

GLOBALIZATION TRENDS

A perspective in Hong Kong as a
chosen place for incorporating in
South East Asia

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South East Asia



(Source: www.worldatlas.com)

South East Asia

The order of countries in the below table is based on population size:

State	Capital	Area (km2)	Population	GDP per capita 2019 (current US\$)
Indonesia	Jakarta	1,904,569	270,625,570	4,135.6
Philippines	Manila	300,000	108,116,620	3,485.1
Vietnam	Hanoi	331,210	96,462,110	2,715.3
Thailand	Bangkok	513,120	69,625,580	7,806.7
Myanmar (Burma)	Nay Pyi Taw	676,578	54,045,420	1,407.8
Malaysia	Kuala Lumpur	329,847	31,949,780	11,414.2
Cambodia	Phnom Penh	181,035	16,486,540	1,643.1
Laos	Vientiane	236,800	7,169,450	2,534.9
Singapore	Singapore	719	5,703,570	65,233.3
Brunei Darussalam	Bandar Seri Begawan	5,765	433,290	31,086.8

(Source: www.worldatlas.com)

Definition for globalization

- ▶ The process of interaction and integration among people, companies and governments worldwide.
- ▶ It covers international trade in exchange of ideas, beliefs and culture; covering goods, services, data, technology, economic resources and capital.
- ▶ Your product, your corporate value and belief, your services can be spread to the whole world under the strong connectivity of globalization as more governments welcome foreign investments and the advancement of technology and social media platforms.

When to consider investing outside of the country

- ▶ Limited opportunities in local market
- ▶ Costs of sales too expensive
- ▶ Promote brand to worldwide

Expansion - what to consider?

- ▶ Product suitability and affordability
- ▶ Cultural acceptability
- ▶ Adaptability on changes
- ▶ Competition
- ▶ Utility stability
- ▶ Sourcing/Exporting - sustainability with corporate mission
- ▶ Availability - material and manpower
- ▶ Restriction
- ▶ Willingness to travel and explore opportunities

Reasons for doing business in/through Hong Kong

- A. Logistics and infrastructures
- B. English as medium of communication
- C. Cultural diversity
- D. Tax treaties signed with other countries
- E. Simple territorial tax system
- F. Flow of products free of tax
- G. International financial centre (with most kinds of currencies exchange)
- H. Good system of law to protect individual properties with good protection of patents and intellectual properties
- I. Welcome foreign investments as gateway from east to west and vice versa
- J. Government support in Hong Kong
- K. ESG focus in Hong Kong



A. Logistics and infrastructures

- ▶ 5-hour air travel will reach most of the countries for people and cargos
- ▶ Hong Kong airport is an aviation hub - connecting to around 220 destinations worldwide by around 120 airlines; 71.5 million passengers handled; 4.8 million tonnes of cargo and airmail moved; over 80 “World Best Airport” awards; 419,795 air traffic movements
- ▶ High speed train connected with PRC, cross border bus and driving to the PRC
- ▶ Major shipping port for freight and trading
- ▶ Very advanced local transport system (e.g. wide spread MTR)
- ▶ Utility stability to support the most widely-spread electric cables and satellite network in Asia
- ▶ Low utility costs (i.e. electricity, water) and very stable for hi-tech industry such as data centre
- ▶ Fast internet speed

B. English as medium of communication

- ▶ Official language: Chinese (Cantonese is the main spoken dialect) and English
- ▶ Most public facilities have bilingual system
- ▶ Easy to find professional companies for translation into many other languages



C. Cultural diversity

- ▶ Very welcoming to foreigners
- ▶ People with different races and culture are working harmonically together
- ▶ No discrimination against minority with protection from: -
 - 1) Laws such as Discrimination Ordinances for Race, Sex and Disability; and
 - 2) Government body such as Equal Opportunities Commission.
- ▶ More international schools in Hong Kong such as Canadian International School of Hong Kong



D. Tax treaties signed with other countries

Double Taxation Agreements and Arrangement

- ▶ Double taxation arises when two or more tax jurisdictions overlap, such that the same item of income or profit is subject to tax in each.
- ▶ Most jurisdictions make provisions for double taxation arrangement to eliminate the double taxation of income.

Tax Information Exchange Agreement

- ▶ Tax Information Exchange Agreements (TIEAs) are an important tool in Hong Kong's efforts to combat tax evasion.
- ▶ Please refer to the following link for more details - www.ckyaucpa.com/hong%20kong%20taxation.html

D. Tax treaties signed with other countries

Free Trade Agreement between Hong Kong, China and the Association of Southeast Asian Nations (ASEAN)

- ▶ The Free Trade Agreement (FTA) and the Investment Agreement (IA) entered into force in full on 12 February 2021 for Hong Kong and the ten ASEAN Member States:

Brunei Darussalam	Myanmar
Cambodia	The Philippines
Indonesia	Singapore
Laos	Thailand
Malaysia	Viet Nam

E. Simple tax system

- ▶ Territorial
- ▶ Types of income earned in Hong Kong:
 - 1) Salaries
 - 2) Rental from properties
 - 3) Trading profits from businesses
 - 4) Income from providing services
 - 5) No capital gain tax
 - 6) No tax on dividend receipt
 - 7) Tax exemption on most interest from financial institutions
 - 8) No estate duty



E. Current Tax Rates

- ▶ Hong Kong has a simple and clear tax system.
- ▶ The maximum tax rates for profits tax and salaries tax are 16.5% and 15% respectively (with the new two-tier tax rate of 8.25% and 7.5% up to profits of HKD 2 million respectively for incorporated and unincorporated companies) which are in the lower tax rates group in the world.
- ▶ Please refer to the following links:
 - Property tax - www.ckyaucpa.com/Property%20Tax.html
 - Profits tax - www.ckyaucpa.com/Profits%20Tax.html
 - Salaries tax - www.ckyaucpa.com/Salaries%20Tax.html

E. Current Tax Rates

	2021 / 2022		2020 / 2021	
Property tax	15%		15%	
Profits tax				
– Corporation	16.5% / 8.25%		16.5% / 8.25%	
– Unincorporated business	15% / 7.5%		15% / 7.5%	
Salaries Tax & Personal Assessment				
(a) Standard rate	15%		15%	
(b) Progressive rate on net assessable income (after allowances and deductible expenses)				
2021 / 2022		2020 / 2021		
\$0 - \$50,000	2%	\$0 - \$50,000	2%	
\$50,001 - \$100,000	6%	\$50,001 - \$100,000	6%	
\$100,001 - \$150,000	10%	\$100,001 - \$150,000	10%	
\$150,001 - \$200,000	14%	\$150,001 - \$200,000	14%	
Remainder	17%	Remainder	17%	

E. Ad Valorem Stamp Duty on Sale or Transfer of Immovable Property

Property consideration	Rates of AVD	
	Scale 1 (Part 2)	Scale 2
Up to \$2,000,000	1.50%	\$100
\$2,000,001 - \$3,000,000	3.00%	1.50%
\$3,000,001 - \$4,000,000	4.50%	2.25%
\$4,000,001 - \$6,000,000	6.00%	3.00%
\$6,000,001 - \$20,000,000	7.50%	3.75%
Over \$20,000,000	8.50%	4.25%

- ▶ Please refer to the following link for more details - www.ckyaucpa.com/Stamp%20Duty.html

E. Stamp Duty for Shares Transfer, Business Registration fee

▶ Rates of Stamp Duty on Share Transfer

	2021 / 2022	2020 / 2021
The value of stock transferred	0.26%*	0.20%

* The rate will be effective from August 2021.

▶ Business Registration Fee and Levy

	Main office registration		Branch office registration	
	Fee	Levy	Fee	Levy
One-year certificate	\$2,000	\$250	\$73	\$250
Three-year certificate	\$5,200	\$750	\$189	\$750

▶ Please refer to the following link for more details -

www.ckyaucpa.com/Business%20Registration%20Fee.html

F. Flow of products free of tax

- ▶ No Goods and Services tax (GST)
- ▶ No Import tax except for luxury items such as tobacco and automobiles
- ▶ No re-export tax



G. International financial centre (with most kinds of currency exchange)

HKD	Hong Kong Dollar
USD	United States Dollar
JPY	Japanese Yen
GBP	Great Britain Pound
CHF	Swiss Franc
CAD	Canadian Dollar
AUD	Australian Dollar
NZD	New Zealand Dollar

CNY	Chinese Yuan
EUR	Euro Dollar
MYR	Malaysia Ringgit
SGD	Singapore Dollar
IDR	Indonesian Rupiah
INR	Indian Rupee
KRW	South Korean Won
PHP	Philippines Peso
THB	Thai Baht

G. International financial centre (with most kinds of currency exchange)

- ▶ Hong Kong is an international business and financial centre.
- ▶ Many international companies have headquarters and offices here.
- ▶ Hong Kong can provide different forms of fund raising and business development channels to the enterprises such as bank loans and shares IPO.
- ▶ Besides, Hong Kong is in a unique position for the enterprises in Mainland China to enter the international market for fund raising/investment.
- ▶ The economy of Hong Kong is one of the freest and most outgoing economies in the world.
- ▶ Through the help of the Trade Development Council, international exhibitions and forums of different industries are held each year for promotion of brand which benefit the trading business.

H. Good system of law to protect individual properties with good protection of patents and intellectual properties

- ▶ Follow Common Law system
- ▶ Land Registry: Land Titles Ordinance
- ▶ Company Registry: Companies Ordinance
 - Abolition of Par Value of Shares
 - Restricting Corporate Directorship in Private Companies
 - Enhancement of Auditor's rights
 - Restricted Disclosure of Residential Addresses and Identification Numbers
 - Abolition of Memorandum of Association and Matters relating to Company Articles
 - Annual Returns of Local Companies
 - Significant Controlling interest register requirements

H. Good system of law to protect individual properties with good protection of patents and intellectual properties

- ▶ Ordinances for trademarks, registered designs, patents, and copyright:
 - Trademarks: Trademarks Ordinance
 - Registered designs: Registered Designs Ordinance
 - Patents: Patents Ordinance
 - Copyright: Copyright Ordinance



I. Welcome foreign investment as gateway from east to west and vice versa

- ▶ More than 120 embassies in Hong Kong to protect their citizens in doing business
(Source from: www.protocol.gov.hk/en/posts_bodies.html)
- ▶ Over 160 Banks have offices in Hong Kong
(Source from: www.hkab.org.hk)
- ▶ More than 40 chambers of commerce in Hong Kong from different countries
- ▶ High standard of living
- ▶ Independent Commission Against Corruption (ICAC) provides fair competition among enterprises

I. Welcome foreign investment as gateway from east to west and vice versa

- ▶ The new AMLO will help Hong Kong to become a more fair playing field for all types of local business.
- ▶ Hong Kong and the PRC Central Government have signed an agreement called “CEPA” to promote closer business relationship between the enterprises in Hong Kong and Mainland China. “CEPA” can give new business opportunities not only to the Hong Kong enterprises but also those in Mainland China and overseas companies. “CEPA” can also attract Hong Kong enterprises to invest in Mainland China in particular the “Greater Bay Area” which consists of 9 mainland cities in Guangdong plus Macau and Hong Kong.



K. Hong Kong support to business

- ▶ The Government of the Hong Kong SAR has a number of programmes providing funding support for businesses:
 - Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund)
 - SME Export Marketing Fund
 - SME Financing Guarantee Scheme
 - SME Loan Guarantee Scheme
 - Trade and Industrial Organization Support Fund
- ▶ Greater Bay Area (GBA) trainee program

J. ESG focus in Hong Kong

- ▶ Financial services organizations are increasing their ESG efforts in response to rising public concerns over the impact of climate and environmental risks and growing regulatory obligations in order to maintain sustainability.
- ▶ HKEX increased the pace of ESG requirements in May 2019 when they published a consultation paper entitled ‘Review of the Environmental, Social and Governance (ESG) Reporting Guide and Related Listing Rules’. The key focus of the consultation was to emphasize the board’s leadership role and accountability in ESG matters.
- ▶ On 18 December 2019, HKEX published its conclusions to the consultation and implemented the new requirements to include ESG report for all listed companies, effective for financial years commencing on or after 1 July 2020.
- ▶ The new requirements significantly improve Hong Kong’s regulatory framework for ESG governance and disclosure and position the Hong Kong bourse as a pioneer in driving ESG disclosure in Asia.

How to incorporate in Hong Kong

- ▶ Individual name vs sole proprietorship
- ▶ Joint names vs partnerships
- ▶ Local vs overseas incorporated companies
- ▶ Special regulated industry companies
- ▶ Branches of overseas companies



How to incorporate in Hong Kong

What are the requirements for incorporation of a new company?

- ▶ Only Companies Registry licensed TCSPs can provide work on trust and various corporate services.
- ▶ The minimum number of share to be issued is 1 share; There is no restriction on shares owned by non-HK resident.
- ▶ Each company must at least has one director and one member (shareholder) who can be the same non-HK resident.
- ▶ A person or corporation can be a director and a shareholder as well.
- ▶ In the case where the company has only one member (shareholder) who is the sole director, a reserve director (who is 18 years of age or over) may be nominated in general meeting and act in the place of the sole director in the event of his incapacity.
- ▶ Each company must have one company secretary who has to be a HK resident or a HK registered company.

How to incorporate in Hong Kong

What are the requirements for incorporation of a new company? (continued)

- ▶ The registered office of the company must be located in Hong Kong.
- ▶ Each company (except listed company) is required to prepare and maintain a Significant Controllers Register (SCR). Each company must designate at least one local person as its representative to handle this SCR.
- ▶ Each company must prepare audited financial statements each year.
- ▶ Auditors are all licensed by the Hong Kong Institute of Certified Public Accountants which qualification received mutual recognition from all commonwealth chartered professional accountants bodies such as the Institute of Chartered Professional Accountants of Canada.

How to incorporate in Hong Kong

What are the procedures for incorporating a new company by our company secretarial service ?

- ▶ Check a proposed company name to see whether the name had been registered in the Companies Registry (“CR”);
- ▶ After receiving all information from client, we will do an AML clearance on the information before we can start to prepare the necessary registration documents and forms to founder shareholder(s) and director(s) for signature;
- ▶ After receiving the duly signed registration documents, we will submit the registration documents to the CR for registration and then the Registrar of Companies will normally issue a Certificate of Incorporation (“CI”) and Business Registration Certificate (“BR”) within 4 working days; and
- ▶ After receiving the CI and BR, we will update all statutory records within two days

How to incorporate in Hong Kong

What are the general requirements of opening a bank account for HK company in HK?

- ▶ Copies of the following documents from directors, authorized signatories, principal shareholders and beneficial owners are required:
 - 1) Identification document such as passport or HKID card;
 - 2) Residential address proof issued by public utility company such as gas, water, or phone company (latest 3 months).
- ▶ Proof of business such as business plan, proforma financial statements, invoice, or contract (optional, subject to the bank's request).
- ▶ Bank reference (optional, subject to the bank's request).
- ▶ Director(s) of the company has/have to appear in person for opening of a bank account.

How to incorporate in Hong Kong

What are the responsibilities of a Company Secretary?

- ▶ Maintain statutory documents of the company such as Transfer of shares and Appointment/Resignation of Directors in share register and directors' register, Significant Controller Register; and
- ▶ File Annual Return or other relevant documents to the Companies Registry before deadlines.

How to incorporate in Hong Kong

What are the responsibilities of a the designated representative?

- ▶ A company must designate at least one person as its representative to provide assistance relating to the company's significant controllers register to a law enforcement officer.
- ▶ A company's designated representative must be either a shareholder, director or an employee of the company who is a natural person resident in Hong Kong or, alternatively, an accounting professional, a legal professional or a person licensed to carry on a business as trust or company service provider.

How to incorporate in Hong Kong

What is significant controllers register?

Under the Amendment Ordinance, all companies incorporated in Hong Kong (except listed companies) are required to :-

- ▶ identify and ascertain a person / persons who has / have significant control over the company; and
- ▶ maintain a significant controllers register to be accessible by law enforcement officers upon demand.

What to watch out

- ▶ Updates on tax treaty with Canada.
- ▶ Please see the following link for more details -
www.canada.ca/en/departement-finance/programmes/tax-policy/tax-treaties/country/hong-kong-agreement-2012.html
- ▶ Tax efficient planning such as tax deferral and income splitting and possibly claiming as non-resident

What to watch out

- ▶ Talk to local Canadian Community to get updates on local situations such as:
 - Consulate General of Canada in Hong Kong;
 - The Canadian Chamber of Commerce in Hong Kong;
 - Canadian Club Hong Kong;
 - Canadian International School of Hong Kong; and
 - Many Canadian university alumni in Hong Kong.
- ▶ Understand the local culture and standard of living by visiting friends and their companies to avoid culture shock

Hong Kong current situation

- ▶ The Hong Kong economy recovered visibly in the first quarter of 2021, with real GDP resuming appreciable year-on-year growth of 7.9%, led by very strong growth of exports of goods. It is expected that the GDP will be rebuilt after 2-year consecutive drop.
- ▶ Good handling of COVID-19 situation

Hong Kong attractions

Lan Kwai Fong

- ▶ Lan Kwai Fong a local tourist attraction built by a Canadian.
- ▶ It is a small square of streets in Central, Hong Kong.
- ▶ The area was dedicated to hawkers before the Second World War, but underwent a renaissance in the mid-1980s.
- ▶ It is now a popular expatriate haunt in Hong Kong for drinking, clubbing and dining.



Hong Kong attractions

Famous foods

- ▶ Pineapple Bun, Chicken Tail Bun and famous pantyhose milk tea



The End

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