

Trading Vehicles: Overview (Hong Kong)

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A Practice Note providing an overview of the key corporate features of different trading vehicles that are commonly used when setting up a business in Hong Kong. It includes an overview of sole proprietors, and the main forms of companies and commercial partnerships; in particular, the public company limited by shares and the private company limited by shares.

Most jurisdictions offer several alternative methods for establishing a business and engaging in local commercial activities. Common alternatives range from registering as a sole proprietor or trader, to forming or incorporating an entity with one or more owners and with separate legal personality. Variations of trading vehicles exist across jurisdictions based on the development of local laws as influenced by local economic and political systems and cultural norms.

When entering a new market, whether by establishing a new subsidiary or joint venture, or through acquisition of an existing business, it is important to understand the differences among the trading vehicles available in the jurisdiction. Many trading vehicle types may appear similar to or the same as stock corporations, limited liability companies, or partnerships from an investor's home jurisdiction and are perhaps different by name only. Some differences, however, may exist in the details. Understanding the differences may help a foreign investor choose a trading vehicle that best suits its business purposes in the new jurisdiction.

This Note sets out the key corporate features of the main trading vehicles used for carrying on commercial activities in Hong Kong. It covers:

- Sole proprietors.
- Companies, including public companies limited by shares and private companies limited by shares.
- General partnerships (GPs) and limited partnerships (LPs), including limited partnership funds (LPFs).

This Note does not consider charitable organisations, trusts, and those vehicles set up mainly for not-for-profit purposes (such as societies). Nor does it consider tax-related issues arising from the choice of trading vehicle, or the differing tax treatment that applies to each type of vehicle.

Sole Proprietors

A sole proprietor runs a business alone, makes all decisions affecting the business, and owns all the assets of the business personally. In Hong Kong, small-scale and low-risk businesses often operate as sole proprietorships because of the ease of setting up, the lack of legal formality, and the low administrative costs involved in establishing and running the business.

A sole proprietor is personally liable for all debts and other liabilities of the business. This form of business entity is usually not a preferred choice for an entrepreneur as there is no protection against the owner's personal assets.

To limit potential liability, it is recommended to set up as a limited liability company. However, this is more costly and incurs additional formation and filing requirements.

Key Features of a Sole Proprietor

The key features of a business operating as a sole proprietor are as follows:

- **No separate legal personality.** The business of a sole proprietor does not have legal personality and cannot own assets in its own right or grant security over them.
- **Unlimited financial liability.** Due to the lack of separate legal personality, the owner and the business are considered one. There is no protection of personal assets. A sole proprietor is personally accountable for all risks and losses that arise from the business, which can be unlimited.
- **One owner.** A business operated by a sole proprietor can only have one owner, although a sole proprietor can have employees. The owner may only rely on their personal resources for raising capital, which means it is not easy to expand the business.
- **No distinction between management and ownership of the business.** A sole proprietor owns all the assets of the business personally and has full control over running the business.
- **Minimal formation and ongoing filing requirements.** There is no requirement to make any filing for incorporation purposes nor to adopt any constitutional document. However, within one month of the commencement of business, the sole proprietor must make a business registration application to the Business Registration Office of the Inland Revenue Department for a Business Registration Certificate (*section 5, Business Registration Ordinance* (Cap 310)). Generally, there are fewer statutory compliance requirements with which a sole proprietor has to comply. For example, financial accounts of the sole proprietorship usually need not be audited before submitting to the Inland Revenue Department for tax computation.
- **No perpetual succession.** Sole proprietorship offers no perpetual succession. It ceases to exist on the death of the sole owner.
- **Ease of termination.** Terminating a sole proprietorship is simpler, less time consuming, and less expensive when compared to other business forms.

Companies and Partnerships: Overview

Companies and partnerships in Hong Kong are different in legal nature.

In Hong Kong, a company formed and registered under the *Companies Ordinance* (Cap 622) is a separate and distinct legal person from its shareholders. This makes it the most preferred business vehicle used in Hong Kong as it offers protection of personal assets from business risks. The Companies Ordinance is the main source of law providing the regulatory framework. Companies incorporated in Hong Kong can be:

- Unlimited or limited by shares or limited by guarantee.
- Private or public.

(Sections 7-12 and 66, *Companies Ordinance*.)

A partnership is the relationship that subsists between persons carrying on a business in common with a view to profit, and is not an incorporated company (*section 3, Partnership Ordinance* (Cap 38)). It allows two or more persons to co-own and share profits and risks of a business. A partnership is not a separate legal person.

The main sources of law that regulate partnerships in Hong Kong include the Partnership Ordinance, the *Limited Partnerships Ordinance* (Cap 37), and the *Limited Partnership Fund Ordinance* (Cap 637). There are three main forms of partnerships commonly used for commercial ventures in Hong Kong, namely GPs, LPs, and LPFs.

Types of Companies

The main forms of Hong Kong companies commonly used as trading vehicles are as follows:

- **A public company limited by shares.** This company is closest conceptually to a UK public limited company or a US corporation. For more information, see *Public Company Limited by Shares*.
- **A private company limited by shares.** This company is closest conceptually to a UK private limited company or a US limited liability company. For more information, see *Private Company Limited by Shares*.

The following are not commonly adopted in Hong Kong as trading vehicles, and are outside the scope of this Note:

- Unlimited companies (meaning the shareholders of which have no limit on their liability) (*section 10, Companies Ordinance*).
- *Companies limited by guarantee* (meaning companies that have no *share capital*, and the liability of members is limited by the company's *articles* of association to the amount that the shareholders undertake to contribute in the event of winding up) (*section 9, Companies Ordinance*).
- Open-ended fund companies (meaning collective investment schemes that are structured in a corporate form incorporated or re-domiciled under the *Securities and Futures Ordinance* (Cap 571)) (*section 112A, Securities and Futures Ordinance*).

In addition to incorporating subsidiary companies in Hong Kong to engage in commercial trade and business, foreign companies may also conduct business or liaison activities in Hong Kong through setting up branches or representative offices. For more information, see *Practice Note, Establishing a business in Hong Kong: Register as a Branch on the Overseas Register with the Hong Kong Companies Office*.

Types of Partnerships

The main forms of Hong Kong partnerships commonly used for commercial ventures are as follows:

- **A GP (####).** A GP is a partnership in which all partners have unlimited liability for the obligations of the partnership. For more information, see *General Partnership (GP)*.
- **An LP (#####).** An LP must have at least one general partner with unlimited liability that is responsible for the day-to-day running of the business and at least one limited partner with limited liability but typically no right to manage the business. For more information, see *Limited Partnership (LP)*.

- **An LPF (#####).** An LPF is a fund that is structured in an LP form and registered under the Limited Partnership Fund Ordinance (*sections 2, 7, and 12, Limited Partnership Fund Ordinance*). It is commonly used for the purpose of managing investments for the benefit of its investors. For more information, see *Limited Partnership Fund (LPF)*.

Public Company Limited by Shares

A public company limited by shares is a company that is neither a private company nor a company limited by guarantee (*section 12, Companies Ordinance*). A public company is similar to a private company in many ways, for example, both have separate legal personality, perpetual succession, and separation of management and ownership.

While a public company has an additional benefit that it may offer its shares and *debentures* to the public and there is no maximum number of shareholders, it is subject to more stringent compliance and reporting requirements compared to a private company.

Key Features of a Public Company Limited by Shares

The key features of a public company limited by shares are as follows.

Legal Personality and Shareholding/Shareholder Requirements

A public company limited by shares has:

- **Separate legal personality.** It is a separate legal entity, which enables it to enter into contracts, own assets, incur debts, and take legal actions in its own name.
- **No requirement on the maximum number of shareholders**(unlike a private company).
- **Perpetual succession.** Any change of shareholding does not affect its continued existence.

No Minimum Share Capital Requirement

There is no minimum share capital requirement on a public company limited by shares, except for certain regulated companies (for example, securities companies). The Companies Ordinance adopts a mandatory system of no-par (that is, a par value (also known as nominal value) is not required to be attached to the company's shares). This means that relevant concepts such as par value, share premium, and requirement for authorised share capital are not applicable to companies incorporated in Hong Kong.

Limited Liability

A public company limited by shares protects the shareholders' personal assets from the company's business risks and liabilities, except in exceptional circumstances where the lifting of the corporate veil is legally permitted. The maximum liability of a shareholder is limited to the amount of its unpaid shares (*section 8, Companies Ordinance*).

Separation Between Management and Ownership

The board of directors of a public company limited by shares bears the ultimate responsibility for the company's business and affairs, unless otherwise provided in:

- The Companies Ordinance.
- The *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (Main Board Listing Rules) or the *Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited* (GEM Listing Rules) (as applicable, if the company is listed on the *Stock Exchange of Hong Kong* (SEHK)).
- The company's articles of association.

A public company limited by shares (whether listed on the SEHK or not) must have at least two directors who are natural persons (*sections 453 and 456, Companies Ordinance*). No body corporate may be appointed as a director (*section 456, Companies Ordinance*).

A public company, if also listed on the SEHK, is also required to have at least three independent non-executive directors, at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise (*Rule 3.10, Main Board Listing Rules; Rule 5.05, GEM Listing Rules*).

The number of independent non-executive directors must represent at least one-third of the board of directors (*Rule 3.10A, Main Board Listing Rules; Rule 5.05A, GEM Listing Rules*). A director can be of any nationality and need not be a resident of Hong Kong, but must be at least 18 years of age (*section 459, Companies Ordinance*).

There is no shareholding requirement for a director of a public company limited by shares.

Can Be Listed and Traded on a Stock Exchange

One of the key distinctions between private and public companies is that the latter may invite the public to subscribe for its shares and debentures. Many, but not all, public companies limited by shares are listed on the SEHK. A company can list either on the Growth Enterprise Market (also known as GEM) or the Main Board of the SEHK, subject to applicable listing requirements.

A *listed company* is subject to stringent restrictions and heavier regulations imposed by applicable provisions under:

- The Main Board Listing Rules or the GEM Listing Rules (as applicable).
- The Securities and Future Commission's *Codes on Takeovers and Mergers and Share Buy-Backs (July 2018)*.
- The Securities and Futures Ordinance.

Formation

To establish a public company limited by shares, a specific incorporation form and business registration application notice, together with a copy of the company's articles of association, must be submitted to the Companies Registry, and the prescribed registration fee and levy paid (*section 67, Companies Ordinance; sections 5A and 5D, Business Registration Ordinance*).

The submitted incorporation form contains statements and particulars relating to the company, such as:

- Its proposed name and address of its registered office.
- Share capital and initial shareholdings.
- Rights attached to shares (if there is more than one class of shares).

- Particulars of the company's:
 - founding shareholders;
 - first company secretary; and
 - first directors.

(Section 68 and Schedule 2, Companies Ordinance.)

The filed documents are open to inspection by the public.

Ongoing Filing and Disclosure Requirements

A public company limited by shares must adhere to various ongoing filing requirements under the Companies Ordinance, including:

- The filing of an annual return with the Companies Registry (*section 662, Companies Ordinance*).
- Certified true copies of the company's annual financial statements, auditor's report, and directors' report (*section 430 and Part 3 of Schedule 6, Companies Ordinance*).

The company must also submit filings with the Companies Registry on certain changes of corporate particulars, for example:

- Any change of company name or registered address.
- Any resignation or appointment of director or company secretary.
- Any removal or resignation of auditor.
- Details of mortgages or charges created over the company's assets.
- Any allotment of new shares and buy-back of shares.

These filed documents are available to the public for examination. A listed company is required to comply with a higher level of regulations and reporting requirements, including the ongoing disclosure requirements under the Main Board Listing Rules or GEM Listing Rules (as applicable). For example, the requirements include:

- To disclose or seek approval for significant transactions meeting certain thresholds (*Chapter 14, Main Board Listing Rules; Chapter 19, GEM Listing Rules*).
- To disclose or seek approval for transactions with connected persons (*Chapter 14A, Main Board Listing Rules; Chapter 20, GEM Listing Rules*).
- To disclose inside information (*Part XIVA, Securities and Futures Ordinance*) and information to avoid a false market (*Rule 13.09, Main Board Listing Rules; Rule 17.10, GEM Listing Rules*).

Private Company Limited by Shares

A private company limited by shares is probably the most common trading vehicle used in Hong Kong. It is characterised by the following restrictions contained in the company's articles:

- Restrictions on a shareholder's right to transfer shares.
- Limiting the maximum number of shareholders to 50.
- Prohibition on any invitation to the public to subscribe for any shares or debentures of the company.

(*Section 11(1), Companies Ordinance.*)

Key Features of a Private Company Limited by Shares

The key features of a private company limited by shares are as follows.

Legal Personality and Shareholding/Shareholder Requirements

A private company limited by shares has:

- **Separate legal personality.** It is a separate legal entity from its shareholders, which enables it to enter into contracts, own assets, incur debts, and take legal actions in its own name.
- **At least one but no more than 50 shareholders** (*section 11(1), Companies Ordinance*). For the purposes of that maximum number, any shareholder who is an employee of the company, and any person who was a shareholder while being an employee of the company and who continues to be a shareholder after ceasing to be an employee, can be excluded (*section 11(2), Companies Ordinance*).
- **Perpetual succession.** Its continued existence is not affected by any death, insolvency, or any other change of shareholders.

No Minimum Share Capital Requirement

There is no minimum share capital requirement on a private company limited by shares, except for certain regulated companies (for example, securities companies). As the Companies Ordinance adopts a mandatory system of no-par, relevant concepts such as par value, share premium, and requirement for authorised share capital are no longer applicable.

Limited Liability

The liability of a private company limited by shares does not pass through to its shareholders, other than in exceptional circumstances where the corporate veil is legally pierced. A shareholder's liability is limited by the company's articles of association to the amount of its unpaid shares (*section 8, Companies Ordinance*). Shareholders' personal assets are protected from business liabilities.

Separation Between Management and Ownership

Management of a private company limited by shares is separate from its ownership. The responsibility for the management and operation generally lies with the board of directors. Directors may exercise all the powers of a private company limited by shares, except for any right reserved to the shareholders under the Companies Ordinance or the company's articles of association, for example, the right to:

- Alter the articles (section 88, Companies Ordinance).
- Change the company name (section 107, Companies Ordinance).

There is no requirement for a director to also be a shareholder. A private company limited by shares should have at least one director who is a natural person (*section 457, Companies Ordinance*). An individual director can be of any nationality and need not be a resident of Hong Kong, but must be at least 18 years of age (*section 459, Companies Ordinance*).

There is no statutory limit on the maximum number of directors, unless otherwise provided in the company's articles of association. A private company limited by shares is free to appoint a body corporate as its additional director, provided that the company is not a member of a listed group (*section 456, Companies Ordinance*).

Shares or Debentures Cannot Be Offered to the Public

A private company limited by shares is prohibited from offering its shares or debentures to the public (*section 11(1), Companies Ordinance*). Correspondingly, its shares or debentures cannot be publicly listed and traded on a stock exchange.

Restrictions on Share Transfers

The constitutional document of a private company limited by shares must include provisions restricting shareholders' rights to transfer their respective shares (*section 11(1), Companies Ordinance*). For example, a provision granting the directors a discretion to refuse to register any share transfer is commonly found in this type of company's articles of association.

Formation

A private company limited by shares can be incorporated in Hong Kong by filing with the Companies Registry a specific incorporation form and business registration application notice, together with a copy of the company's articles of association, and paying the prescribed registration fee and levy (*section 67, Companies Ordinance; sections 5A and 5D, Business Registration Ordinance*).

The incorporation form contains particulars relating to the company, such as:

- Its proposed name and registered address.
- Share capital and initial shareholdings.
- Rights attached to shares (if there is more than one class of shares).
- Particulars of the company's:
 - founding members;
 - first company secretary; and
 - first directors.

(*Section 68 and Schedule 2, Companies Ordinance*.)

The information is made available to the public for inspection.

Ongoing Filing Requirements

A private company limited by shares is required to comply with various ongoing filing and reporting obligations. For example, the company has to:

- File its annual return once a year (*section 662, Companies Ordinance*).
- Make filings with the Companies Registry on certain changes of corporate particulars, for example:
 - any change of company name or registered address;
 - any resignation or appointment of director or company secretary;
 - any removal or resignation of auditor;
 - details of mortgages or charges created over the company's assets; and
 - any allotment of new shares and buy-back of shares.

These filed documents are open to inspection by the public.

Also, the annual financial statements of the company must be audited by a Hong Kong registered accountant or accounting firm in accordance with the applicable Hong Kong Financial Reporting Standards, and a directors' report must also be prepared annually (*Part 9, Companies Ordinance*). The audited annual financial statements and directors' report are provided to the shareholders, usually before the annual general meeting (*sections 429 and 430, Companies Ordinance*). Additionally, the audited financial statements are generally submitted to the Inland Revenue Department together with the applicable profits tax return for tax computations.

However, a private company limited by shares may still keep its financial information confidential as it is not required to file its accounts with the Companies Registry.

General Partnership (GP)

A partnership is defined in the Partnership Ordinance as the legal relationship that subsists between persons carrying on a business in common with a view to profit which is not an incorporated company (*section 3, Partnership Ordinance*). There is no official procedure to establish a GP. However, the Partnership Ordinance provides rules for determining the existence of a partnership (*section 4, Partnership Ordinance*).

A partnership not registered as an LP or an LPF under the Limited Partnerships Ordinance or the Limited Partnership Fund Ordinance (as applicable) is by default deemed to be a GP and every partner is deemed to be a general partner (*section 4, Limited Partnerships Ordinance*).

While not mandatory, the mutual rights and duties of partners in a GP are typically formalised and established by a partnership agreement entered into between those partners.

Key Features of a GP

The key features of a GP are as follows:

- **No separate legal personality.** Like a sole proprietorship, a GP is not a separate legal entity. Every partner is an agent of the business and of the other partners for the purpose of the partnership business. Generally, the acts of every partner conducted for the purpose of carrying on the partnership business in the usual way bind the partnership and other partners (*section 7, Partnership Ordinance*).
 - **Commercial in nature.** Within one month of commencing business, a GP must apply to the Business Registration Office of the Inland Revenue Department for a Business Registration Certificate (*section 5, Business Registration Ordinance*).
 - **Number of partners.** A GP should have at least two partners.
 - **Unlimited, joint, and several liability of partners.** Because of the absence of legal personality, every partner in a GP:
 - is personally liable (and jointly with the other partners) for all business debts and obligations incurred while they are a partner (*section 11, Partnership Ordinance*); and
 - can be held liable jointly and severally for the wrongful acts or omissions of another partner as long as those acts or omissions are committed in the ordinary course of the partnership business or with the authority of the other partners (*sections 12 and 14, Partnership Ordinance*).
 - **No separation between management and ownership.** Unless otherwise provided in any agreement between the partners, all partners:
 - are entitled to share equally in the capital and profits of the partnership business;
 - must contribute equally towards any losses sustained by the partnership; and
 - may take part in the management.
- (Section 26, Partnership Ordinance.)
- **Flexible business model.** A GP is largely governed by contract, which the partners are generally free to agree among themselves subject to applicable laws.
 - **Confidentiality.** There is no need to register the formation nor the constitutional documents of a GP with the Companies Registry. Compared to forming and maintaining a Hong Kong company, a GP is considered easier to set up, with fewer regulations and ongoing compliance requirements.

Limited Partnership (LP)

An LP differs from a GP in that it features two different types of partners, namely the general partners and the limited partners. A general partner is liable for all debts and obligations of the business, whereas a limited partner's liability for those debts and obligations is limited up to the amount of capital which it has contributed to the partnership.

Similar to a GP, an LP typically also involves an LP agreement which sets out the mutual rights and duties of the general and limited partners involved.

Key Features of an LP

The key features of an LP are as follows

Legal Personality, Nature, and Number of Partners

An LP:

- **Has no separate legal personality.** Similar to a GP, an LP is not a legal person distinct from its partners.
- **Is commercial in nature.** An LP must obtain a Business Registration Certificate from the Business Registration Office of the Inland Revenue Department within one month of the commencement of business (*section 5, Business Registration Ordinance*).
- Should have at least one general partner and at least one limited partner (*section 3, Limited Partnerships Ordinance*).
- **Has a flexible business model.** An LP is largely governed by contract, which the partners are generally free to agree among themselves subject to applicable laws.

Liability of Partners

Like general partners of a GP, general partners of an LP have unlimited liability for all business debts and obligations. However, the liability of limited partners of an LP is limited to the amount of their contributed capital (*section 3, Limited Partnerships Ordinance*). A limited partner is also not accountable for any wrongful act or omission of another partner. This business structure may attract those passive investors who are interested in the investment but do not want to expose themselves to unknown risks.

Separation Between Management and Ownership.

Management of an LP's business is undertaken solely by general partners. Limited partners of an LP are expressly prohibited from taking part in the management or operation of the partnership business, and do not have the power to bind the LP. If a limited partner does participate in the management of the LP's business, that limited partner becomes personally liable for the business's debts and obligations incurred while they participated in the management as though they were a general partner (*section 5, Limited Partnerships Ordinance*).

- **Flexible business model.** An LP is largely governed by contract, which the partners are generally free to agree among themselves subject to applicable laws.

Confidentiality

An LP must apply for registration of an LP with the Companies Registry by delivering a signed statement which contains the LP's particulars, such as:

- The general nature of the business.
- The principal place of business.
- The term (if any) for which the partnership is entered into and the date of its commencement.
- The full name of each of the partners.
- The amount contributed by each limited partner.

(Section 7, Limited Partnerships Ordinance.)

The LP must also submit filings with the Companies Registry on certain changes of registered particulars of the LP, for example, any change to the general nature of the business, any change of partners, or any change of investment contributions (*section 8, Limited Partnerships Ordinance*). The filed documents are public records and open for inspection. However, when compared to forming and maintaining a Hong Kong company, an LP is bound by fewer ongoing compliance and reporting requirements.

Limited Partnership Fund (LPF)

An LPF is a relatively new form of vehicle in Hong Kong, with the Limited Partnership Fund Ordinance taking effect from 31 August 2020. Its stated aim is to attract private investment funds to set up and register in Hong Kong.

An LPF is a fund that is structured in the form of an LP. It is commonly used for the purpose of managing investments for its ultimate investors. An LPF must be constituted by an LP agreement.

Key Features of an LPF

The key features of an LPF are as follows.

Legal Personality and Nature

An LPF:

- **Has no separate legal personality.** Similar to an LP, an LPF does not have a separate legal personality and is not a legal person distinct from the partners (*section 15, Limited Partnership Fund Ordinance*).
- **Is commercial in nature.** An LPF must apply for a Business Registration Certificate from the Business Registration Office of the Inland Revenue Department within one month of registration (*section 82, Limited Partnership Fund Ordinance*).
- **Has a flexible business model.** An LPF is largely governed by contract, which the partners are generally free to agree among themselves subject to applicable laws.

Number of Partners

An LPF must be constituted by an LP agreement, and must have one general partner and at least one limited partner. The partners of an LPF must not all be corporations in the same group of companies.

The general partner of the LPF must be either:

- A natural person who is at least 18 years old.
- A Hong Kong private company limited by shares.
- A registered non-Hong Kong company.
- An LP registered under the Limited Partnerships Ordinance.

- Another LPF.
- A non-Hong Kong LP.

(Section 7, Limited Partnership Fund Ordinance.)

Liability of Partners

The general partner of an LPF has unlimited liability for all the debts and obligations of the LPF (*section 19, Limited Partnership Fund Ordinance*). If the LPF has an authorised representative, both the general partner and the authorised representative are jointly and severally liable for the debts and obligations (*section 19, Limited Partnership Fund Ordinance*). A limited partner is not responsible for the liabilities of the LPF beyond the amount of the limited partner's agreed contribution (*section 26, Limited Partnership Fund Ordinance*).

Separation Between Management and Ownership

The general partner of an LPF has ultimate responsibility for the management and control of the LPF (*section 19, Limited Partnership Fund Ordinance*). Additionally, the general partner must appoint a person (who may be the general partner or another person) as an investment manager to carry out the day-to-day investment management functions of the LPF. The investment manager must be either:

- A Hong Kong resident who is at least 18 years old.
- A company incorporated in Hong Kong.
- A registered non-Hong Kong company.

(Section 20, Limited Partnership Fund Ordinance.)

If the general partner of an LPF is another LPF or a non-Hong Kong LP without a legal personality, it must appoint a person as the authorised representative of the LPF to be responsible for the management of the LPF (*section 23, Limited Partnership Fund Ordinance*). The eligibility criteria of an authorised representative are identical to those of an investment manager of an LPF (*section 23, Limited Partnership Fund Ordinance*).

If an LPF has an authorised representative, both the general partner and the authorised representative have ultimate responsibility for the operation of the LPF, and are jointly and severally liable for all the debts and obligations of the LPF (*section 19, Limited Partnership Fund Ordinance*).

A limited partner has the right to share income and profits arising from the LPF, but does not have day-to-day management rights or control over the assets held by the LPF. If a limited partner takes part in the LPF's management, the limited partner and the general partner in the LPF (and, if applicable, the LPF's authorised representative) are jointly and severally liable for all the debts and obligations of the LPF incurred while the limited partner takes part in the management (*section 26, Limited Partnership Fund Ordinance*).

- **Flexible business model.** An LPF is largely governed by contract, which the partners are generally free to agree among themselves subject to applicable laws.

Confidentiality

An LPF must apply for registration with the Companies Registry. The application must be submitted on behalf of the proposed general partner by a Hong Kong law firm or a Hong Kong solicitor (*section 11, Limited Partnership Fund Ordinance*). It must contain particulars of the LPF, including:

- The proposed investment scope of the LPF.
- The principal place of business.
- The proposed general partner.
- The proposed authorised representative (if applicable).
- The proposed investment manager.
- The proposed responsible person to carry out statutory anti-money laundering measures.

(*Section 11 and Schedule 1, Limited Partnership Fund Ordinance.*)

Neither the particulars of a limited partner nor the LP agreement constituting the LPF is required to be disclosed to the Companies Registry. Although the LPF must appoint a responsible person to carry out statutory anti-money laundering measures and keep anti-money laundering records and documents (*Division 5 of Part 3, Limited Partnership Fund Ordinance*), those records and documents need not be filed with any authority.

However, the LPF is required to submit filings with the Companies Registry annually and on certain changes of the LPF's particulars, for example, any change of investment scope or any change of the general partner or investment manager or their registered particulars (*sections 24 and 25, Limited Partnership Fund Ordinance*). The registration and ongoing filings are open to search by the public.

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