

## Hong Kong Company Share Buyback Procedures and Fees

*Unless otherwise indicated, the company mentioned anywhere in this quotation refers to a private company limited by shares incorporated in accordance with the Hong Kong Companies Ordinance. The procedures and fees stated in this quotation applies to buyback of shares that does not require the approval of a Hong Kong court.*

Our fee for handling the buy back of shares in a Hong Kong private company is USD2,250 in the case where the consideration of buyback is paid out of distributable profits. Our service include reviewing the latest financial statements so as to ensure that there is sufficient distributable profits to carry out the buyback, preparation of minutes of meetings of directors and shareholders in relate to the share buyback and filing of return with the Hong Kong Companies Registry.

In addition to our service fee and publication fee (as the case may be), both the seller and buyer are liable to stamp duty at 0.1% on the net assets of the company as share buyback is treated as a normal sale and purchase of Hong Kong shares.

For the purpose of share buyback, we will need a copy of Articles of Association, Register of Member, Register of Directors (or a copy of the latest Annual Return), a copy of the latest management accounts, the name of shareholder from whom the shares are to be bought back, the number of shares to be bought back and amount of consideration.

As to the timeframe, when that consideration for share buyback paid out of distributable profits, the whole process could be completed in around 2 weeks. In the case where the consideration of share buyback is paid out of capital, then the whole process could take up to 6-8 weeks, including one-month notice period for the public notice.

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## 1. Our Service Fees for Share Buyback

Our fee for handling buyback of shares in a Hong Kong private company is USD2,250, if the consideration of the buyback is out of distributable profits, or USD3,550, if the consideration of the buyback is out of capital.

In particular, our fee cover the following services:

- (1) Reviewing the Articles of Association of the subject company and making sure that the proposed buyback of share/reduction of capital is within the power of the company;
- (2) Reviewing the register of member and confirm the number of shareholders will not fall below the minimum number requirement;
- (3) Preparation of Minutes of Meeting/written resolution of directors and members in respect of the share buyback;
- (4) Reviewing the latest audited financial statements/management accounts so as to ascertain that the company is solvent after the buyback, and preparation of Statement of Solvency;
- (5) Preparation specific form of reduction of capital documents and file to the Companies Registry;
- (6) Publication of notice on one specified English and one specified Chinese newspaper and the Government Gazette (if payment out of capital);
- (7) Cancellation of share certificate;
- (8) Updating Register of Members.

Note:

- (1) Our fee quoted above covers publication costs charged by third party.
- (2) Our fee quoted above does not cover stamp duty to be paid on the transfer of shares resulting from the share buyback.
- (3) Our fee quoted above does include delivery charge and other out-of-pocket expenses.

## 2. Payment Term and Method

Upon receipt of your confirmation of engagement, we will issue and send an invoice together with the wiring instructions to you for your settlement. When you arrange the payment, please put our invoice number of account number in the message section and then send email a copy of the remittance receipt to us for our records. Because of the nature of service, we require full payment in advance. And once the service is commenced, no refund of service fee will be made.

We accept cash, HKD check, TT and credit card through Paypal. An extra handling fee of 5% will be charged if paid by Paypal.

### 3. Conditions for Share Buyback

Private companies can only buy back shares from capital subject to the following requirements:

- (1) The payment out of capital must be approved by a special resolution.
- (2) A solvency statement must be made by all of the company's directors (in relation to payment out of capital).
- (3) The payment out of capital must be made no earlier than five weeks and no later than seven weeks after the date of the special resolution.
- (4) The solvency statement must be delivered to the Companies Registry for registration.
- (5) Notice of the purchase must be either:
  - (a) published in the Hong Kong Government Gazette and a Chinese and English language newspaper;
  - (b) communicated by notice in writing to each creditor (the company's shareholders or creditors have a five-week period to apply to court for an order to cancel the special resolution for the payment to be made out of capital).
- (6) The return of share buy-back (being a filing in the prescribed form) must be delivered to the Companies Registry after the date on which the shares are delivered to the company.

### 4. Stamp Duty

It is the general practice of the Stamp Office that share redemptions are not dutiable, whereas share buyback is treated as a normal sale and purchase of Hong Kong shares, therefore subject to 0.1% of stamp duty on both the seller and buyer.

The amount of stamp duty to be paid is calculated as following:

(Amount of Consideration (or net assets of the subject company x % of interest to be transferred) x 0.1%) x 2 + HKD5

#### *Example*

Hong Kong Example Limited is buying 2,000 of its own shares, representing 20% of shareholding, from its shareholder, Mr. A, for a consideration of HKD2,000,000. The financial statements of Hong Kong Sample Company Limited shows a net asset of HKD10,000,000. Each of Hong Kong Example Limited and Mr. A will need to pay stamp duty as calculated below:

**(HKD10,000,000 x 20% x 0.1%) + HKD5 = HKD2,005**

Kaizen can help with the application for group relief of stamp duty. Our fee for this service will be quoted upon request.

## 5. Materials Required for the Share Buyback

- (1) A copy of the Articles of Association;
- (2) A copy of updated Register of Members
- (3) A copy of the latest Annual Return and its subsequent changes documents;
- (4) Number of shares and amount to be reduced;
- (5) The updated company accounts, either the audited financial statement or management account.

If Kaizen acts as company secretary of your Hong Kong company, then client is only required to provide items (3) to (4).

## 6. Time Frame

Assuming that consideration for share buyback paid out of distributable profits, the whole process could be completed in around 2 weeks. In the case where the consideration of share buyback is paid out of capital, then the whole process could take up to 6-8 weeks, including one-month notice period for the public notice.

## 7. Materials Returned after Completion

The following materials will be returned to client after the process for share buyback is completed:

- (1) A written resolution/minutes of meeting of directors approving the buyback agreement;
- (2) A written resolution/minutes of members approving the proposed buyback;
- (3) A copy of solvency statement filed with the Company Registry for the share buyback when paid out of capital;
- (4) A copy of documents filed with the Company Registry in respect of the share buyback;
- (5) An updated register of members

*If you wish to obtain more information or assistance, please visit our official website at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following means:*

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