banking

The impact on banks located in the UK is going to be very significant. UK headquartered banks as well as large subsidiaries of American, Swiss and Japanese banks currently use the UK as a hub to access the EU single market thanks to their passport under The 4th Capital Requirements Directive (CRD IV). The decision to leave the EU will ultimately result in the loss of that passport. This probably implies that banks will have to set up operations within the EU to keep the benefits of their passports or will face the unappealing prospect of having to ask for separate authorisations in each EU Member State.

Additionally, equivalence of the UK under Capital Requirements Regulation (CRR) will be critical for banks located in the EU. Indeed, a lack of equivalence would mean that these banks may have to apply less advantageous rules to calculate their capital requirements for exposures to the UK, thereby having a major potential impact on the flow of foreign capital into the UK.

Finally, the EU Single Rulebook currently embodied in the CRR and the vast amount of Level 2 legislation and Level 3 Guidelines would have to be replaced with UK domestic legislation. This is especially the case as many of these rules emanate from international commitments at the G20, the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) of which the UK is an integral member.

Insurance

The insurance sector will not be spared by a Brexit. Insurers and re-insurers established in the UK will lose their passport under the Solvency II Directive, limiting their ability to provide insurance and re-insurance services across the entire EU single market.

Accounting & audit

The new EU regulatory framework on statutory audit only just became applicable across the EU in June 2016. It lays down the rules on rotation of auditors and auditor independence among many other things. An exit will require the UK to pass its own legislation to determine how listed companies are audited or continue with its application of the EU Audit Regulation and Directive.

Similarly, International Financial Reporting Standards (IFRS) apply for the consolidated financial statements of listed companies in the EU because of an EU Regulation: each adopted IFRS is directly applicable in the UK. This regime would also have to be replaced by a UK equivalent to ensure consistency in financial reporting for international investors. Any changes will also affect UK tax legislation.

Challenges for Westminster?

EU financial services legislation comes in the form of directives and regulations. Directives, such as MiFID II, the AIFMD and CRD IV, must be transposed into national laws which are likely to remain in place after the UK's withdrawal of the EU.

On the other hand, regulations such as EMIR, MiFIR and CRR apply directly in Member States and are not transposed into national laws. Their application in the UK is therefore contingent on EU law being applicable to the UK which will no longer be the case post-withdrawal.

To fill this vacuum, the UK will have to regulate the content of these regulations by passing laws in the UK parliament. However, any deviation from EU regulations is likely to complicate and decrease the likelihood of a swift and much sought after 'equivalence' necessary to access the EU single market. Moreover, many of the regulations that will need to be replaced emanate from agreements reached in international fora such as the G20, the FSB and the BCBS to which the UK is a party. The ability of the UK to deviate without breaching its international obligations will be limited.

A new European outlook on financial services?

The result of the UK referendum has already had an immediate and tangible effect on EU financial services policy with the resignation of the UK's Lord Hill from his position as European Commissioner for Financial Services. His portfolio will be taken over by Valdis Dombrovskis, European Commission Vice-President for the Euro and Social Dialogue. We expect that this may result in the EU's financial services policy shifting its point of gravity to the Eurozone. As a result, the Banking Union and related banking prudential regulations are likely to crowd out policy initiatives such as the Capital Markets Union (CMU) from the EU's agenda.

The decision by the UK to leave the EU may alter further the balance of power in the Council of Ministers between the Eurozone and the eight remaining Member States not participating in the Eurozone. It is clear that the political weight of the non-Eurozone Member States will be reduced, which may result in EU financial

services policy being gradually geared towards the needs of the Eurozone, particularly in the area of banking regulation.

The UK's decision to leave the EU will also have a bearing on the location of the European Banking Authority (EBA) currently located in London. The EBA will eventually have to be relocated inside the EU. With the EBA in charge of developing the Single Rulebook and the latter's increasing importance for the Banking Union in the context of the Single Supervisory Mechanism (SSM), we would expect the EBA to be relocated in a Eurozone Member State.

Finally, the Brexit decision may also reinvigorate the debate on whether particular financial services activities, such as the clearing of Euro denominated derivatives contracts, should relocate within the Eurozone. The ECB's attempt to force the clearing of Euro denominated derivatives contracts to relocate within the Eurozone was struck down by the European Court of Justice in March 2015. However, the period of high volatility on markets and an important depreciation of the pound versus the Euro after the vote may reinforce the ECB's financial stability arguments.

What next?

Now is the time to identify opportunities and risks from this fluid situation. It is also the time to engage at EU and member state level. Governments will need help to understand and try to mitigate the impact of this process on key sectors.

The regulatory and public policy team at the BDO Global Office, in conjunction with external consultants, prepared this short paper to help you begin to understand the impact in the short, medium and long term.

This article was written in the first half of July 2016. The political situation is of course very fluid at the time of writing and doubtless there will be further developments and clarity as the months go on.

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LAUNCH OF BDO E-HR PORTAL - BDOVALISE

In today's world, technology pervades almost all aspects of our daily life from shopping, banking, making travel arrangements and more importantly, managing business activities. Technology is now a critical part of our world as it creates convenience, speed, accuracy and enhances communications.

BDO as a leader of exceptional client services makes continuous efforts to add value to our clients. With an understanding of their operational needs and administration hurdles, we have developed and introduced BDOValise, an e-HR platform to enhance efficiencies and benefits for our outsourcing services clients.

BDO's e-HR services provide our clients with an online platform, where their employees can apply for leaves, lodge expense claims as well as to obtain their pay slips and tax returns 24 x 7 anywhere around the globe using their mobile phones, notebooks or other mobile electronic devices.

Despite the e-HR platform will only be launched later this year, our e-leave, e-payslip and e-tax returns modules are already made available for client's use since January 2016.

For more information, please feel free to contact us at info@bdo.com.hk.

BRIDGING THE GAP

Survey on the future of global mobility

BDO and Santa Fe Relocation Services (Santa Fe) have jointly conducted a survey on global mobility by seeking the views of business leaders from a broad spectrum of global business. The focus was on the strategic importance of an internationally mobile workforce.

The survey shows that an internationally mobile workforce continues to be of strategic importance to the growth and success of international businesses. Details of the survey findings are set out below under the following three broad headings:

- Commercial value
- Bridging the Gap
- The Future

Commercial value

Most of the respondents reported that an internationally mobile workforce is necessary for organisational growth and the development of future leaders (see **Fig 1**). 70% responded that international mobility will play an increasing role in the critical success of their organisations.

Unsurprisingly, business leaders' principal focus is on the commercial value of their investment in employee mobility.

Primarily, seeking:

- increased revenues from new business opportunities
- improved financial performance in the destination countries
- identification of cost savings.

The survey illustrated that visibility of costs of internationally mobile employees continues to vary significantly between organisations. Only 34% of respondents report that they have full visibility of the costs (see **Fig 2**).

The survey highlighted an increased focus on the people dimension of mobility and the commercial benefits that can be achieved in development of future business leaders, employee retention and key skills enhancement (see **Fig 3**).

In relation to the development of high-potential employees, 83% of respondents confirmed that they had seen 'real-life' examples of employees with international experience achieving greater seniority than their peers with no or limited international experience (see **Fig 4**).

The Survey reflects an increasing demand for leaders who have had international management exposure. This coincides with a move away from traditional mobility models towards shorter, more intense international career interventions.

The underlying message is that integrated talent management and strategic workforce planning are critical to optimising the investment in developing future leaders. Retaining individuals benefitting from their employer's investment of international experience is important as well as.

Bridging the gap

Whilst 83% of the respondents highlighted that global mobility teams are effective in the roles they currently perform (see **Fig 5**), there is an expectation that to continue to demonstrate value these roles need to evolve and become more aligned to the objectives of their organisations.

COMMERCIAL IMPORTANCE OF INTERNATIONAL MOBULITY

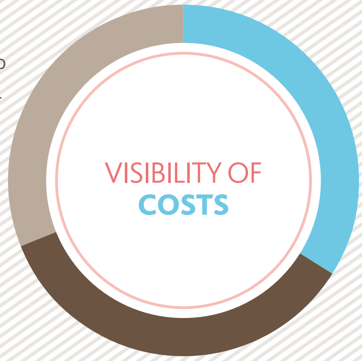
Fig 1

An overwhelming **95%** reported an internationally mobile workforce is required for organisational growth

COST

Fig 2

31%
had limited or no visibility of total costs



ONLY 34%
have full visibility of all costs and monitor these against the budget

35%
have some visibility of costs

DEVELOPMENT OF FUTURE LEADERS

Fig 3

90%
regard deploying employees on international assignments as
critical
to creating the successful business leaders of the future

Fig 4

83%
confirmed that they had seen
real-life examples
of employees with international experience achieving greater seniority

International mobility has a critical role to play in the continued growth and commercial success of the respondents' organisations over the next five years and beyond. 60% of the respondents see the role of the Global Mobility team evolving to be strategic business partners who are able to provide insight through meaningful financial and talent data (see **Fig 6**). Examples of the support the respondents are looking for range from:

- earlier and ongoing involvement in key project decisions
- participating in assignment selection
- procuring the right third party providers
- "having a voice" at the top table

All respondents recognised the support from their organisations' leadership teams as vital. Only with this support will the Global Mobility team be able to successfully bridge the gap between the function of today's team to the function of the future. Ensuring that the Global Mobility best team gains a strategic voice so that they can utilise their specialist skills is seen as an integral part of developing an effective talent and resource management function.

The future

70% of the respondents believe that an internationally mobile workforce will play an increasingly important role in the success of their organisations over the next five years (see **Fig 7**). All respondents predict a continued move away from a traditional long term assignment arrangement to a more fluid and creative approach to the deployment of resources internationally.

Conclusion

Over the next five years, it is evident from the results of the Survey that organisations see their growth in international markets and the international deployment of the right talent as critical in achieving their strategic and operational objectives.

The good news from this survey is that leaders recognise the value the Global Mobility function is currently providing and have identified what they require from this function in the future.

The challenge, however, is that according to some respondents if the evolution does not occur in their organisation, they may question the investment in a dedicated internal Global Mobility function and seek to disperse the activities in alternative ways.

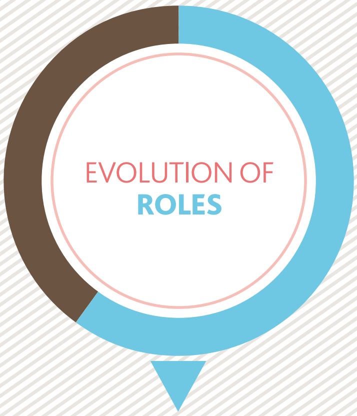
Organisational type and culture will shape and determine what needs to be retained or released to enable Global Mobility to focus on the desired strategic activities. The key is due diligence to ensure that the long-term solutions that are decided upon offer the desired outcomes and results. This will mean that the organisation's core Global Mobility team focus on creating value at a strategic level, rather than be trapped in a cycle of being busy but not necessarily aligning outputs with the needs of their internal business customers.

EFFECTIVENESS OF GLOBAL MOBILITY TEAMS

Fig 5

83%
believe that the teams supporting IMEs are effective in the work they are currently doing

Fig 6



60%
felt that the role of these teams needs to evolve so that they become more strategically aligned to their organisations' commercial objectives

CURRENT FOCUS
- Assignee management
- Assignment administration
- Maintaining compliance
- Managing costs

DESIRED FUTURES FOCUS
- Business succession planning
- Strategic workforce planning
- Talent development-focus on the 'nurturing' of high potential employees and the future business leaders
- Ensuring ROI (return on investment) from international assignments

THE FUTURE FOR INTERNATIONAL MOBILITY

Fig 7

30%
advised that international mobility will continue to play an important role

70%
of the respondents advised that international mobility will play an increasing role in the critical success for their organisations

ALBERT AU AND CLEMENT CHAN APPOINTED AS ACCOUNTING CONSULTANT OF THE MINISTRY OF FINANCE OF THE PEOPLE'S REPUBLIC OF CHINA

Albert Au
區嘯翔

Clement Chan
陳錦榮

To enhance the collaboration of accounting industry between Mainland China and Hong Kong, Gao Yibin, Director-General of the Accounting Regulatory Department of the Ministry of Finance of the People's Republic of China, announced the appointment of 39 Hong Kong accounting professionals as Accounting Consultants on 29 June 2016.

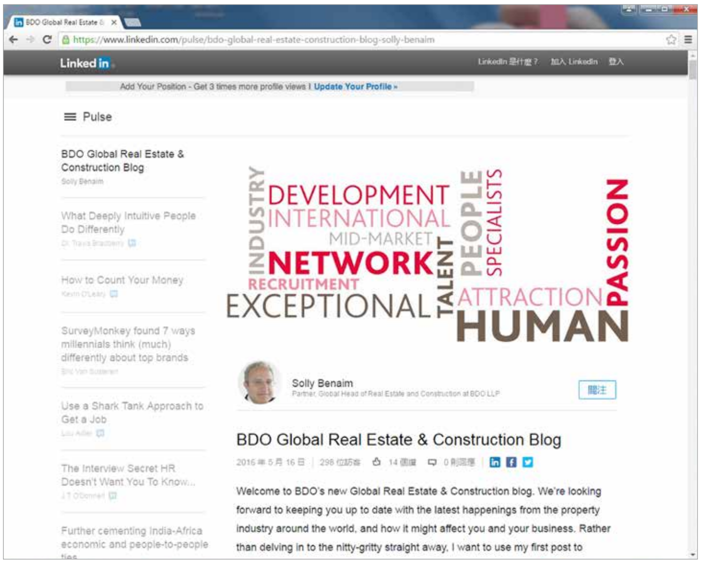
BDO Hong Kong Chairman Albert Au and Managing Director-Assurance Clement Chan were appointed by the Ministry of Finance of the People's Republic of China as Accounting Consultant. Albert is appointed as Consultant of Internal Control and the area of consulting for Clement will be decided in due course. The Accounting Consultant's role involves participation in strategic planning and advisory in Mainland's accounting reforms and development, enhancing the accounting industry development between the Mainland and Hong Kong.

財政部會計司司長高一斌於6月29日宣讀財政部關於聘任39名香港會計專業人士擔任會計諮詢專家的通知，進一步加強內地及香港會計的交流合作。

立信德豪主席區嘯翔及審計部董事總經理陳錦榮獲中華人民共和國財政部聘任為會計諮詢專家，其中主席區嘯翔則為內部控制諮詢專家，而審計部董事總經理陳錦榮的諮詢領域待有關專業委員會換屆時進一步確定。兩人擔任會計諮詢專家負責參謀諮詢，為內地會計改革發展建言獻策，促進內地與香港會計行業的發展。

BDO LAUNCHES NEW GLOBAL REAL ESTATE & CONSTRUCTION BLOG

BDO has launched a new global real estate & construction blog. Our professionals are looking forward to keeping you up to date with the latest happenings from the property market around the world, and how it might affect you and your business. Solly Benaim, Global Head of Real Estate and Construction at BDO LLP, shares his insights on the blog. If you are interested in knowing the key trend of the market, please follow us at https://www.linkedin.com/pulse/bdo-global-real-estate-construction-blog-solly-benaim



BDO GLOBAL NETWORK DEVELOPMENT AT A GLANCE

BDO Sweden announces expansion through addition of Grant Thornton experts

BDO is pleased to announce BDO Sweden has experienced substantial expansion with the acquisition and establishment of four new offices in Nyköping, Eskilstuna, Luleå and Jönköping: all strategically important geographical areas.

The firm announced the addition of nearly 20 senior professionals from Grant Thornton, including 6 partners - a fact that strengthens BDO Sweden's market position even more. This addition of former Grant Thornton partners and staff means that BDO Sweden now has more than 500 employees in 24 offices across the country who are all dedicated to achieving the BDO vision - to be the leader for exceptional client service.

BDO Israel acquires the leading Cybersecurity Advisory firm - Secoz

BDO Israel has announced the acquisition of a market-leading cybersecurity advisory firm – SECOZ. As a result of this deal, BDO Israel adds 30 cybersecurity experts to the firm, including the CEO, who will join as a partner.

The newly-merged firm's teams of experts specialise in cyber defence, cyber resilience and cyber risk management. They provide technical and advisory services that include cyber defence readiness assessment, APT and pen-testing, a monitoring and security operations centre (SOC), incident management and cyber risk assessment, as well as other cyber and information security services.

BDO LAUNCHES CORPORATE GOVERNANCE UPDATE RESEARCH REPORT

BDO corporate governance update focuses on certain disclosures made by Hong Kong listed companies in their annual reports as they look to meet the standards established in the Corporate Governance Code (the Code) and the Rules Governing the Listing of Securities on the Stock Exchange. Concentrating on those companies that comprise the Hang Seng Composite Index, the analysis factors in more than 260 large and mid-cap companies and serves as a barometer of the state of corporate governance in Hong Kong.

Since the introduction of the Code in 2005, the Hong Kong Exchanges and Clearing Limited has updated the Code to keep pace with the evolving nature of corporate governance in an effort to maintain high standards. Among other things, changes introduced over the past couple of years add emphasis to the risk management function, clarify the accountability of the board and management, and strengthen the guidelines for environmental, social and governance reporting. These new changes will take effect for reporting periods beginning this year.

For a copy of the research report or more information, please visit www.bdo.com.hk or contact us via info@bdo.com.hk.

RECENT BDO PUBLICATIONS

HKFRS/IFRS UPDATES

HKFRS/IFRS Updates 2016/02
IFRS interpretations committee – agenda rejections (November 2015)

HKFRS/IFRS Updates 2016/03
IFRS interpretations committee – agenda rejections (January 2016)

HKFRS/IFRS Updates 2016/04
IFRS interpretations committee – agenda rejections (March 2016)

HKFRS/IFRS Updates 2016/05
HKFRS/IFRS 16 leases

HKFRS/IFRS Updates 2016/06
Clarifications to HKFRS/IFRS 15 revenue from contracts with customers

Transparency is the New Green

BDO Annual Statement 2015

If you wish to obtain a copy of these publications, please visit www.bdo.com.hk

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