DOING BUSINESS

IN HONG KONG

The network for doing business

CONTENTS

1 INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 countries throughout the world.

Business partners work together throughout the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering a business operation in Hong Kong has been provided by the office of UHY's representative there:

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Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at February 2023.

We look forward to helping you do business in Hong Kong.

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2 BUSINESS ENVIRONMENT

Hong Kong has grown from a small fishing village to an entrepot for international trade and counts as one of the most important financial, trade and commercial centres in the world. There are many reasons for this evolution :-

ONE COUNTRY, TWO SYSTEMS

Foremost in the mind of many doing business in this region, are the key issues concerning Mainland China after Hong Kong reverted to Mainland China's control on 1 July 1997. Under the terms of the 1984 Sino-British Joint Declaration, Hong Kong retains its free enterprise system for at least 50 years after that date. In 1990, Mainland China promulgated the Basic Law, the mini-constitution for Hong Kong Special Administrative Region ("HKSAR"), ensuring the implementation of "one country, two systems".

The Joint Declaration provides Hong Kong with a high degree of autonomy, which allows it to administer itself and pass its own legislation. This enables Hong Kong to control its own economic, financial and trade policies, and to participate in international organisations and trade agreements. The many factors contributing to Hong Kong's economic success remain intact.

GATEWAY TO MAINLAND CHINA

Hong Kong sits on the southern gateway to Mainland China, and has developed into the main base for Chinese operations. As much as two-thirds of the total external investment in Mainland China goes through Hong Kong. The financial ties between Hong Kong and the neighbouring southern Chinese province of Guangdong (e.g. The Pearl River Delta) are especially strong.

In March 2015, the Mainland China announced the development ideas and blueprint of the Belt and Road Initiative. The Belt and Road Initiative, aiming at forging connectivity with countries along the routes in five areas, namely policies, facilities, trade, finance and people-to-people bond, will boost development of the major sections of Hong Kong, including trading and logistics, tourism, financial services, and professional and infrastructure services.

The HKSAR Government will play an active role to facilitate the implementation of the Belt and Road Initiative, Hong Kong has strong complementarity with the Belt and Road countries, and great potential to create synergy with them and by leveraging the combined advantages of "one country" and "two systems", industries in Hong Kong, regardless of scale, can perform their role as a "super-connector".

MAINLAND CHINA AND HONG KONG CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT (“CEPA”)

CEPA is the first free trade agreement entered into between the Mainland China and Hong Kong. The main text of CEPA was signed on 29 June 2003.

The objectives of CEPA are to strengthen trade and investment co-operations between the Mainland China and Hong Kong and to promote joint development of both sides through progressive reduction or elimination of tariff and non-tariff barriers on substantially all the trade in goods between the two sides; liberalization of trade in services through reduction or elimination of all discriminatory measures; and promotion of trade and investment facilitation.

CEPA brings new business opportunities to the Mainland China, Hong Kong and foreign investors. CEPA enables Hong Kong business to gain greater access to the Mainland market while Mainland corporations may make use of Hong Kong as a “springboard” to reach out to the global market thereby achieving fuller integration with the world economy. Foreign investors may make use of the Hong Kong advantage by setting up businesses in Hong Kong to leverage on the CEPA benefits and to access the vast opportunities of the Mainland market.

CEPA covers 4 broad areas :-

1) Trade in goods

   All goods of Hong Kong origin can enjoy zero tariff preference upon importation into the Mainland China provided that they satisfied the rules of origin requirement as “Made in Hong Kong”. To deepen the liberalisation and facilitation of trade in goods between the two sides, the Agreement on Trade in Goods has included four dedicated Chapters on "Customs Procedures and Trade Facilitation", "Sanitary and Phytosanitary Measures", "Technical Barriers to Trade" and "Trade Facilitation Measures in the Guangdong-Hong Kong-Macao Greater Bay Area".

2) Trade in services

   Hong Kong service providers enjoy preferential treatment in entering into the Mainland market in various service areas such as financial services, legal services, construction and related engineering services, testing and certification, television, motion pictures and tourism services etc. Professional bodies of Hong Kong and the regulatory authorities in the Mainland China have also signed a number of agreements or arrangements on mutual recognition of professional qualification.

3) Investment

   Hong Kong investors enjoy preferential treatment in non-services sectors in the Mainland China. The Investment Agreement also promotes and protects investment, and provides for investment facilitation.

4) Economic and Technical Cooperation

   Both sides agreed to enhance cooperation in 22 areas to cater for the trend and support the development and cooperation, as well as to facilitate and promote trade and investment between the two places.

THE GUANGDONG-HONG KONG-MACAO GREATER BAY AREA ("GREATER BAY AREA")

The Greater Bay Area comprises the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province. The total area is around 56 000 km^2. Based on the latest figures provided by the Guangdong Province, the HKSAR Government and the Macao SAR Government, the total population in the Greater Bay Area is over 86 million and the GDP is USD 1,668.8 billion in 2020.

The objectives of development of the Greater Bay Area are to deepen cooperation amongst Guangdong, Hong Kong and Macao, fully leverage the composite advantages of the three places, facilitate in-depth integration within the region, and promote coordinated regional economic development, with a view to developing an international first-class bay area ideal for living, working and travelling.

Being the most open and international city in the Greater Bay Area, Hong Kong is known for its status as international financial, transportation, trade centres and aviation hub as well as its renowned professional services. Enjoying the dual advantages of "one country, two systems", Hong Kong plays an important role in the Greater Bay Area Development. Hong Kong will facilitate and support the economic development of the region, with a view to enhancing the role and functions of the Greater Bay Area in the country's two-way opening up; and also we will facilitate the development of industries in which Hong Kong's strengths lie in the Greater Bay Area, capitalising on Hong Kong's strengths to serve the country's needs.

The promulgation of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" on 18 February 2019 signified a new milestone in the development of the Greater Bay Area. Hong Kong will proactively integrate into the overall national development with the support from the Central Government, and thereby expanding the scope of development and generating new impetus for growth to bring new development opportunities to different sectors of the community, especially the young people.

EXCHANGE CONTROLS

In Hong Kong, there is no exchange control on any form of foreign investment.

Given the highly externally oriented nature of the economy, a linked exchange rate system was introduced in late 1998 under which the US dollar exchange rate was fixed at HK$7.8 to US$1.

LANGUAGE

The official languages of Hong Kong are Chinese and English. Contracts are mostly written, reviewed and executed in English.

3 FOREIGN INVESTMENT

The HKSAR Government encourages free enterprise and foreign investment. No distinction is made between local and foreign investment, and both are welcomed. Essentially, there is no restriction on foreign business setting up in Hong Kong nor is there any foreign exchange control. There is also no Hong Kong residential requirement for shareholders and directors of an entity in Hong Kong.

There are few incentives to promote business investments since its low tax rates, excellent financial infrastructure, highly productive labour force, and favourable investment climate are considered as sufficient to attract investments in Hong Kong.

4 SETTING UP A BUSINESS

To start business in Hong Kong, it is necessary to obtain a business registration certificate from the Business Registration Office of the Inland Revenue Department. This applies to all forms of organisation :-

1) Sole Proprietorship
2) Partnership
3) Non-Hong Kong Companies
4) Representative Office
5) Limited Companies

SOLE PROPRIETORSHIP

The only formality to set up sole proprietorship is to obtain a business registration certificate from the Business Registration Office. However, the owner of a sole proprietorship business is personally liable without limit for the obligations of the business.

PARTNERSHIP

The law relating to partnerships is contained in the Partnership Ordinance and the Limited Partnership Ordinance.

In an unlimited or ordinary partnership, all the partners are jointly and severally liable without limit for the obligations of partnership. However, limited partnerships may be formed in which at least one partner has unlimited liability while the others have the protection of limited liability but have limited rights to profits and capital distribution on dissolution.

NON-HONG KONG COMPANIES

A non-Hong Kong Company that establishes a place of business in Hong Kong shall apply to the Companies Registry for registration under Part 16 of the new CO (Cap. 622) within 1 month after the establishment of the place of business, by submitting a specified forms and copies of its corporate documents and disclosing certain corporate information to the Company Registrar including :-

1) A certified copy of the charter, statutes or memorandum (including articles, if any) or any other instruments defining the constitution of the company. (remark)
2) A certified copy of the company's certificate of incorporation. (remark)
3) Incorporation Form NN1, which contains the following information :-
    - The domestic name of the company;
    - The date on which the company established a place of business in Hong Kong;
    - The address of the principal place of business in Hong Kong and in the place of incorporation, if any;
    - The address of the registered office in the place of incorporation; and
    - The particulars of the directors, company secretary and the authorized representative in Hong Kong
4) A certified copy of the latest published accounts of the company. (remark)

Remark: If the document is not written in English or Chinese, a certified English or Chinese translation should be submitted instead.

REPRESENTATIVE OFFICE

Representative office is useful if a company wishes to explore Hong Kong market before making a larger investment and can only fulfil limited functions, for example promotion and liaison work. It is prohibited from carrying on any business in Hong Kong or entering into any contract in Hong Kong. If the company commences carrying on a business, it will need to be changed to either a limited company or a non-Hong Kong Company.

LIMITED COMPANIES

Limited companies are regulated in Hong Kong under the Companies Ordinance. Public limited companies may offer their shares for sale to the public. Private limited companies are those which :-

1) Restrict the right of transfer of their shares;
2) Limit the number of members to 50; and
3) May not offer shares for sale to the public.

Most of the limited companies incorporated in Hong Kong are private companies limited by shares.

To incorporate in Hong Kong, a limited company must register its name at, and submit Incorporation Form NNC1 (for company limited by shares), Notice to Business Registration office (IRB R1) and its article of association to, the Companies Registry. The article states the company's name, company's objects, maximum number of shares that the company may issue and members' liability. The articles also define the powers and other internal regulations for the management and procedures of the company. A quicker way to incorporate in Hong Kong is to purchase a ready-made company, which has not yet started business but has already been registered with the Companies Registry and has acquired a Certificate of Incorporation.

A private limited company in Hong Kong requires at least one shareholder, one director who is a natural person and one company secretary. If the company has one director only, the sole director cannot be the company secretary of the company at the same time. A non-Hong Kong resident can be appointed as a director. If the company secretary is an individual, he/she should ordinarily reside in Hong Kong. If the company secretary is a body corporate, its registered office or place of business should be in Hong Kong. There is no requirement for shareholders to be Hong Kong residents. The sole shareholder can be a director of the company.

Minimum capital requirements are not imposed on companies except for licensed banks, insurance and deposit-taking companies, and securities/commodities dealers.

A company must have a registered office in Hong Kong and maintain such records as registers of members, directors and secretaries and charges and minutes books of meetings. Certain accounting and business records are required to be kept in Hong Kong.

A Hong Kong company can freely remit tax-free dividends out of the retained distributable profits to an overseas investor.

5 LABOUR

Hong Kong people are productive and well-trained. They have an essential mix of international market perception combined with different business culture in the fast-growing Mainland China and other cities around the world. Most of them can speak English, Cantonese and Putonghua.

Particular policies have been designed by the Hong Kong Immigration Department to attract professionals, talents and investors to ensure Hong Kong is continued competitiveness and enrich the quality of Hong Kong's workforce.

The Employment Ordinance is the main piece of legislation governing conditions of employment in Hong Kong. It covers a comprehensive range of employment protection and benefits for employees.

The Employment Ordinance requires that the terms and conditions of employment are conferred upon each employee by the employer regardless of whether the contract of employment is in writing or not. Employers are also required to maintain employment record regarding wages, holidays and leave records, etc.

Labour relations in Hong Kong are stable, compared with other nations in South East Asia. Industrial harmony is reflected by the small number of working days lost due to industrial conflicts, which is among the lowest in the world. In the case of labour disputes, the Labour Department offers conciliation service to the parties concerned to facilitate an amicable settlement.

Wages rates differ among various economic sectors, depending upon the level of skills and experience required.

STATUTORY MINIMUM WAGE ("SMW")

The SMW came into force on 1 May 2011. With effect from 1 May 2019, the SMW rate was increased to HK$37.5 per hour. Subject to approval by the Legislative Council, the revised SMW rate of HK$40 per hour will take effect from 1 May 2023.

It applies to all employees, whether they are full-time, part-time or casual employees, and regardless of whether or not they are employed under a continuous contract as defined in the Employment Ordinance, with the following exceptions :-

1) persons to whom the Employment Ordinance does not apply
2) live-in domestic workers
3) student interns as well as work experience students during a period of exempt student employment

MANDATORY PROVIDENT FUND ("MPF")

Implemented by the HKSAR Government, the MPF came into effect on 1 December 2000. Except for exempt persons and persons employed for fewer than 60 days, employees and self-employed, aged between 18 and 65, are required to join MPF schemes.

Employees and employers are both required to make mandatory contribution of 5% of the employee's relevant income into the employee's MPF account, subject to the minimum and maximum relevant income levels. For monthly paid employees, the current minimum and maximum relevant income levels are HK$7,100 and HK$30,000 respectively.

Employers must make mandatory contributions for their employees with their own funds. They must also deduct the employee's contributions from his/her relevant income for each contribution period (generally the wage period).

ENTRY VISAS AND WORK PERMITS

While nationals of Hong Kong's major trading partners do not need visas for short-term stays in Hong Kong, valid passports or other travel documents are required for all visitors to Hong Kong.

Persons wishing to stay in Hong Kong must show evidence that they have been offered employment in Hong Kong, and must be in possession of an Employment Visa. Applications can be made at the Chinese Diplomatic and Consular Missions in their place of residence, or to the Hong Kong Immigration Department direct by post or through a local sponsor.

In determining an application for a visa or work permit to enter Hong Kong for employment or investment, the Immigration Department takes into consideration whether there is a genuine vacancy for an employee in Hong Kong; the skills, knowledge and experience needed for the job; whether the terms and conditions of employment are comparable to those in the local market; the applicant's suitable qualifications and experiences relating to the job; and whether the vacancy can be filled locally.

PAYROLL RECORDS

A company, as an employer, has obligations to keep proper payroll records starting from hiring of the first employee. The record of employees including personal particulars, nature of employment, capacity in which employed, amount of cash remuneration, non-cash and fringe benefits, contributions to the MPF or its equivalent, employment contract, period of employment, etc.

The company should inform IRD of staff commencing and terminating employment with the company and report annually the remuneration and other benefits paid to the employees, who shall be subject to salaries tax in Hong Kong.

6 TAXATION

The Hong Kong tax system is generally considered to be one of the most simple, transparent and straightforward tax systems in the world.

The law governing the imposition of tax in Hong Kong is contained in the Inland Revenue Ordinance (“IRO”) and its subsidiary legislation, the Inland Revenue Rules (“IRR”).

Instead of one all-encompassing income tax, Hong Kong has three separate and distinct direct taxes on income:

1) Profits tax (corporation tax)
2) Salaries tax (individual income tax)
3) Property tax (real estate tax)

Hong Kong tax is territorial in nature so that only income which has a source in Hong Kong is taxable. Various rules are adopted by the courts to determine sources of income and all circumstances of the transactions are considered. By corollary, income that is not included in one of the above categories, or does not arise in or derive from Hong Kong, is not subject to tax.

The latest international tax standards require a taxpayer benefitting from a preferential tax treatment in a jurisdiction to have substantial economic presence in the jurisdiction, and to establish an explicit link between the relevant income and real activities in the jurisdiction. Accordingly, Hong Kong committed to amending its Foreign-sourced Income Exemption (FSIE) regime for passive income in accordance with the Guidance on FSIE regimes promulgated by the European Union.

On 1 January 2023, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (the Amendment Ordinance), came into operation. Under the FSIE regime, certain foreign-sourced income accrued to a member of a multinational enterprise (“MNE”) group (MNE entity) carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and chargeable to profits tax when it is received in Hong Kong. Also, the IRO was amended to provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

A description of the three direct taxes and other indirect taxes is given below.

PROFITS TAX

Any persons (including individuals, corporations, partnerships and unincorporated entities) carrying on a trade, profession or business in Hong Kong are assessable to tax on all profits arising in, or derived from, Hong Kong from such trade, profession or business.

A two-tiered profits tax rates regime is to be implemented from the year of assessment 2018/2019 onwards. The profits tax rate for the first HK$2 million of assessable profits of corporations and unincorporated businesses will be lowered to 8.25% and 7.5% respectively. Profits above that amount will continue be subject to the corporation rate of 16.5% and the standard rate of 15% respectively. For connected entities, the two-tiered rates will only be applicable to one entity nominated among them.

The assessable profits (or adjusted loss) are the net profits (or loss) (other than profits (or loss) arising from the sale of capital assets), arising in or derived from Hong Kong.

PROFITS TAX (CONT'D)

DEEMED TRADING RECEIPTS

Sums deemed to be receipts arising in or derived from Hong Kong :-

1) Sums received from the exhibition or use in Hong Kong of cinematography or television film or tape, sound recording or their connected advertising materials.

2) Sums received for the use, or the right to the use, in Hong Kong of any patent, design, trade mark, copyright material, layout-design (topography) of an integrated circuit, performer's right, plant variety right, secret process or formula.

3) Sums received for the use, or the right to the use, outside Hong Kong when such sums are deductible in ascertaining the assessable profits of a person under Profits Tax, of any patent, design, trade mark, copyright material, layout-design (topography) of an integrated circuit, performer's right, plant variety right, secret process or formula.

4) Sums for an assignment of, or an agreement to assign, a performer's right in relation to a performance given by a performer in Hong Kong on or after 29 June 2018 and the sums were paid or accrued to the performer or an organizer.

5) Sums received by or accrued to a person carrying on business in Hong Kong by way of grant, subsidy or similar financial assistance other than sums in connection with capital expenditure.

6) Sums received by way of hire, rental or similar charges for the use of movable property or the right to use movable property in Hong Kong.

EXCLUDED INCOME

1) Dividends from a corporation which is chargeable to Hong Kong Profits Tax;

2) amounts already included in the assessable profits of other persons chargeable to Profits Tax;

3) interest on Tax Reserve Certificates;

4) interest on, and any profit made in respect of certain government bonds;

5) interest income and trading profits derived from certain qualifying long term debt instruments;

6) interest, profits or gains from qualifying debt instruments (issued on or after 1 April 2018) exempted from payment of Profits Tax; and

7) sums received or accrued in respect of certain specified investment scheme.

PROFITS TAX (CONT'D)

DEDUCTIBLE EXPENSES

The general rule for deductibility of expenditure is allowance for all outgoings and expenses to the extent to which they are incurred in the production of profits chargeable to Profits Tax.

Capital expenditure including capital losses and withdrawals are not deductible for tax purposes. However, capital allowances are granted to the following types of assets :-

1) Depreciation Allowances

   a) Industrial buildings allowances

      Initial allowance: 20% on the cost of construction of an industrial building
      Annual allowance: 4% on the cost of construction of an industrial building
      Balancing allowance or charge will be due upon disposal of an industrial building

   b) Commercial buildings allowances

      Annual allowance: 4% on the cost of construction of a commercial building
      Balancing allowance or charge will be due upon disposal of a commercial building

   c) Plant and Machinery

      Initial allowance: 60% on the cost
      Annual allowance: at rates of 10%, 20% or 30% on the reducing balance of the particular category of asset. Items qualifying for the same rate of annual allowance are grouped under one "pool".
      A balancing allowance is available only on cessation of a business to which there is no successor. A balancing charge can, however, arise whenever the disposal proceeds of one or more assets exceed the reducing value of the whole "pool" of assets to which the disposed items belong.

2) Expenditure on building refurbishment

   Capital expenditure on the renovation or refurbishment of business premises is allowed to be deducted over a period of 5 years.

3) Expenditure on plant and machinery specially related to manufacturing, and on computer hardware and software ("prescribed fixed assets")

   Prescribed fixed assets is fully written-off in the period in which the assets was acquired.

4) Expenditure on environmental protection facilities

   a) Expenditure on environmental protection machinery

      With effect from the year of assessment 2008/2009, a full deduction is allowed during the year in which the assets was acquired.

PROFITS TAX (CONT'D)

DEDUCTIBLE EXPENSES (CONT'D)

b) Expenditure on environmental protection installation

With effect from the year of assessment 2008/2009, a deduction at 20% of the expenditure is allowed in each of the 5 consecutive years commencing from the year in which the assets were acquired.
With effect from the year of assessment 2018/2019, a full deduction is allowed during the year (instead of over five years) in which the assets were acquired for procuring environmental protection installations.

c) Expenditure on environment-friendly vehicle

With effect from the year of assessment 2010/2011, a full deduction is allowed during the year in which the assets were acquired.

NON-DEDUCTIBLE EXPENSES

Deduction is specifically prohibited in respect of the following :-

1) domestic or private expenses and any sums not expended for the purpose of producing the profits;

2) any loss or withdrawal of capital, the cost of improvements and any expenditure of a capital nature;

3) any sum recoverable under insurance or contract of indemnity;

4) rent of or expenses relating to premises not occupied or used for the purpose of producing the profits;

5) taxes payable under the IRO, except Salaries Tax paid in respect of employees' remuneration;

6) any remuneration or interest on capital or loans payable to or, contribution made to a mandatory provident fund scheme in respect of the proprietor or the proprietor's spouse or, in case of a partnership, to its partners or their spouses.

SALARIES TAX

All income of individuals arising in or derived from Hong Kong, from any office, employment or pension, including income derived from services rendered in Hong Kong, is subject to salaries tax. The individual income, less allowable deductions, charitable donations and personal allowances, (equivalent to net assessable income) is chargeable to salaries tax at the progressive rates from 2% up to 17%. The maximum salaries tax payable is, however, limited to tax at the standard rate of 15% on the individual's assessable income.

SALARIES TAX (CONT'D)

An expatriate employee employed by a local employer has no salaries tax liability only if he visits Hong Kong for not more than 60 days in a tax year. Where an expatriate employed by a foreign employer renders services in Hong Kong during visits exceeding 60 days in a relevant year of assessment, only that part of his income attributable to services rendered in Hong Kong during his visits is subject to salaries tax.

Income includes the value of accommodation provided rent-free by an employer or the excess of the value over the rent actually paid by the employee to his employer for the accommodation, subject to a maximum of 10% of the employee's total income from the employer.

The personal allowances and deductions for the years of assessment 2022/2023 and 2021/2022 are as follows:

Allowances and Deduction			2022/2023	2021/2022
			HK$	HK$
Personal allowances:				
Single			132,000	132,000
Married			264,000	264,000
Single parent			132,000	132,000
Personal disability			75,000	75,000
Child	1st to 9th child			
	-	year of birth	240,000	240,000
	-	other years	120,000	120,000
Dependent	Parent/grandparent			
	-	Aged 60 or above		
	•	not residing with taxpayer	50,000	50,000
	•	residing with taxpayer	100,000	100,000
	-	Aged 55 to 59		
	•	not residing with taxpayer	25,000	25,000
	•	residing with taxpayer	50,000	50,000
	Disabled dependent		75,000	75,000
	Dependent brother/sister		37,500	37,500
Deductions (maximum amount) :-				
Self-education			100,000	100,000
Home loan interest (15 years of assessment)			100,000	100,000
Elderly residential care expenses			100,000	100,000
Contributions to recognised retirement schemes			18,000	18,000
Qualifying Premiums Paid under Voluntary Health Insurance Scheme Policy (For each insured person)			8,000	8,000
Qualifying Annuity Premiums and Tax Deductible MPF Voluntary Contributions			60,000	60,000
Domestic Rents Deduction			100,000	-
Approved charitable donations (percentage of assessable income or profits)			35%	35%

PROPERTY TAX

Property tax is charged on the owner of land and/or buildings in Hong Kong, which are generating rental income, at a standard rate of 15% on the net assessable value. The net assessable value is the rental income earned by the owner of land and/or buildings, less any irrecoverable rental receivable during that year, less rates paid by the owner and a 20% notional allowance of this net figure, no deduction for actual expenses will be allowed

PROVISIONAL TAX

On top of the tax on assessable profits/income/value, a taxpayer is required to pay a provisional profits/salaries/property tax, based on the actual assessable profits or income or value for the preceding year of assessment. When the actual assessable profits or income or value for the year of assessment is ascertained, a final assessment is issued and credit is given for the provisional tax paid. Any excess/deficit of provisional tax paid over the final liability is offset against/added to the provisional tax payable for the following year of assessment. When any balance of provisional tax is available, it is refunded to the taxpayer. There are provisions to enable collection of profits, salaries and property taxes, and provisional taxes to be held over in appropriate circumstances.

STAMP DUTY

Stamp duty is chargeable on the following transactions:

1) Assignment of immovable property in Hong Kong

   a) Ad Valorem Stamp Duty (“AVD”)
   b) Special Stamp Duty (“SSD”)
   c) Buyer’s Stamp Duty (“BSD”)

2) Leases and assignment of leases of Hong Kong property

   Stamp duty is calculated at rates which vary with the term of the lease

3) Contract notes on the transfer of Hong Kong shares and marketable securities

Nature of Document	Rate (with effect from 1 August 2021)
Contract Note for sale or purchase of Hong Kong shares	0.13% of the amount of the consideration or of its value on every sold note and every bought note
Transfer operating as a voluntary disposition inter vivos	HK$5 + 0.26% of the value of the stock to be transferred
Transfer of any other kind	HK$5

STAMP DUTY (CONT'D)

AD VALOREM STAMP DUTY ("AVD")

AVD payable on instruments dealing with immovable properties executed on or after 23 February 2013 shall be computed at higher rates (Part 2 of Scale 1), unless exempted or provided otherwise. The major exception, is that the property is a residential property, and the purchaser/transferee is a Hong Kong permanent resident ("HKPR") who is acting on his/her own behalf and does not own any other residential property in Hong Kong at the time of acquisition. In such case, the instrument will be subject to AVD at lower rates (Scale 2).

Even if the purchaser/transferee is a HKPR who is acting on his/her own behalf and does not own any other residential property in Hong Kong at the time of acquisition, acquisition of more than 1 residential property under a single instrument executed on or after 12 April 2017 will be subject to AVD at the rate under Part 1 of Scale 1 – a flat rate of 15%.

Unless specifically exempted or otherwise provided, AVD is payable at Part 2 of Scale 1 rates on an agreement for sale for the acquisition of any residential property, if the agreement is executed on or after 23 February 2013 but before 5 November 2016. Furthermore, AVD is also payable at Part 2 of Scale 1 rates on an agreement for sale for the acquisition of any non-residential property, if the agreement is executed on or after 23 February 2013 but before 26 November 2020.

Any instrument executed on or after 26 November 2020 for the sale and purchase or transfer of non-residential property will be subject to AVD at the rates under Scale 2.

Part 1 of Scale 1 – A flat rate of 15% of the consideration or value of the property (whichever is the higher)

Part 2 of Scale 1

Amount or value of the consideration		
Exceeds	Does not exceed	Rates at Scale 1 (Part 2)
HK$0	HK$2,000,000	1.5%
HK$2,000,000	HK$2,176,470	HK$30,000+20% of excess over HK$2,000,000
HK$2,176,470	HK$3,000,000	3%
HK$3,000,000	HK$3,290,320	HK$90,000 + 20% of excess over HK$3,000,000
HK$3,290,320	HK$4,000,000	4.5%
HK$4,000,000	HK$4,428,580	HK$180,000 +20% of excess over HK$4,000,000
HK$4,428,580	HK$6,000,000	6%
HK$6,000,000	HK$6,720,000	HK$360,000 +20% of excess over HK$6,000,000
HK$6,720,000	HK$20,000,000	7.5%
HK$20,000,000	HK$21,739,130	HK$1,500,000 + 20% of excess over HK$20,000,000
HK$21,739,130		8.5%

INDIRECT TAXES – STAMP DUTY (CONT'D)

AD VALOREM STAMP DUTY ("AVD") (CONT'D)

Rates at Scale 2

Amount or value of the consideration		Rates at Scale 2
Exceeds	Does not exceed	
HK$0	HK$2,000,000	HK$100
HK$2,000,000	HK$2,351,760	HK$100 + 10% of excess over HK$2,000,000
HK$2,351,760	HK$3,000,000	1.5%
HK$3,000,000	HK$3,290,320	HK$45,000 + 10% of excess over HK$3,000,000
HK$3,290,320	HK$4,000,000	2.25%
HK$4,000,000	HK$4,428,570	HK$90,000 + 10% of excess over HK$4,000,000
HK$4,428,570	HK$6,000,000	3%
HK$6,000,000	HK$6,720,000	HK$180,000 + 10% of excess over HK$6,000,000
HK$6,720,000	HK$20,000,000	3.75%
HK$20,000,000	HK$21,739,120	HK$750,000 + 10% of excess over HK$20,000,000
HK$21,739,120		4.25%

SPECIAL STAMP DUTY ("SSD")

The Stamp Duty (Amendment) Ordinance 2011, which is effective from 20 November 2010, imposes Special Stamp Duty ("SSD") on the acquisition and disposal of residential properties on top of ad valorem stamp duty. Unless the transaction is exempted from SSD or SSD is not applicable, any individual or company (regardless of where it is incorporated) which acquires a residential property on or after 20 November 2010 and resells it within 24 months will be subject to SSD.

SSD is calculated on the basis of the following two factors :-

1) the stated consideration or the market value of the property (which is higher);

2) the rates based on the holding period of the property by the seller before disposal :-

   15% (increased to 20% on 27 October 2012) if the property has been held for six months or less;

   10% (increased to 15% on 27 October 2012) if the property has been held for more than six months but for 12 months or less;

   5% (increased to 10% on 27 October 2012) if the property has been held for more than 12 months but for 24 (increased to 36 months on 27 October 2012) months or less.

BUYER'S STAMP DUTY ("BSD")

Upon enactment of the legislation, any residential property acquired by any person (including a company incorporated) from 27 October 2012, except a HKPR, will be subject to BSD. BSD is to be charged at a flat rate of 15% on the stated consideration or market value of the property (whichever is higher), on top of the existing AVD and SSD, if applicable.

7 ACCOUNTING AND REPORTING

ACCOUNTS AND AUDIT

Every company should keep proper books of accounts in respects of all receipts, payments, sales and purchases of goods and assets and liabilities of the company. A company should retain its business and accounting records for not less than 7 years.

It is also required to prepare a statement of comprehensive income and statement of financial position every year, accompanied by a directors' report. The statement of comprehensive income and statement of financial position have to be audited by a certified public accountant (practising), registered under the Professional Accountants' Ordinance in Hong Kong.

The Directors should lay before the shareholders in its Annual General Meeting the financial statements that are audited.

ANNUAL GENERAL MEETING

A private company must hold its first annual general meeting within 9 months after the anniversary of the company's incorporation date or 3 months after the end of that accounting reference period, if it is the first accounting reference period and is longer than 12 months, whichever is the later.

In respect of each subsequent financial year, the private company must hold its annual general meeting within 9 months after the end of its accounting reference period.

The business transacted at an annual general meeting is regulated by the company's articles of association and would typically include the consideration of the company's financial statements and the reports of the directors and auditor, the declaration of dividends, election of directors and the appointment of auditor.

FILING OF ANNUAL RETURNS

Private companies having share capital must file an annual return with the Registrar of Companies within 42 days from the anniversary of its date of incorporation. The annual return contains details concerning, mainly, the share capital of the company; its directors; its secretary and shareholders; its indebtedness in the form of mortgages and charges; all business names under which the company carries on business; and the address of its registered office.

FILING OF ANNUAL RETURNS (CONT'D)

Companies other than private companies with share capital must file an annual return with the Registrar of Companies within 42 days after the company's return date. The return date for a public company is 6 months after the end of the company's accounting reference period while the return date for a guarantee company is 9 months after the end of the company's accounting reference period. The accounting reference period is the period by reference to which the company's annual financial statements are to be prepared. The annual return of public companies must also include a certified copy of the financial statements, together with the relevant auditor's and directors' reports. Private companies are not required to file annual financial statements with the Registrar of Companies.

Companies, other than public companies, are not required to file their audited financial statements with the Registrar of Companies. However, audited financial statements must be filed with the IRD every year as part of an annual profits tax return.

A non-Hong Kong company registered in Hong Kong must file with the Registrar of Companies a copy of the company's audited financial statements, and consolidated financial statements, if appropriate, every year.

8 UHY REPRESENTATION IN HONG KONG

TAI KONG CPA LIMITED
HONG KONG

UHY

CONTACT DETAILS

Tai Kong CPA Limited
Suites 823-825, 8th Floor Ocean Centre
Harbour City, 5 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong
Hong Kong
Tel: +852 2892 2800
Fax: +852 2834 8777
www.tkcpa.com.hk

Year established:	1984
PCAOB registered?:	Yes
Number of partners:	2
Total staff:	15

CONTACTS

Liaison contact:	Robert Kong
Position:	Director
Email:	robertkong@tkcpa.com.hk

ABOUT US

Tai Kong has offices in both Hong Kong and Macau to help clients manage their businesses and comply with local laws and regulations.

BRIEF DESCRIPTION OF FIRM

We have sound and extensive knowledge and experience in doing business in both Hong Kong and mainland China. We have guided many businesses from formation to success, including listing on the Hong Kong Stock Exchange. We are confident that we are well equipped to meet the requirements of our clients in Hong Kong, mainland China or from other countries seeking to benefit from the recent accession of mainland China to the World Trade Organisation.

We believe in personal commitment and make sure that every client gets individual care and attention. We recognise the importance in developing and maintaining trusted relationships with our clients and in making sure that our services are provided with integrity.

SERVICE AREAS

Audit, accountancy and payroll outsourcing
Company secretarial services
Corporate finance
Corporate restructuring and recovery
Support services, training and recruitment
Tax services
Trusts and private client services

SPECIALIST SERVICE AREAS

Due Diligence on M&A
Payroll outsourcing

PRINCIPAL OPERATING SECTORS

Investment and finance
Clothing and apparel

The network for doing business

TAI KONG CPA LIMITED
HONG KONG

Cosmetic products
Sports shoes
Property consultants and agents
Electronic components
Credit unions

LANGUAGES

Chinese (Cantonese and Mandarin), English.

CURRENT PRINCIPAL CLIENTS

(Partial list of clients permitting public disclosure. Confidentiality precludes disclosure of all clients in this document.)
Bank of China Group Investment Ltd
China Agricultural Finance Co Ltd
Lisse Group (Int'l) Co Ltd
Wei-Da International Shoes Co Ltd
Pata Industrial Co Ltd
Marunix Hong Kong Ltd
Dah Mei Label Ltd
Build-Up Group Ltd

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Australia, Canada, Channel Islands, India, Japan, Korea, Kuwait, Malaysia, Mexico, Netherlands, Philippines, Singapore, Taiwan, UK, US, Vietnam.

BRIEF HISTORY OF FIRM

Tai Kong CPA Limited has been incorporated to carry on the business of Tai, Kong & Co., Certified Public Accountants, which was founded in 1984 when Mr Tai Hay Yuen and Mr Robert T W Kong merged their practices.

The firm joined UHY in 1989.

The network for doing business

UHY PRIME HK CPA LTD
HONG KONG

UHY

CONTACT DETAILS

UHY Prime HK CPA Ltd
Unit 301, 3/F Malaysia Building
50 Gloucester Road
Wan Chai District
Hong Kong
Hong Kong
Tel: +852 2332 0661
Fax: +852 2332 0304
www.uhy-hk.com

Year established:	1983
Number of partners:	2
Total staff:	16

CONTACTS

Liaison contact:	Michael Tsang
Position:	Director of Assurance
Email:	michaeltsang@uhy-hk.com
Liaison contact:	Cecilia Ng
Position:	Director
Email:	ceciliang@uhy-hk.com

BRIEF DESCRIPTION OF FIRM

UHY Prime HK CPA Limited is a medium-sized firm providing a wide range of services for international clientele in Hong Kong and with significant access to major cities throughout mainland China. The firm also assists Chinese entities seeking to develop overseas business interests. The firm provides a full range of professional services to a wide variety of clients, both corporations and individuals, involved in different types of industries.

SERVICE AREAS

Audit & Assurance
Business valuations
Due diligence
Internal audit
Tax compliance and tax planning
Tax audit and investigations
Pre-listing corporate restructuring
Offshore tax structuring
Pre-immigration tax planning

COMPANY SECRETARIAL SERVICES
Formation of Hong Kong and offshore companies with on-going secretarial services
Provision of nominee directors, shareholders and Registered offices

BUSINESS AND TRADE RELATED SERVICES
Book-keeping and accounting
Compliance audit on products royalty
International trade mark registration
Human resources management and recruitment
Public relations and corporate identity consultancy

IMMIGRATION TO AUSTRALIA
Immigration planning and advisory
Immigration audit and report

The network for doing business

UHY PRIME HK CPA LTD
HONG KONG

CORPORATE RESTRUCTING AND LIQUIDATION
Corporate recovery and advisory
Liquidation / Receivership
Litigation support

WEALTH PROTECTION AND ESTATE PLANNING
Preservation of family wealth
Estate duty planning
Advice on management of personal assets

SINO-BRIDGE CONSULTING
Assistance in setting up business in and outside of China
Establishment of internal control systems for business in China

IT CONSULTANCY AND SUPPORT
Computer system integration, maintenance and support
Accounting system and software consultancy
Web-site and e-commerce design

SPECIALIST SERVICE AREAS
Internal control
Due diligence
Corporate and Personal Tax advice

PRINCIPAL OPERATING SECTORS
Manufacturing
Trading
Property
Schools and NGO
Law Firms
Logistics
Cargo forwarding
Hotels and restaurants
Insurance companies: agents and brokers
Securities and Brokerage companies

LANGUAGES
Chinese (Cantonese and Mandarin),
English

CURRENT PRINCIPAL CLIENTS
USA MARKET (Past & Present Clients)

a) NASDAQ –
CHINA GERUI ADVANCED MATERIALS GROUP LIMITED NASDAQ:CHOP
PINGTAN MARINE ENTERPRISE LIMITED NASDAQ:PME
LIZHAN ENVIRONMENTAL CORPORATION NASDAQ:LZEN

The network for doing business

b) OTCBB –
ADGS ADVISORY INC. OTCBB:ADGS
CHINA CABLECOM HOLDINGS LTD. OTCBB:CABL
CHINA NETWORKS INTERNATIONAL HOLDINGS LTD. OTCBB:CHNWF
CHINA TOPREACH INC. OTCBB:CGSXF
CNC DEVELOPMENT LIMITED OTCBB:CDLVF
GALAXY STRATEGY & COMMUNICATIONS INC. OTCBB:CLPFF
HUIHENG MEDICAL INC. OTC:HHGM
STUDIO BRANDS INC. OTC:STBD
TODA INTERNATIONAL HOLDINGS LIMITED OTC:TODAF
TRESOR CORPORATION OTC:TRES

CANADA TSX MARKET (Joint Audit)
HT CAPITAL INC

List of Hong Kong Listed Clients (Past & Present)
Main Board

CHINA NATIONAL BUILDING MATERIAL CO. LTD.
(Properties & Construction) 3323

CHINA SHIPPING DEVELOPMENT CO. LTD.
(Oil and Cargoes Shipment) 1138

FIRST TRACTOR CO. LTD.
(Production and Sale of Agricultural Tractors) 38

HUNAN NONFERROUS METALS CORP. LTD.
(Production of Nonferrous Metals) 2626

JINGWEI TEXTILE MACHINERY CO. LTD.
(Industrial Goods) 350

NANJING PANDA ELECTRONICS CO. LTD.
(Information Technology) 553

STYLAND HOLDINGS LTD.
(Investment holdings, brokerage, financing) 211

GEM Board
CHINA HEALTH GROUP INC.
(Research, Development and Commercialisation of drug products) 8225

UK AIM MARKET (Past & Present Client)
JETION HOLDINGS LTD.

UHY PRIME HK CPA LTD
HONG KONG

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Australia
China
France
Japan
Korea
Malaysia
Russia
Singapore
Taiwan
Thailand
UAE Dubai
UK
US

BRIEF HISTORY OF FIRM

The firm was established in 1983. In order to expand our exposure in China,the firm joined UHY in 2005, re-branding to add the UHY initials to the firm's name at the same time. There followed a four-year affiliation with Zhong Tian Hua Zheng CPA Ltd., before this firm became involved in a merger and was dissolved. In January 2008 the firm affiliated with Vocation International CPA Co. Ltd, changing its name to UHY Vocation HK CPA Limited to reflect the new relationship. In January 2021 the firm changed its name to UHY Prime HK CPA Limited.

The network for doing business

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at

info@uhy.com for further information.