

Guide on Preparation of Fulfillment Documents in Demonstrating the Applicant’s Fulfillment of Net Asset Requirement and Investment Requirements under the New Capital Investment Entrant Scheme

A. Introduction

1. This guide is intended to be used as reference for Certified Public Accountants (Practicing) as defined in the Accounting and Financial Reporting Council Ordinance (Cap. 588 of the Laws of Hong Kong) (“CPAs (Practicing)”), when they are engaged to issue reports (“Fulfillment documents”) in demonstrating the applicant’s fulfillment of the net asset requirement and investment requirements under the New Capital Investment Entrant Scheme (the “Scheme”).
2. For details of the Scheme, please refer to the Rules for the New Capital Investment Entrant Scheme (the “Scheme Rules”).
3. In accordance with the Scheme Rules, an applicant has to fulfill, among others, the net asset requirement and investment requirements, of which the details are set out in the following table:

	Details of the requirement
Net asset requirement	The applicant must have net assets or net equity to which he is absolutely beneficially entitled with a market value of not less than HK\$30 million net (or equivalent in foreign currencies) throughout the two years preceding the date he lodged his application for net asset assessment which is set out in paragraph 2.1(c) of the Scheme Rules.
Investment requirements	The applicant must invest not less than HK\$30 million net (or equivalent in foreign currencies) ¹ in permissible investment assets ² to which he is absolutely beneficially entitled on or after the launch date of the Scheme. For details, please refer to paragraph 2.1(d) of the Scheme Rules.

4. The applicant is required to engage a CPA (Practising) at his own cost to issue the Fulfillment documents in demonstrating his fulfillment of the net asset requirement and investment requirements. The applicant needs to submit applications for assessments on the net asset requirement and investment requirements with provisions of the Fulfillment documents and all relevant supporting documents stated therein to Invest Hong Kong.
5. An agreed-upon procedures engagement conducted in accordance with Hong Kong Standard on Related Services 4400 (Revised), “Agreed-Upon Procedures Engagements” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) would generally be suitable for preparation of the Fulfillment documents in demonstrating the applicant’s fulfillment of the net asset requirement and investment requirements. For the

¹ The investment amount is exclusive of all dealing charges, commission and stamp duty.

² For the list of the permissible investment assets, please refer to paragraph 5 of the Scheme Rules.

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purposes of the agreed-upon procedures engagement, the CPA (Practising) shall also comply with the relevant requirements of the HKICPA's "Code of Ethics for Professional Accountants" and the independence requirements applicable to audits of financial statements.

B. Responsibilities of the applicant and the CPA (Practising)

6. The responsibilities of the applicant and the CPA (Practising) during the course of preparation of the Fulfillment documents in demonstrating the applicant's fulfillment of the net asset requirement and investment requirements are set out in the following table:

	Responsibilities of the applicant	Responsibilities of the CPA (Practising)
Net asset requirement	<ul style="list-style-type: none"> • Provide a net assets statement showing information of the assets or equity he owned and liabilities on the assets or equity • Provide proof on the assets or equity he owned and the liabilities on the assets or equity (originals/photocopies certified true by the applicant) • For assets not traded on a public exchange, provide a written valuation report³ from a valuer acceptable to the CPA (Practising) • No more than 14 calendar days may elapse between the date of issuance of the Fulfillment document and the date the applicant lodged his application for net asset assessment. • Should the applicant submit the Fulfillment document which is considered out-of-date by Invest Hong Kong, Invest Hong Kong has the right to request the applicant to submit further evidence on the assets or equity 	<ul style="list-style-type: none"> • Obtain sufficient appropriate evidence of the assets or equity holding at minimum three points of time throughout the specified two years (except for bank assets and securities as specified below). The three points of time should be evenly distributed throughout the specified two-year period. • For bank assets and securities, the CPA (Practising) should obtain evidence from banks or securities brokers, etc. throughout the specified two years (e.g. monthly or quarterly statements from banks or securities brokers, a letter from bank to certify the maintenance of bank balances above certain amount throughout the specified two-year period). • Agree the ownership and market value of assets or equity as stated on the net assets statement against the supporting documents as provided by the applicant

³ In general, a valuation report contains the following information: date of valuation, essential information about the asset (which may include description and condition of the asset), basis of/approach to valuation, recent transaction data for comparable pieces/ items; and relevant photos, etc. The report will then arrive at a valuation of the asset, based on the foregoing information. The information of the valuer such as professional qualifications and experience should usually be attached to the valuation report.

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	Responsibilities of the applicant	Responsibilities of the CPA (Practising)
	for the intervening period.	<ul style="list-style-type: none"> • Agree the amount of liabilities on the assets or equity as stated on the net assets statement against the supporting documents as provided by the applicant • Issue an agreed-upon procedures report
	Responsibilities of the applicant	Responsibilities of the CPA (Practising)
Investment requirements	<ul style="list-style-type: none"> • Provide a permissible investment assets statement showing information of the permissible investment assets he invested, including the transaction price and the amount of mortgage on the real estate • Provide proof on the permissible investment assets he invested and the transaction price, the date of completion of purchase and the amount of mortgage on the real estate (originals/photocopies certified true by the applicant) 	<ul style="list-style-type: none"> • Agree the ownership and amount invested in the assets⁴ as stated on the permissible investment assets statement against the supporting documents as provided by the applicant • Agree that the assets invested are in compliance with the requirements of permissible investment assets as specified in the Scheme Rules • Having regard to the caps counted towards the fulfillment of minimum investment threshold of the Scheme for investments in relation to certificates of deposits, private open-ended fund companies, ownership interest in private limited partnership funds and real estate when agreeing on the amount invested in the permissible investment assets • Issue an agreed-upon procedures report

⁴ The amount invested in the non-residential and/or residential real estate (where the transaction price of the latter must be HK\$50 million or above) counted towards the fulfillment of minimum investment threshold of the Scheme is the value at time of purchase minus the amount of mortgage, subject to an aggregate cap of HK\$10 million.