



COMPANY FORMATION IN HONG KONG

MAIN FORMS OF COMPANY/BUSINESS IN HONG KONG

1. Private Company Limited by Shares

A Private Company Limited by Shares is the most commonly-used company type for the set up of business in Hong Kong. It is a separate legal entity from its parent company, and the liabilities of the shareholders would only be limited to the unpaid portion of the shares that is agreed to be undertaken.

This is a Hong Kong incorporated company for which it can take advantage of all the tax benefits and concessions available, including the Closer Economic Partnership Arrangement (CEPA), a free trade agreement with the mainland China.

2. Branch Office of Parent Company

An overseas parent company could establish a place of business as a branch office for conducting business in Hong Kong. The branch office must register itself as a "Registered Non-Hong Kong Company" within one month of establishment in Hong Kong with the local authority. Unlike a subsidiary limited company, a branch office is not a separate legal entity from the parent company and the parent company is accountable for all the debts and liabilities of the branch office.

3. Representative Office

A Representative Office could be established in Hong Kong for exploring market opportunities and undertaking coordinating activities on behalf of the overseas parent company. A representative office cannot engage in profit making activities (including trading activities, conclusion of any contracts, etc.) and is not treated as a legal entity.

SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

Generally, Hong Kong has a relatively straight forward tax system and its tax rates are comparatively low. The territorial concept is fundamental to the taxation of profits in Hong Kong, namely only profits arising in or derived from Hong Kong are chargeable to tax in Hong Kong. In short, a person who carries on business in Hong Kong but derives profits from another place is not required to pay tax in Hong Kong on those profits. Hence it is important to structure your business upon establishment in order to reduce possible tax burden.

Every company has the obligation to complete and file the tax return within a prescribed time once it is issued. In general, newly registered business will receive its first profits tax return some 18 months after the date of incorporation.

LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

Requirement	Company Limited by Shares	Branch Office	Representative Office
Director	<ul style="list-style-type: none"> Both corporation and natural person could be director Minimum requirement: must consist of one natural director 	<ul style="list-style-type: none"> Only require to report the details of directors of parent company 	<ul style="list-style-type: none"> N/A



Requirement	Company Limited by Shares	Branch Office	Representative Office
Shareholder	<ul style="list-style-type: none"> • Both corporation and natural person could be shareholder • Number of shareholders must be less than 50 • Minimum requirement: one shareholder 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A
Company secretary	<ul style="list-style-type: none"> • Must appoint at least one individual resident in Hong Kong or another Hong Kong limited company 	<ul style="list-style-type: none"> • Not required 	<ul style="list-style-type: none"> • N/A
Registered office	<ul style="list-style-type: none"> • Must have an office address in Hong Kong as the registered office 	<ul style="list-style-type: none"> • Must have an office address in Hong Kong 	<ul style="list-style-type: none"> • N/A
Authorised representative	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Must appoint at least one natural person resident in Hong Kong, or solicitor or CPA authorised by the law 	<ul style="list-style-type: none"> • N/A
Auditor	<ul style="list-style-type: none"> • Must appoint an auditor 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A
Business registration	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes

CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

Official Languages and Company Names

Hong Kong is a Special Administrative Region of the People’s Republic of China and it offers easy access to business opportunities in mainland China both geographically and commercially. Chinese and English are the official languages of Hong Kong. While Cantonese is the commonly spoken language in the community, English is widely used in the Government and by the legal, professional and business sectors. A company could use both Chinese and English names in order to conduct business effectively in Hong Kong as well as with mainland China.

Chinese Calendar and Fengshui

It is common in Hong Kong for newly established business to consult the Chinese calendar to determine the best date and time for business opening. Fengshui is another important Chinese culture for establishing business. Fengshui is the Chinese-oriented belief that the surrounding environment would benefit a person’s own being. Not only local business entrepreneur in Hong Kong but also international enterprises having offices in Hong Kong consult fengshui when sourcing for office locations.

OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

Hong Kong operates under the principle of ‘one country, two systems’, which gives the city a high level of autonomy and different from other parts of the world. Such bi-cultural environment gives Hong Kong a unique position in the world for running a business.

Hong Kong’s history as a British colony and its present unique principle of ‘one country, two systems’ with the mainland China enable Hong Kong to be a bi-cultural city nowadays. Such British influence within a Chinese culture is an enormous advantage for foreign enterprises setting up their business in Hong Kong and to access the market of the mainland China easily.