

HONG KONG – PRIVATE LIMITED COMPANY

Principal Corporate Legalization

Companies Ordinance (Cap 32).

Type of Law

Common Law based on English Common Law.

Type of Company for International Trade and Investment

Private Company limited by Shares.

Exchange Control

None.

Procedure to Incorporate

Submission of Memorandum and Articles of Association and a Declaration of Compliance. A Notice of Situation of Registered Office is also required to be filed within fourteen days of the date of incorporation.

Restrictions on Trading

Cannot undertake banking or insurance activities or solicit funds from or sell its shares to the Public.

Powers of Company

A Hong Kong Company has all the powers of a natural person.

Language of Legislation and Corporate Documents

Chinese and English.

Registered Office Required

Yes, must be maintained in Hong Kong.

Name Approval Required

It is not possible to reserve a name. It is essential to check that there is no similar or identical name on the register, which would prevent the company being incorporated.

Shelf Companies Available

Yes.

Time to Incorporate

Approximately 7 to 10 business days from the submission of documentation.

Name Restrictions

A name that is similar to or identical to an existing company. A name that constitutes a criminal offence or is otherwise contrary to the public interest. A name that implies royal or government patronage.

Names Requiring Consent or License

Building society, Chamber of Commerce, co-operative, imperial, Kaifong, mass transit, municipal, royal, savings, tourist association, trust, trustee, underground railway, bank, insurance, assurance, reinsurance, fund management,

asset management and investment fund.

Suffixes to Denote Limited Liability

Limited.

Disclosure of Beneficial Ownership to Authorities

No.

Compliance

Authorized and Issued Share Capital

The standard authorized share capital is HK\$ 1,000. The minimum issued capital is two shares of par value.

Classes of Shares Permitted

Ordinary shares, preference shares, redeemable shares and shares with or without voting rights.

Types of Shares Permitted

Include deferred, founders and management shares.

Taxation

Hong Kong is one of the few countries in the world that tax on a territorial basis. Many countries levy tax on a different basis and they tax the world-wide profits of a business, including profits derived from an offshore source. Hong Kong profits tax is ONLY charged on profits derived from a trade, profession or business carried on in Hong Kong. Consequently, this means that a company which carries on a business in Hong Kong, but derives profits from another place, is not required to pay tax in Hong Kong on those profits. Hong Kong sourced income is currently subject to a rate of taxation of 17.5 per cent. There is no tax in Hong Kong on capital gains, dividends and interest earned.

The principle of Hong Kong income tax is that it is a tax on income that has its source in Hong Kong rather than a tax based on residence. Income sourced elsewhere, even remitted to Hong Kong, is not subject to Hong Kong profits tax at all. Consequently, if a Hong Kong company's trading or business activities are based outside Hong Kong no taxation will be levied.

The factor that determines the locality of profits from trading in goods and commodities is generally the place where the contracts for purchase and sale are effected. "Effected" does not only mean that the contracts are legally executed. It also covers the negotiation, conclusion and execution of the terms of the contracts.

If a business earns commission by securing buyers for products or by securing suppliers of products required by customers, the activity which gives rise to the commission income is the arrangement of the business to be transacted between the principals. The source of the income is the place where the activities of the commission agent are performed. If such activities are performed through an office in Hong Kong, the income has a source in Hong Kong.

Double Taxation Agreements

Hong Kong has no double tax agreement with any country, with the exception of a limited treaty with the United States of America relating to shipping matters only.

As Hong Kong taxes on a territorial basis, this means that income derived from a local company from outside Hong Kong will not generally suffer double taxation in Hong Kong. Many countries which tax their residents on a world-wide basis also provide their companies operating in Hong Kong with unilateral tax credit relief for Hong Kong tax paid on income derived in Hong Kong. The Hong Kong Inland Revenue allows a deduction for foreign tax paid on a turnover basis in respect of income which is also subject to tax in Hong Kong. Therefore, businesses operating in Hong Kong do not generally have problems with double taxation of income.

Withholding taxes, currently being 5.25%, are only imposed on royalties paid to non-resident recipients not related to the payers. If they are related parties then a tax rate of 17.5% will be applicable.

License Fees

The Business Registration Fee (BRF), currently HK\$ 2,600, is due and payable within one month of the date of incorporation and then annually on the anniversary of the first payment.

Financial Statement Requirements

A Hong Kong company must keep accounting records, which may be kept at the registered office address or elsewhere at the discretion of the directors. Every company must appoint an auditor who must be a member of the Hong Kong Society of Accountants and hold a practicing certificate. Although there is no requirement to file accounts with the Registrar, there is a requirement to file accounts with the tax authorities.

Director

The minimum number of directors is one, who may be natural persons or bodies corporate. They may be of any nationality, and need not be resident in Hong Kong.

Company Secretary

A Hong Kong company must appoint a company secretary, who may be a natural person or a body corporate, **but the company secretary must be resident in Hong Kong.**

Shareholder

The minimum number of shareholders is one.