



I refer to the Company's claim of the trading profit being derived outside Hong Kong and would like to have the following information :

- (1) An organisation chart and details of the Company's establishments in Hong Kong and overseas. This should include the location and size of the office, the number of employees and their respective name, post title, duties and remuneration package.
- (2) For the overseas establishment, specify its general authorities when negotiating with the buyers and suppliers. If there is no establishment overseas, provide details of the intermediary through which sales and purchases are effected and its general authorities.
- (3) The names, addresses and Hong Kong Identity Card Number (if any) of all directors of the Company.
- (4) Whether the directors or any employees had visited Hong Kong during the period from 6 December 2002 to 31 March 2004. If so, the itinerary, nature and purpose of each journey.
- (5) The type of goods being purchased and sold.
- (6) How, where and by whom the suppliers were found and how the purchase price of the goods was determined. If by negotiation, explain how, where and by whom the negotiations were carried out.

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- (7) Whether formal purchase contract was made for every order/repeated order. How, where and by whom the contract was prepared and signed.
- (8) How, where and by whom the purchase order was initiated, processed and placed with the supplier.
- (9) How and where the shipment of goods from supplier was arranged and who inspected the goods before shipment was made.
- (10) Whether the goods from suppliers passed through Hong Kong and whether inventory has been maintained in Hong Kong to fulfil orders from customers.
- (11) The method of financing the purchase of goods and how payment was made to the supplier.
- (12) A list of the five largest suppliers, giving the respective name, address, amount of yearly purchase and relationship with the Company, its directors or shareholders, if any.
- (13) How, where and by whom the customers were solicited and how the sales price of the goods was determined. If by negotiation, explain how, where and by whom the negotiation was carried out.
- (14) Whether formal sales contract was made for every order/repeated order. How, where and by whom the contract was prepared and signed.
- (15) How and where the purchase order from customer was received and processed. Who had the ultimate authority to accept the order?
- (16) How the shipment of goods to customers was arranged.
- (17) How the customer settled its accounts (e.g. by letter of credit, bill of exchange etc).
- (18) A list of the five largest customers, giving the respective name, address, amount of yearly sales and relationship with the Company, its directors or shareholders, if any.

- (19) For the two largest amount of sales transactions during the period concerned, how, where and by whom such activities were performed, from negotiations with buyers and suppliers, conclusion of contracts, issue and receipt of sales and purchase orders, confirmation and acceptance of the orders, delivery of goods to final settlement of accounts.
- (20) For the two transactions selected above, describe the routing of documents (i.e. contracts, orders, acknowledgement, acceptance, payment and delivery) and a full indexed set of documents for reference, including sales and purchase agreements, orders, correspondence, invoices, letter of credit and shipping documents etc. as follows :

| Ref | Documents | Description of Activities | Date | Where? | By whom?<br>(Name and position in the Company) |
|-----|-----------|---------------------------|------|--------|--|
|     |           |                           |      |        |  |

- (21) The reasons that the profit so derived is not chargeable to Hong Kong Profits Tax.

Please furnish the information required within one month from the date of issue of this letter.

Yours faithfully,



(Ms LAM Wai-hing)  
Assessor, Profits Tax