

# Limited Partnership Fund

Commencement of new era for private  
funds in Hong Kong.



# Background



The Limited Partnership Fund Ordinance establishes a new limited partnership fund regime to enable private funds to be registered in the form of limited partnerships in Hong Kong.

Limited Partnership Fund (LPF) is introduced to attract private investment funds to set up and register in Hong Kong so as to facilitate the channeling of capital into corporates, including start ups in the innovation and technology field in the Greater Bay Area.

Prior to the commencement of the LPF, it was the norm for Hong Kong based private fund managers to set up funds structured as limited partnerships in offshore jurisdictions such as the Cayman Islands.

The introduction of the LPF is expected to cement Hong Kong's position as a leading center for asset management and private equity investment in Asia.

# What is a LPF?



- A LPF is a private fund that is structured in a limited partnership form and is used for the purpose of managing investments for the benefit of its investors.
- It is not a legal person.
- The limited partnership fund regime is an opt in registration scheme.
- A fund must meet the eligibility requirements under section 7 of the Limited Partnership Fund Ordinance to qualify for registration as a LPF.

# A LPF must have

## A General Partner

---

The GP has unlimited liability, as well as ultimate responsibility for management and control of LPF.

## An Independent Auditor

---

Performs annual audits of financial statements.

## An Investment Manager

---

To conduct day to day investment management functions.

## A Responsible Person

---

Carries out LPF's AML / CTF function.

## An Authorized Representative

---

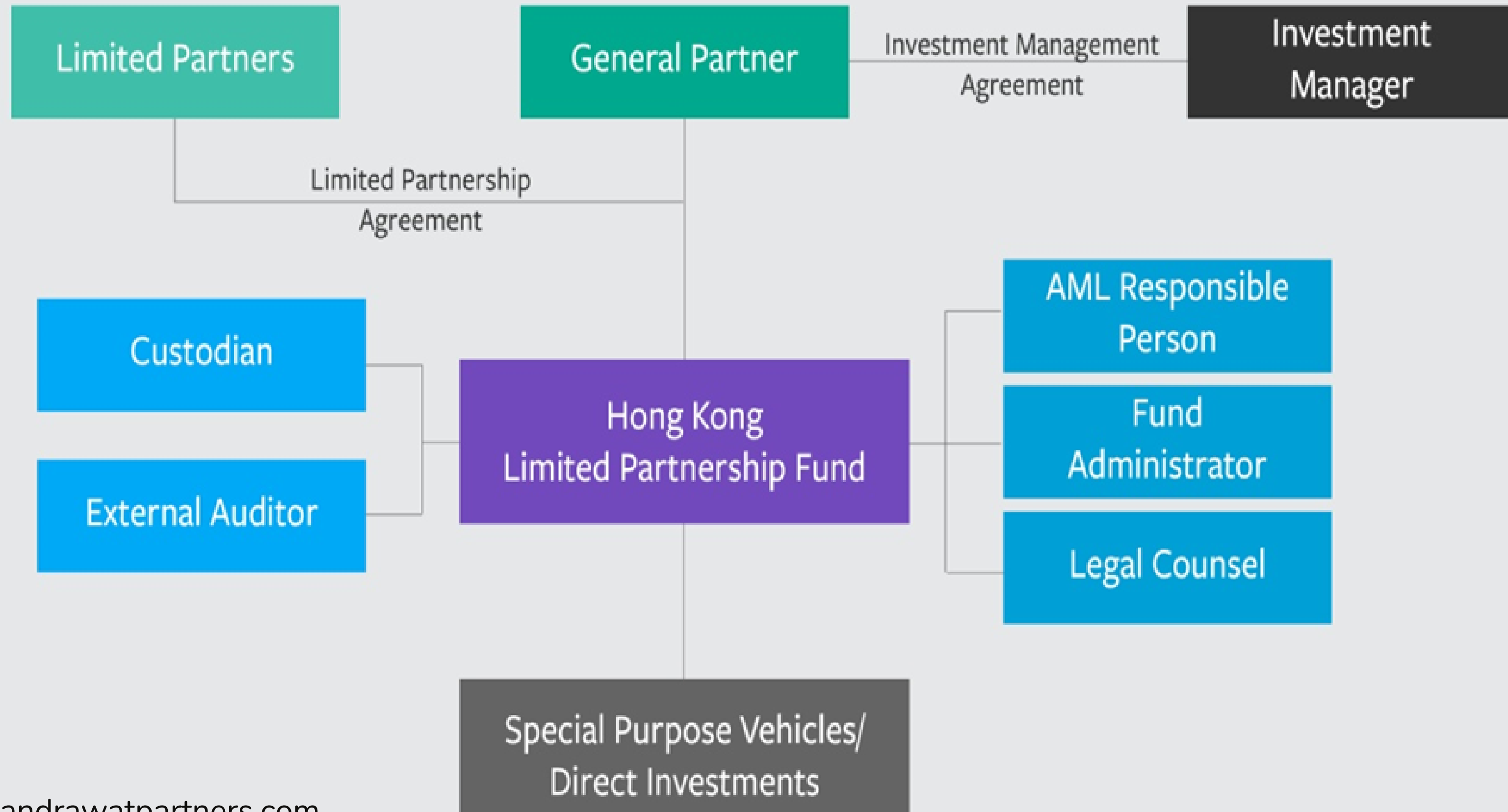
Responsible for managing and control of LPF, when GP is a non Hong Kong limited partnership without legal personality.

## At least one Limited Partner

---

Participates in the income and profits arising from the management of the assets.

# Hong Kong LPF Structure



# Key features of LPF



## Legal liability

LPF is not a legal person. The General Partner has unlimited liability to the debts and liabilities of the fund, and responsible for the management and control of the fund.

Limited partner(s) will be limited to the commitment they make to the fund, and will not have day to day management rights or control over the assets.

## Migration of funds

A streamlined channel will be provided to existing funds registered under the Hong Kong's Limited Partnership Ordinance (Cap. 37) to migrate onto LPF regime.

## Confidentiality of Limited Partners

The identity of the limited partnership would not be accessible on public registers for the sake of confidentiality.

The relevant records should still be kept at the registered office or any other place in Hong Kong known to Hong Kong's Registrar of Companies and accessible by law enforcement officers when necessary.

## Tax and Stamp Duty Treatment

LPF can enjoy profit tax exemption provided that it meets certain exemption conditions set out under Unified Funds Exemption regime.

As for stamp duty, an interest in LPF is not a "stock" and is not chargeable with stamp duty when the interested is contributed, transferred or withdrawn.



# Eligibility to be registered as LPF

In general, a fund is eligible to be registered as a LPF if -

1. the fund is constituted by a limited partnership agreement and the arrangements in the agreement do not contravene the LPFO or any other applicable law;
2. the fund has one general partner and at least one limited partner;
3. the fund's name complies with the requirements relating to a LPF's name under the Limited Partnership Fund Ordinance;
4. registration of the fund by its name will not contravene the restrictions on a LPF's name under the Limited Partnership Fund Ordinance;
5. the fund has an office in Hong Kong to which communications and notices may be sent;
6. the fund is not set up for an unlawful purpose; and
7. not all the partners in the fund are corporations in the same group of companies.





# Procedure for Registration



## 1. Application by proposed general partner

The application must—

1. be in the specified form,
2. be delivered in the specified manner,
3. contain the information specified in Schedule 1,
4. be submitted on behalf of the proposed general partner by a Hong Kong firm.

## 2. Registration

The Registrar must not register a fund as a limited partnership fund unless the Registrar is satisfied that the fund meets the eligibility requirements in section 7.

### 3. Issue of certificate of registration

The Registrar issue a certificate of registration to the fund.

The certificate of registration is conclusive evidence that the fund is a limited partnership fund.

### 4. Appeal against Registrar's decision

If a person is not satisfied by a decision of the Registrar the person may appeal to the Court against the decision.

The appeal must be made within 42 days after the date on which a notice of the decision is issued by the Registrar to the person.



# Frequently Asked Questions

01

**Can the registered office of a LPF be situated outside Hong Kong?**

No. The registered office of a LPF must be situated in Hong Kong.

02

**Do I have to submit the agreement entered into among the partners?**

No. The limited partnership agreement in relation to a limited partnership fund is not required to be submitted to the Companies Registry.

03

**How do I know if my application for registration of a LPF is successful?**

If the application for registration as a LPF is successful, they will be notified by email as to the registration.

04

**How long does it take to issue the Certificate of Registration of LPF?**

The certificate of registration will normally be issued within 4 working days after receipt of the application.

05

## How should a LPF carry out AML and counter terrorist financing functions?

The general partner in a LPF must appoint a person as a responsible person to carry out the measures set out in Schedule 2 to the Anti Money Laundering and Counter Terrorist Financing Ordinance (Cap. 615).

06

## Which authority administers the limited partnership fund regime?

The Companies Registry administers the limited partnership fund regime.

07

## When the general partner is required to appoint an authorized representative?

If the general partner in a LPF is

- (a) another LPF; or
- (b) a non Hong Kong limited partnership without a legal personality,

08

## How can I obtain the specified forms of the LPF?

The forms can be downloaded from the thematic section on LPF on the Companies Registry (“the Registry”)’s website at [www.cr.gov.hk/en/legislation/lpf.htm](http://www.cr.gov.hk/en/legislation/lpf.htm).

# Final Thought

The LPF regime provides a convincing substitute to other well established fund structures in other jurisdictions. Although, the key factor is whether target investors are willing to invest into such structure.

Factually, there is no reason why the LPF regime should not be considered alongside other similar structures. However, it is also known that market participants take time to get familiarize with and accept new regimes such as LPF.

The capability of the investment manager to take benefit of the carried interest tax concession is also a factor and enticement in determining whether a LPF should be used for its structuring of new funds.



# Get in touch

If you'd like to find out more about the opportunities presented by the new Hong Kong LPF or would like to discuss your requirements in this regard, please contact our expert:



**Surendra Singh Chandrawat**

Managing Partner



(+852) 9042 0000



surendra@chandrawatpartners.com

*Connect Surendra on*

LinkedIn

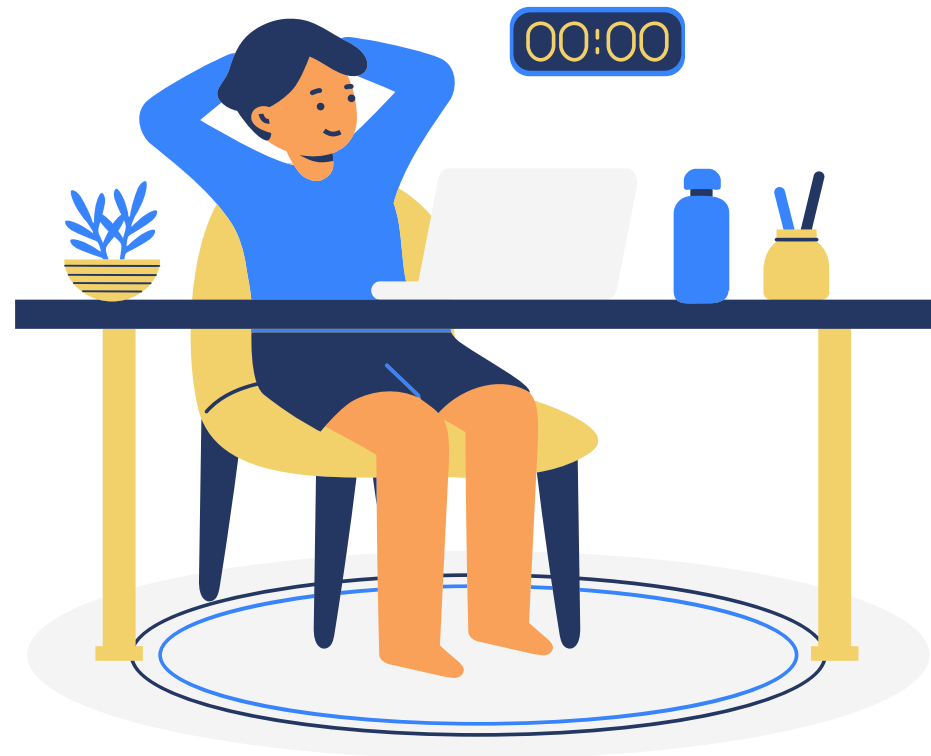


WhatsApp



WeChat





# C&P | CHANDRAWAT & PARTNERS


The information in this publication is general in nature. Although best effort has been made to determine the accuracy of the information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.

The information is not offered as advice on any matter. Readers should not act or fail to act based on the information contained.

Publishers and authors are not responsible for any consequences that may arise from relying on the information contained in this publication, nor are they responsible for any errors or omissions.

---

 815, 8/F., China Insurance Group Building,  
141 Des Voeux Road, Central,  
Hong Kong

 (+852) 3543 0022

