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Principal Forms of Business Entities in Hong Kong

The principal forms of business organisation are the limited-liability company (both public and private), branch, partnership and sole proprietorship.

Most foreign investors form limited-liability companies, but in some cases, they opt to form branches. All of these entities are subject to profits tax. A private limited-liability company is one that restricts that right to transfer its shares, limits and number of shareholders to 50 and prohibits any offers to the public of its shares or debentures. Companies that do not have these restrictions are public companies.

1. Limited Liability Company (Limited by Shares)

(Unless otherwise stated, Hong Kong company in this website refers to private company limited by shares)

A company can be incorporated with private limited company or public limited company, by registration with the Companies Registry under the Companies Ordinance in Hong Kong. The shares of which cannot be freely transferred or offered to the public for subscription. Only public companies can be listed on The Stock Exchange of Hong Kong.

A limited company generally has a share capital, and the shares carry a bundle of rights and obligations relating to the company. "Limited liability" means that the shareholder's personal liability to the company is limited to the price of the shares, or to the amount they have guaranteed.

If a company enters into a transaction with another party and incurs a debt to that other party, the shareholders are not obliged to pay the debt, unless they specifically agree to do so.

See also: [Hong Kong Company registration and Compliance](#)

2. Limited Liability Company (Limited by Guarantee)

A company limited by guarantee is a company which is often used as a device for setting up of a club, association, school or charitable body.

The liability of its members is limited to the amount which they agree to contribute to its assets in the event of the company being wound up. The members are not required to make monetary contribution to the company at the time of incorporation. They are only required to give an undertaking to pay a certain amount to the company if the company is in liquidation. In practice, the amount is merely nominal, e.g. HK\$100.

It is also possible to incorporate a company limited by guarantee with a share capital. This is to cater for the situation that it is necessary to have a capital for the operation of the company, or that such company may distribute any incidental profits. Nevertheless, this form is uncommon in Hong Kong.

3. Branch Office (Non-Hong Kong Company, Overseas Company)

An overseas corporation that intends to set up a business in Hong Kong may register a branch office with limited liability.

A branch is the same legal entity as its head office, and the establishment of a branch office is governed by the Companies Ordinance. The overseas company must register its branch office within one month of commencing business. The procedure is quite simple and involves the preparation and submission of a list of required documents to the Hong Kong Companies Registry. If the Registrar is satisfied with the documents filed, a Certificate of Registration will be issued, and the name of the company will be entered into the register of overseas companies maintained by the Registrar.

4. Representative Office

Like a branch, this is a means by which a company incorporated outside Hong Kong establishes a place of business in Hong Kong.

A representative office can only however fulfil a limited range of functions. Representative Offices are particularly useful for foreign companies that wish to analyse the Hong Kong market before making a bigger investment in the city.

See also: [Step by step guideline and costs to register a Hong Kong Representative Office](#)

5. Partnership

A partnership is formed where a person joins with other people to conduct business for profits.

Partnerships may be set up for a certain period or for an indefinite period or may be dissolved upon the completion of a specific venture if the partnership was initially conceived for that venture.

A partnership can be either a general partnership or a limited partnership. The liability of the partners for the debts of a general partnership business is unlimited. In a limited partnership, as organised under the Limited Partnerships Ordinance, there are one or more limited partners who may not take part in the management and cannot bind the other partners to his actions. The liabilities of these limited partners for the debts of the business are limited. There must be at least one general partner whose liability for the debts of the limited partnership is unlimited.

Limited partnership must register as such with the Registrar of Companies, failing which they are deemed to be a general partnership with unlimited liability on each and every partner. Apart from that, all partnerships are required to obtain a business registration under the provisions of the Business Registration Ordinance.

The acts of any partner in carrying on the business of the partnership bind all the other partners. The rights and obligations of the partners in a partnership business are governed by their partnership agreement, which can be verbal or written, and the Partnership Ordinance or the Limited Partnerships Ordinance, as applicable.

6. Sole Proprietorship

The establishment and operation of a business in the form of a sole proprietorship are relatively simple, as the owner of a sole proprietorship is personally entitled to all the profits and is responsible for all the liabilities arising from the business.

Sole proprietorships are required to be registered under the provisions of the Business Registration Ordinance.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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