

A low-angle, upward-looking photograph of several modern skyscrapers in Hong Kong. The buildings feature glass facades and curved architectural elements, set against a clear, light blue sky. The perspective creates a sense of height and urban density.

GLOBAL EXPANSION GUIDEBOOK CORPORATE

Hong Kong, SAR



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INTRODUCTION

Welcome to the 2024 edition of DLA Piper's *Global Expansion Guidebook – Corporate*.

GLOBAL EXPANSION GUIDEBOOK SERIES

To compete and be successful today, companies need to develop and scale their businesses globally. Each country presents its own set of unique laws, rules and regulations and business practices that companies must understand to be successful. In order to help clients meet the opportunities and challenges of expanding internationally, we have created a handy set of global guides that cover the basics companies need to know when going into and doing business in new countries. The *Global Expansion Guidebook* series reviews business-relevant corporate, employment, intellectual property and technology, executive compensation, and tax laws in key jurisdictions around the world.

CORPORATE

The *Global Expansion Guidebook – Corporate* has been created based on our research, our experience and feedback we have received from clients in both established and emerging businesses that have expanded internationally. We hope it will be a helpful resource for you.

The *Global Expansion Guidebook – Corporate* covers corporate basics in 54 key jurisdictions across the Americas, Asia Pacific, Europe and the Middle East. We touch on a wide range of corporate issues for companies expanding internationally, including establishing a corporate presence and choice of entity, liability considerations, tax presence and tax filings, capital requirements, the formation process, director, officer and shareholder requirements, registration processes, office lease processes and possible exit strategies.

With more than 600 lawyers, DLA Piper's global Corporate group is one of the largest in the world, with one of the widest geographical footprints of any global law firm and experience across the legal areas companies need as they expand internationally. With both global experience and local knowledge, we partner with our clients wherever they do business to find solutions and manage their risk in relation to their challenges and objectives.

While this guide provides high-level guidance, it is not a substitute for legal advice, and we encourage you to seek advice regarding the specific matters that concern you. If you wish to speak to any of our contributors, you may find their contact details at the end of the guide.

We hope you find this guide valuable, and we welcome your feedback.

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This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

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HONG KONG, SAR



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FORM OF ENTITY

Limited private companies

Separate and distinct legal entity. Managed by a board of directors, which is responsible for making major business decisions and overseeing the general affairs of the corporation. Directors are elected by the shareholders or the board of the corporation. Officer could be appointed by directors to run the day-to-day operations of the corporation.

Note: Additional forms of entity structures also exist and could be useful in some instances but are not covered in this guide either because they are less commonly used types of entity structures or they are not as likely to be relevant to the reader.

ENTITY SET UP

Limited private companies

- Up to 50 shareholders
- Right to transfer shares restricted
- Invitation to public to subscribe for any shares or debentures prohibited
- Generally no personal liability of the shareholders
- Taxed on its profits at a corporate level. No tax on capital gains or dividends with exceptions for certain foreign-sourced income
- Typical corporate documents include:
 - Articles of association

- Certificate of incorporation
- Business registration certificate
- Board resolutions
- Shareholders' resolutions
- Share certificates
- Common seal (optional) and
- Registers.

Board of directors has overall management responsibility.

Annual return, notification of changes (such as share capital and directors) and creation of certain charges must be filed with the Companies Registry.

Limited public companies

No restrictions on number of shareholders, right to transfer and invitation to public to subscribe for shares or debentures.

Interim and annual report also to be filed with Hong Kong Stock Exchange if the public company is listed in Hong Kong Stock Exchange.

Companies limited by guarantee (without a share capital)

Same as limited private companies, except liability of shareholders limited by the company's articles to the amount that the shareholders undertake to contribute to the assets of the company in the event of it being wound up.

MINIMUM CAPITAL REQUIREMENT

Limited private companies

No minimum capital requirement.

LEGAL LIABILITY

Limited private companies

Shareholders of a corporation are generally not liable for the debts of a corporation aside from their financial contribution to the corporation.

TAX PRESENCE

Limited private companies

A limited private company is taxed on its business profits at a corporate level. There are no tax on capital gains or dividends except for certain foreign-sourced income pursuant to the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 and the Inland Revenue (Amendment) (Taxation on Foreign-sourced Disposal Gains) Ordinance 2023 which came into effect on January 1, 2023 and January 1, 2024 respectively.

INCORPORATION PROCESS

Limited private companies

File Incorporation Form, Notice to Business Registration Office and Articles of Association with the Companies Registry.

BUSINESS RECOGNITION

Limited private companies

Well regarded and widely used.

SHAREHOLDER MEETING REQUIREMENTS

Limited private companies

Save for an annual general meeting, regular meetings are not mandatory. The Companies (Amendment) Ordinance 2023 provides companies with greater flexibility to hold fully virtual or hybrid general meeting.

BOARD OF DIRECTOR MEETING REQUIREMENTS

Limited private companies

Regular meetings are not mandatory unless required by a shareholders' agreement and/or articles of association. However, it is recommended to convene board meetings to approve corporate changes and significant transactions.

ANNUAL COMPANY TAX RETURNS

Limited private companies

Must annually file tax returns with the Inland Revenue Department.

BUSINESS REGISTRATION FILING REQUIREMENTS

Limited private companies

Business registration with the Inland Revenue Department valid for 1 or 3 years is required.

BUSINESS EXPANSION

Limited private companies

There is usually no need to change the articles of association as the business expands, unless the business scope is clearly stated in the articles. There may be a need to change the nature of business stated in the business registration certificate.

EXIT STRATEGY

Limited private companies

Exit usually takes place by:

- Voluntary winding up of the company
- Sale of shares or
- Sale of assets.

ANNUAL CORPORATE MAINTENANCE REQUIREMENTS

Limited private companies

- Annual general meeting: Generally required to hold an annual general meeting of shareholders within 9 months after the end of its accounting reference period. An annual general meeting may be held virtually unless the articles of the company expressly preclude it or require the meeting to be held at a physical venue. Audited financial statements must be tabled at the annual general meeting. The annual general meeting can be replaced by written resolutions by all shareholders. This requirement may be waived for certain companies.
- Annual Return: Generally required to be filed with the Companies Registry within 42 days after the date to which the return is made up to with updated company's information, including the shareholders' and the directors' information.
- Audited financial statements: Required to be prepared up to the end of the financial year of the company in accordance with the Hong Kong GAAP.
- Renewal of Business Registration Certificate (depends on its 1 year or 3 years validity period)

DIRECTOR / OFFICER REQUIREMENTS

Limited private companies

At least 1 director; at least 1 director must be a natural person.

For more information on directors' duties, see our [Global Guide to Directors' Duties](#).

LOCAL CORPORATE SECRETARY REQUIREMENT

Limited private companies

Company secretary must be either a Hong Kong corporate or an individual who is a Hong Kong resident (who cannot also be the sole director of the company).

LOCAL LEGAL OR ADMIN REPRESENTATIVE REQUIREMENT

Limited private companies

None beyond the required natural director, company secretary and designated representative to provide assistance relating to the company's significant controllers register.

LOCAL OFFICE LEASE REQUIREMENT

Limited private companies

None required.

OTHER PHYSICAL PRESENCE REQUIREMENTS

Limited private companies

Each Hong Kong company must have a registered office in Hong Kong.

SUFFICIENCY OF VIRTUAL OFFICE

Limited private companies

Sufficient.

PROVISION OF LOCAL REGISTERED ADDRESS BY LAW FIRM OR THIRD-PARTY SERVICE PROVIDER

Limited private companies

Allowed.

PROVISION OF LOCAL DIRECTOR OR CORPORATE SECRETARY BY LAW FIRM OR THIRD-PARTY SERVICE PROVIDER

Limited private companies

Allowed. Starting from March 1, 2018, company service providers are required to apply for a Trust or Company Service Provider License from the Registrar of Companies.

NATIONALITY OR RESIDENCY REQUIREMENTS FOR SHAREHOLDERS, DIRECTORS AND OFFICERS

Limited private companies

None, except for the company secretary (see [local corporate secretary requirement](#)).

RESTRICTIONS REGARDING APPOINTMENT OF NOMINEE SHAREHOLDERS OR DIRECTORS

Limited private companies

None, except 1 natural director is required.

SUMMARY OF DIRECTOR'S, OFFICER'S AND SHAREHOLDER'S AUTHORITY AND LIMITATIONS THEREOF

Limited private companies

Directors are appointed by the shareholders or the board (if permitted by the articles of association), and the board of directors is the highest authority in the management of the corporation and governs the organization by establishing broad policies and objectives. In contrast, officers may be appointed by the directors to oversee day-to-day operations of the corporation.

PUBLIC DISCLOSURE OF IDENTITY OF DIRECTORS, OFFICERS AND SHAREHOLDERS

Limited private companies

Identity of directors and shareholders is publicly disclosed in filings with the Companies Registry. Particulars of directors are partially available in the public filings.

On October 24, 2022, the usual residential addresses and full identification numbers (collectively, Protected Information) of directors and company secretaries were replaced with correspondence addresses and partial identification numbers for public inspection. In addition, starting from December 27, 2023, incumbent or former directors may apply to the Companies Registry to have their Protected Information previously submitted replaced with correspondence addresses and partial identification numbers. Only “specified persons” are able to access the Protected Information upon application.

Starting from March 1, 2018, companies incorporated in Hong Kong (except for listed and exempted companies) are required to create and maintain a significant controllers register. The register will not be publicly available but should be open for inspection by law enforcement officers upon demand.

MINIMUM AND MAXIMUM NUMBER OF DIRECTORS AND SHAREHOLDERS

Limited private companies

A minimum of 1 shareholder and a maximum of 50 shareholders (otherwise the company will become a public company). A minimum of 1 natural director and no maximum number of directors.

MINIMUM NUMBER OF SHAREHOLDERS REQUIRED

Limited private companies

1 shareholder is sufficient.

REMOVAL OF DIRECTORS OR OFFICERS

Limited private companies

Removal of directors is generally allowed in general meeting (written resolution is not allowed) by an ordinary resolution of shareholders, but note special procedures apply (eg, the director must be given the right to be heard before a decision).

REQUIRED AND OPTIONAL OFFICERS

Limited private companies

None, except director and company secretary.

BOARD MEETING REQUIREMENTS

Limited private companies

Notice to all directors, but directors can agree to short notice.

QUORUM REQUIREMENTS FOR SHAREHOLDER AND BOARD MEETINGS

Limited private companies

If a company has only 1 member, that member present is a quorum of a general meeting of the company. Otherwise, 2 members is a quorum of a general meeting of the company subject to a higher threshold in the articles of association.

Quorum of board meetings depends on the articles of association of the company.

MUST A BANK ACCOUNT BE OPENED PRIOR TO INCORPORATION, AND MUST THE BANK ACCOUNT BE LOCAL?

Limited private companies

Not necessary. A company can have a bank account anywhere.

AUDITING OF LOCAL FINANCIALS. IF SO, MUST THE AUDITOR BE LOCATED IN LOCAL JURISDICTION, AND MUST THE COMPANY'S BOOKS BE KEPT LOCALLY?

Limited private companies

Audit of financial statements by registered Hong Kong auditors is required, but such audited financial statements are not publicly available. A company's accounting records must be kept at its registered office or any other place that the directors think fit. If a company's accounting records are kept at a place outside Hong Kong, the accounts and returns with respect to the business dealt with in those records must be sent to, and kept at, a place in Hong Kong.

Audited accounts must be approved by the board and tabled at annual general meeting.

REQUIREMENT REGARDING PAR VALUE OF STOCK

Limited private companies

No par value.

INCREASING OF CAPITALIZATION IF NEEDED

Limited private companies

The company may:

- Increase its share capital by allotting and issuing new shares in certain circumstances
- Capitalize its profits, with or without allotting and issuing new shares
- Allot and issue bonus shares with or without increasing its share capital
- Convert all or any of its [shares](#) into a larger or smaller number of shares

SUMMARY OF HOW FUNDS CAN BE REPATRIATED FROM YOUR JURISDICTION (IE DIVIDENDS OR REDEMPTION)

Limited private companies

Funds can be repatriated abroad via dividends, redemption (if the relevant shares are issued as redeemable shares), or share buyback. Different rules and procedures apply in each case.

RESTRICTIONS ON TRANSFERABILITY OF SHARES

Limited private companies

Shares can generally be transferred, but a company may refuse to register the transfer. Note also that the transfer documents must be duly stamped or adjudicated before the transfer can be registered by the company.

OBTAINING A NAME AND NAMING REQUIREMENTS

Limited private companies

No name reservation system. Name must generally end with "Limited." There are specific words that relate to the government and certain industries, which are prohibited.

SUMMARY OF "KNOW YOUR CLIENT" REQUIREMENTS

Limited private companies

Professional service providers complete customer due diligence according to guidelines issued by the Companies Registry on compliance of anti-money laundering and counter-terrorist financing requirements for Trust or Company Service Providers.

APPROVAL REQUIREMENTS FOR AMENDING CHARTER DOCUMENT

Limited private companies

Generally, the Articles of Association can be amended by special resolution of shareholders.

LICENSES REQUIRED TO CONDUCT BUSINESS IN JURISDICTION

Limited private companies

Generally, no license is required, except business registration with the Inland Revenue Department. Certain businesses require special licenses (e.g. telecommunications).

PROCESS OF PURCHASING AND UTILIZING A SHELF COMPANY

Limited private companies

Shelf companies can be purchased from 3rd-party service providers, but are less common nowadays.

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