

Our Ref : IHK/ADM/8/1/

15 June 2005

Miss Polly Yeung
Clerk to Panel on Commerce & Industry
Legislative Council
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Miss Yeung,

**Panel on Commerce and Industry
Follow-up for Meeting on 17 May 2005**

At the Commerce and Industry Panel meeting on 17 May 2005, the Administration undertook to clarify the progress of efforts made to promote the establishment of more off-shore investment funds in Hong Kong. I am writing to provide the Administration's response in this respect.

In April 2005, the Financial Services and the Treasury Bureau (FSTB) consulted the Financial Affairs Panel on the Administration's proposal for implementing profits tax exemption for offshore funds. The initiative would help reinforce the status of Hong Kong and further strengthen our competitiveness as an international financial centre by attracting new offshore funds to Hong Kong and encouraging existing offshore funds to continue to invest in Hong Kong. Anchoring offshore funds in Hong Kong markets could also help maintain international expertise, promote new products, and encourage investment in the local fund management industry. The Administration will submit a Bill to the Legislative Council to amend the relevant legislation with a view to implementing the proposal.

FSTB also introduced the Revenue (Abolition of Estate Duty) Bill 2005 into the Legislative Council in May 2005 to implement the proposal to abolish estate duty announced in the 2005-06 Budget. The

Administration believes that, with the abolition, Hong Kong could become more attractive to investors. The initiative would help encourage people, including overseas investors to hold assets in Hong Kong through a Hong Kong corporate vehicle or trust. Legislative process is still underway.

Yours sincerely,

(M J T Rowse)
Director-General of Investment Promotion

cc PSCI (Attn. Miss Amy Chan)