







TO OUR FRIENDS IN CHINA AND THROUGHOUT THE ASIA PACIFIC REGION:

In spite of the various local and global challenges of the past year, we are proud to say that we have continued to provide our hundreds of thousands of financial services customers around the world, and particularly in China and the rest of Asia, with the same high level of service they have come to expect. That is a testament not only to the expertise in the BVI but also to our global network of excellent practitioners worldwide.

We value our friendship and partnership with China and the other nations of Asia, and are proud of our contribution to your success. Our relationship is born of longevity, mutual respect and trust. We are the international partner of choice for Asia – in the past, in the present, and it is our intention to continue this strong partnership into the future.

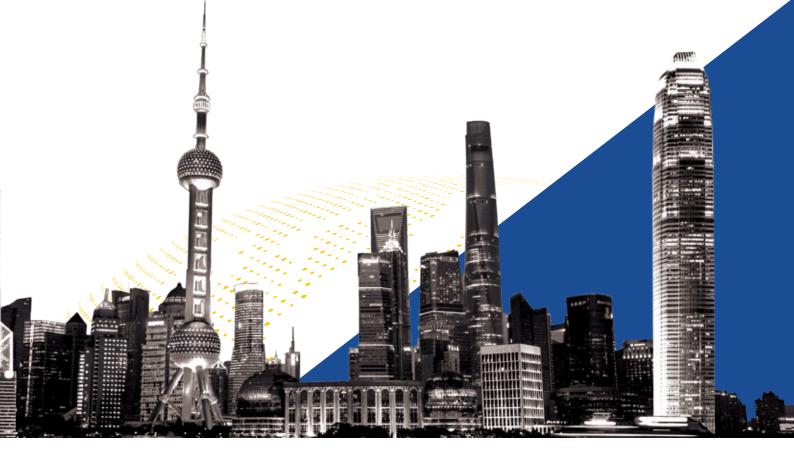
As we look across the international landscape we must note the headwinds of protectionism and looming trade disputes that are blowing more strongly

than at any time in the past three decades. No benefit to any nation can be gained from tit-for-tat tariffs, belligerent threats, or impediments to investment and M&A activity. We stand with China in support of globalised trade, the free flow of funds, and a level playing field for business. We hope that others will see the light and avoid moves that will have serious ramifications for the health of the world economy.

Over the past year, the BVI has not only met a variety of challenges, it has also pressed ahead with an array of innovations that will enhance the experience of our financial services customers globally.

We are building on the strength of the jurisdiction's internationally renowned financial services sector by introducing new services to benefit clients in the digital era. These and other initiatives will continue to strengthen the BVI's position as a premier international financial centre and as a leading facilitator of global business and commerce.

Earlier this year the BVI signed into law the Micro Business Companies (MBC) Act. The MBC framework is much simpler than that of a standard BVI Business Company, and for the first time permits small and mid-size companies to enjoy the same benefits as larger BVI companies. The new Limited Partnership Act (LPA) introduces innovative features aimed at making BVI limited partnerships a first choice for modern investment structures. The Commercial Court began an experiment with call-in hearings that has proved immensely popular and may become a more permanent feature of the court.



At the same time the BVI is leapfrogging into the digital era. Our first bank in the cloud, the Bank of Asia is open for business, making the opening of a bank account easier than ever before. The MBC runs on a state of the art digital platform, and we are looking at other operational options that involve fintech, blockchain and artificial intelligence.

Augmenting these exciting innovations, we in the BVI remain focused on creating value and enabling growth by providing a world class destination for international finance and commerce. We are a centre of excellence for global business with a diversified base. BVI remains at the forefront of international corporate structuring for cross border transactions and investing worldwide, and provides access to market-leading expertise and products in areas such as banking and finance.

As China's Belt and Road Initiative gathers momentum, and projects around the world require funding, Chinese businesses seeking to incorporate, invest overseas, or engage in M&A activity will find the BVI an especially attractive jurisdiction. Our jurisdiction's attributes, such as a familiar legal system based on English common law, internationally compliant regulations and tax neutrality, make us an especially attractive jurisdiction not only for Chinese businesses, but also for Chinese individuals looking to manage their wealth or create appropriate vehicles for succession planning.

Asian companies investing in international markets want the flexibility and the legal and commercial certainty that BVI structures provide. Rising affluent

classes throughout Asia want trust funds, private wealth management and related services in which BVI has significant expertise.

We are also a centre of excellence for dispute resolution - home to a well-regarded Commercial Court. Underpinning the BVI's expertise in this area is the Commercial Division of the Eastern Caribbean Supreme Court, which is based on the main island of Tortola. The court system deals with matters expeditiously, economically, and proportionately, and its highest court of appeal is the London Privy Council. The Commercial Court also brings confidence, stability, and transparency to all BVI legal proceedings. This is complemented by our state of the art International Arbitration Centre providing the best in service alternate dispute resolution.

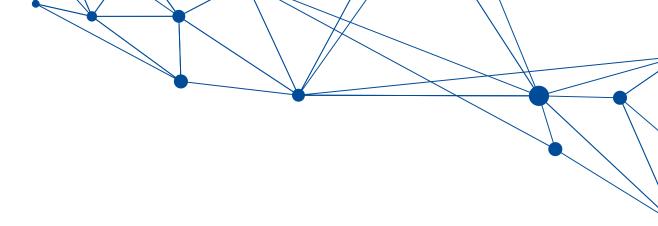
With our history of partnership with China and the rest of Asia, combined with our wide range of services, robust courts bolstered by new initiatives in arbitration and regulation, and digital innovations, the BVI stands ready to support as you continue to reach out to international markets.

The BVI is, and will continue to be, Asia's international partner of choice in the digital era.

Sincerely,

Dr. the Honourable D. Orlando Smith, OBE Premier and Minister of Finance of the British Virgin Islands





The BVI is one of the financial hubs that Asia has chosen to help push through its global economic strategy.

According to the independent, London-based Capital Economics report, Creating Value: The BVI's Global Contribution, as of December 2016, two-fifths of all BVI Business Companies were located in China and the rest of Asia, while 75 per cent of Hong Kong's Hang Seng Index was made up of companies with direct linkages to the BVI.

Asian companies accounted for **41 per cent** of the **US\$ 1.5 trillion** in assets mediated through the BVI, underscoring the offshore investment centre's growing status as a hub for Chinese overseas investment.

Demand among Asian and Chinese companies for offshore centres to facilitate their cross-border business and investment continues to grow. Appeals by China's senior leadership for companies to invest globally in priority sectors, as well as the need to help support the mainland's ambitious infrastructure investment scheme have been among the catalysts. The BVI has been successful in facilitating cross-border business because of its popular and flexible corporate structures

The BVI's long and successful relationship with Asia appears set to intensify because of China's Belt and Road Initiative (BRI). The BRI represents new investment channels for the BVI and its business companies, which for three decades have proven successful for Chinese and other Asian investors and corporations doing cross-border trade. Today, the BVI stands at the forefront of international corporate structuring for cross-border transactions and investment worldwide and assists Asian clients in structuring outbound investment across various priority sectors – among them energy, infrastructure, technology and agriculture.

The wave of development sweeping across Asia, China and the Belt and Road countries, will surely bolster the strong and unabated preference to incorporate structures in the BVI. The Vistra 2020 report, which examines trends in the offshore finance industry, stated that, when it comes to China, "the BVI is an 'embedded brand' and still the go-to for most structuring conduits".

BVI INCORPORATION ADVANTAGES FOR ASIAN ENTREPRENEURS



SPEED

Subject to satisfying know your customer (KYC) requirements, companies can be incorporated quickly by licensed registered agents via the BVI's electronic interface within 24 hours.

TAXATION

The BVI has no income tax, corporation tax, capital gains tax, or wealth tax.

NAMES

BVI companies may be incorporated with Chinese character names in addition to their English names.

CORPORATE FLEXIBILITY

Company law in the BVI is designed to provide maximum flexibility consistent with common law legal systems. Companies are permitted to undertake any lawful act or activity. There are no strictures relating to corporate benefit.

CROSS BORDER M&A TRANSACTIONS AND INVESTMENTS

BVI companies operate efficiently and are frequently used to structure transactions. A BVI company may merge with one or more BVI companies in a foreign jurisdiction, providing great flexibility in structuring mergers and acquisitions and cross border transactions.



COST

BVI companies are cost effective compared to other premium offshore and midshore jurisdictions. Regulatory fees – on formation and annually – are competitive.

CONFIDENTIALITY

Although safeguards exist to prevent abuse of corporate confidentiality with regard to money laundering and international crime, law-abiding companies can do business with the confidence of privacy.

EXCHANGE LISTINGS

Since China's economy began opening to the world, Chinese businesses have looked to the BVI as a platform to access international capital. BVI companies list on exchanges around the world, including the Hong Kong Stock Exchange, NASDAQ, the New York Stock Exchange, AIM in London, and the Toronto Stock Exchange among others.

SHAREHOLDER RIGHTS

The BVI's well-regarded Commercial Court is effective in helping shareholders seek relief against other investors, directors or shareholders. The BVI Business Companies Act offers flexibility for shareholder rights, including, among others, the right to an equal share of dividends paid, and the right to an equal share for distribution of surplus assets of the company. The BVI Court compares favourably with courts in other jurisdictions, and is regarded as not only fair but efficient.

BVI 4.0:

LEAPFROGGING INTO THE DIGITAL ERA



Digital currencies are a new, alternative means of accessing third-party capital. Rather than receiving a security whose return is dependent on the performance of the issuer, as in a traditional IPO, investors can exchange cash for a new digital currency on a blockchain network.

In many cases the digital currency takes the form of a credit or token for use in purchasing goods or services in the application or enterprise into which the digital proceeds will be invested. However, most investors hold the tokens in the hope that the success of the underlying enterprise will cause the relative cash value of the token to increase as demand for tokens within the application increases and their potential for being accepted as a wider means of exchange increases.

The use of a BVI business company as a digital currency issuer brings with it all of the advantages associated with BVI business companies and the BVI as a capital friendly jurisdiction, including the absence of capital controls and maintenance rules, allowing for the free flow of funds in and out of a BVI digital currency issuer.

In issuing digital currency through the BVI, the following laws and regulations must be taken into consideration: the Securities and Investment Business Act 2010 (SIBA); the BVI's Anti-Money Laundering (AML) Regime; the Financing and Money Services Act 2009 (the FMSA); the Beneficial Ownership Regime; the Foreign Account Tax Compliance Act (FATCA); the Common Reporting Standard (CRS); and the Electronic Transactions Act 2001.



THE BVI AND FINTECH

Fintech, or financial technology, is changing the way banking and financial services businesses are operating at an incredible pace.

Fintech allows a BVI Business Company to leverage software in the provision of financial services. From mobile payments, money transfers, loans, fundraising and even asset management, software is transforming the way BVI Business Companies operate.

In addition, the BVI's new Micro Business Company (MBC) (see page 22) can be formed and accessed through a smart phone, with required KYC/AML checks also enhanced through the use of Electronic Identification (EID) solutions that utilise app integrations with the IT platform of the BVI Financial Services Commission.

In the new age of fintech, traditional banks no longer define what customers expect from their banking experience. Instead, fintech and large technology companies are setting new standards.

New banking companies are starting to move core systems to the cloud, as legacy infrastructure makes it more difficult for bankers to meet customer needs. To date, few customers have moved away from traditional deposit accounts, despite a forceful challenge from up-and-coming online and mobile banks. But the trend of disruptive innovation represented by digital banking is clear.



OPEN FOR BUSINESS:

THE BVI'S DIGITAL BANK, BANK OF ASIA

The Bank of Asia is a digital bank with a strong emphasis on providing the best customer experience possible without sacrificing security.

Account opening can be done from anywhere in the world. That ability underscores the BVI's intent to provide customers with unparalleled ease of service.

Bank of Asia has been established and is domiciled in the BVI to address the growing needs of the BVI's offshore companies and their owners. It provides banking services to BVI trusts and individual customers around the world. While Bank of Asia customers may open accounts in person in the BVI, most accounts can be opened via the bank's state of the art digital platform, which will enable account opening to be done anywhere in the world with a smart device or computer. Similarly, transactions can be executed online 24/7.

At the core of Bank of Asia is its robust Know Your Customer (KYC) and Anti-Money Laundering (AML) regime, leveraging cutting edge technology such as facial scans and big data, and working together with strong and established partners to ensure that only legitimate customers are on-boarded and only legitimate transactions are handled. Its cutting-edge technology and use of big data enable accounts to be opened within days for those who satisfy its robust KYC/AML requirements, in contrast to the weeks or even months that traditional banks now take. Its principles are to be user-friendly, transparent, compliant, credible, responsible and sustainable.



PRIVACY

assets are held in the trustee's name, while the identity and interests of the beneficiaries are confidential.

IMPLEMENTATION OF A REQUIRED SAVINGS PLAN

——— a trust can help with retirement, health and welfare or education planning.

ASSET CONSOLIDATION

a trust is an ideal way to place all of your assets under one holding structure. Often, a client will have a number of companies, all of which will be held under a single trust structure.

PRESERVATION OF WEALTH

a trust may be used to preserve the continuation of certain assets, such as a property or business, within a family.

ASSET PROTECTION

a trust, correctly set up, can protect assets from claims from creditors, to the extent permitted by law.

SUCCESSION PLANNING

a trust is an effective tool to deal with succession planning for your family, friends and charities, and avoids the need for probate on death.





VISTA TRUSTS

The Virgin Islands Special Trusts Act (VISTA) is unique to the British Virgin Islands and has become very popular since it was introduced.

A traditional trust places a fiduciary duty on the trustee to ensure that the trust assets are protected and enhanced during the life of the trust. Generally, the trust assets are invested through a BVI company. The trustees take control of the company so that they can oversee the management of the assets and ensure that they follow the "prudent investor rule."

The rule may cause a trustee to act conservatively during their stewardship of the trust assets. The resulting vigilance by the trustee may incur additional costs in both time and money.

ADVANTAGES OF VISTA TRUSTS

- The VISTA Trust removes the trustee's obligation to the prudent investor rule and therefore the trustee has no obligation to oversee management of the underlying company.
- A standard VISTA Trust can be established for up to 360 years.
- It is possible to add shares from an existing BVI trust to a VISTA Trust, so that the shares become subject to VISTA legislation.

WHO USES VISTA TRUSTS?

- People with family owned businesses (especially for a sole director/shareholder) who wish to run their company independently as well as benefit from a trust's estate planning ability.
- People unfamiliar with the concept of traditional trusts and the obligations required of the trustees under traditional trust structures.

PRIVATE TRUST COMPANIES

A private trust company (PTC) is a company incorporated in the BVI that will have a limited business purpose to act as a trustee for a specific trust or a related group of trusts.

The Financial Services (Exemptions) Regulations 2007 exempt a PTC from regulation and licensing under the Banks and Trust Companies Act 1990, provided the PTC carries on either unremunerated trust business or related trust business and no other business.

Attributes of Private Trust Companies include:

CONTROL

Settlors of trusts may be reluctant to relinquish complete control over and involvement with the assets settled into trust. Where tax and other considerations permit, a settlor and his or her family may retain a certain degree of control and involvement without prejudicing the legal validity of the trust structure.

FLEXIBILITY

A PTC may be tailored to suit the settlor's intentions and the scope of its role, and powers as trustee can be fine-tuned accordingly. In particular, use of a PTC will be designed to co-ordinate administration with the family's independent investment advisors and any family office, thus streamlining and simplifying administration.

COST EFFECTIVENESS

The annual fees of institutional trustees are often calculated on an ad valorem basis and can be considerable where assets of significant value are placed in trust. By comparison, the costs of incorporating and running a PTC can be subject to client control and may be less expensive for large trusts.



FAMILY OFFICES

Family offices in Asia are on the rise. Asian patriarchs and families are increasingly seeking to centralise the management of their assets, provide for continuity of the family business and ensure preservation of wealth.

Family office structures include fund managers who want to run their own private funds, fund managers who are being seeded by one or more families to set up private structures, as well as wealthy patriarchs (and indeed a new generation of young wealthy businessmen and entrepreneurs) who wish to provide a legacy and, increasingly a structure to involve members of the family in the running of the business.

A BVI VISTA Trust is ideally suited to be used by family offices in Asia, which are located predominantly in Hong Kong and Singapore, to hold shares in the underlying family business.

Unlike in a traditional trust structure, where the trustee has a duty to oversee the operation of a company owned as part of the trust fund, these trusts can allow for the company directors to be left running the company without interference from the trustee. This means that the settlor can control the business himself during his lifetime (perhaps with input from other family members), with provision made for other persons to run it after his/her death.





THE BVI'S NEW LIMITED PARTNERSHIP ACT

Limited partnerships have become a common legal structure for investment fund vehicles around the world.

Limited partnerships typically offer greater constitutional and capital flexibility, tax transparency and limited liability protection to investors, which make them a popular choice for investment funds.

While BVI limited partnerships have existed for some time, the provisions of the 1996 Partnership Act relating to limited partnerships were not, until now, updated or materially amended since its enactment.



HIGHLIGHTS

of the new Limited Partnership Act include the following features:

- A choice between a limited partnership with or without legal personality. Those limited partnerships with legal personality may hold assets, enter into contracts and litigate directly in their own name rather than through their general partner.
- The role of the registered agent remains as is and will be similar to that for BVI business companies.
- Limited partnerships formed under the previous Partnership Act may be re-registered as limited partnerships under the new limited partnership act.
- The list of "safe harbour" activities will be expanded to provide limited partners with greater certainty that such activities will not expose them to liability.
- It will be possible to continue limited partnerships into and out of the BVI.
- Subject to the limited partnership agreement, it will be possible to merge or consolidate one limited partnership with another.

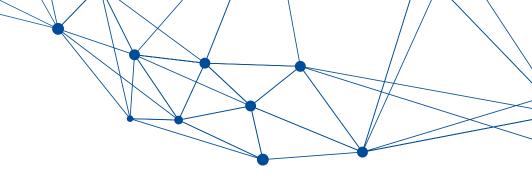
THE MBC: A NEW BVI INCORPORATION VEHICLE FOR MICROBUSINESSES WORLDWIDE

The BVI Micro Business Company (MBC) is a new product approved by the BVI Government that has gone live this year.

It has required a new IT platform that interfaces with the BVI Financial Services Commission (FSC) and is a product that is very different from previous offerings.

The genesis of the MBC came from the recognition that in most economies between 40 per cent and 60 per cent of business is conducted by small or micro sized businesses, often family owned or sole proprietors. Yet corporate laws and corporate vehicles are mostly geared to Fortune 1000 size operations. In short, the laws are too complicated and onerous for small businesses. Consequently, small businesses operate without the benefits of limited liability and often have their profits taxed at a higher personal rate than the corporate rate offered to bigger and more profitable enterprises. Additionally, much of the world today operates in the gig economy, where it is not unusual to find a person designing websites in the morning, coding in the afternoon and either driving an Uber or running an AirBnB property management business in the evening; all done on a laptop or smart phone from a coffee shop.





The MBC is a completely transparent vehicle. Director and shareholder information is publicly displayed on the Register of MBCs as well as its country of primary operation (the name has to include the ISO Country Code applicable to its jurisdiction of primary operation). The MBC's place of operation is easily identifiable and therefore it is transparent to authorities in the given jurisdiction.

On the corporate side, the MBC will be the world's simplest and most modern corporate vehicle. An MBC can be formed and used through a smart phone, with required KYC/AML checks also enhanced through the use of Electronic Identification (EID) solutions that utilise app integrations with the BVI FSC IT platform.

A FEW NOTEWORTHY ELEMENTS OF THE MBC:

- The MBC is only permitted for micro businesses: no more than 6 shareholders, fewer than 10 employees and revenue and asset values that cannot exceed US\$ 2 million, which aligns with UN, IMF and EU definitions of micro business.
- Shareholders and the business principal (i.e., director) have to be natural persons.
- The MBC has a one page constitutional document (its Charter) in which shareholders and the business principal (director) are named, its business purpose is described, and its place of primary operation is listed.
- Annual and interim returns are required to be filed for purposes of confirming/ updating changes to the information contained in the Charter.
- The Register of MBCs is publicly accessible and searchable and allows access to the Charter of every MBC.

Given the BVI's IT investment in this venture and EID usage, the Micro Business Company is another offering that leapfrogs the BVI into the digital era.

BVI: THE IDEAL VEHICLE FOR TRANSACTION STRUCTURING ALONG THE BELT AND ROAD



The BVI remains at the forefront of international corporate structuring for cross-border transactions and investing worldwide.

The BVI's attributes, such as a familiar legal system based on English common law, internationally compliant regulations and tax neutrality, make it an especially attractive jurisdiction for pooling capital globally and investing it in markets where legal barriers or political risks would otherwise deterinvestment.

The Belt and Road passes through more than 70 countries and regions with a total population of 3.5 billion (close to half of the world's population). The countries along those routes account for about 40 per cent of the world's gross domestic product. Some leading economists call this the most important and impactful macro-economic undertaking in the world, for at least the next 10 years.

The BVI has been utilised in joint venture structures as part of mergers and acquisitions transactions, and in structures for project finance, or for the setting-up of private equity funds. The BVI demonstrates its flexibility and ability to cut through the complexity of different industries, arranging structures for projects and transactions in such areas as oil and natural gas, petrochemicals, metal industries, manufacturing and electronics. The BVI is well-known for being trustworthy and robust, all of which plays a part in the globalised demand for the use of BVI structures. In Asia and China particularly there is wide availability of seasoned and highly skilled professionals who deal with both the legal and financial aspects of working with BVI structures.



BVI BUSINESS COMPANIES IN PRACTICE

BVI business companies can be employed for a range of uses, can be flexible in their specific structure, and are stable because of their grounding in English common law. The examples below illustrate how BVI structures have been used along the Belt and Road.



The China-Africa Fund for Industrial Cooperation, a state-owned fund that invests in Africa, backed by China's foreign exchange reserves and the Export-Import Bank of China, made a US\$ 200 million investment through a Hong Kong subsidiary in a BVI company that invests in, and supports the exploration, development and production of natural gas in Ethiopia and Djibouti.





___ CASE STUDY 2 Acquiring a Hong Kong company

Hong Kong-based Haitong International Securities Company Limited provided HK\$2.4 billion to a Singapore borrower for the acquisition of Tai United Holdings Limited, a Hong Kong-based investment holding company principally engaged in the trading of metal-related commodities, with credit support provided by a BVI group company.

BVI business companies in a corporate group structure are often chosen as security providers given their flexibility in taking security over their assets and the public registration system of the granting of securities. Lenders can be provided with official certificates of registration of charges and be afforded the priority of security interests from such filings, which are open for public searches. This is preferable for lenders seeking additional comfort in taking securities over assets available in financing transactions.

CASE STUDY 3 Selling to Taobao

BVI business companies Kofu International Limited and Concord Greater China Limited, held by Taiwan-listed Ruentex Group, sold their 26.02 per cent interest in HK-listed Sun Art Retail Group Limited, one of China's largest hypermarket retailers, to Taobao China Holding Limited, a subsidiary of Alibaba Group.

BVI companies are often used as the holding vehicles of listed entities as they offer a flexible structure with exemption from tax and excessive accounting or reporting requirements.

BVI business companies are commonly held by individuals who are the founders of the businesses of the listed entities who may benefit from a certain level of confidentiality and the minimal requirements on number of shareholders and directors. There is also no need to appoint any operating officers, whether in or out of the BVI.



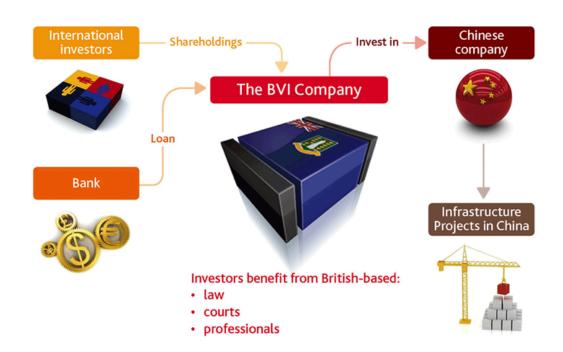
USING BVI COMPANIES

A group of international investors identifies a Chinese infrastructure developer that needs capital for a series of projects. They set up an international business company in the BVI as a holding structure and deposit the money, supplementing it with bank loans. The funds are then routed to the Chinese developer and the projects get up and running. Profit travels back to the BVI structure in the form of dividend payments that are distributed among the investors

Offshore 2020 Report (2014)



Below is a graphic illustration of how a BVI business company can be structured.



Source: Harneys & Stikeman Elliot







