

Hong Kong Company Capital Reduction Procedures and Fees

Unless otherwise indicated, the company mentioned 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 reduction of capital for private companies which are solvent and that court approval is not required.

Our service fees for handling the reduction of capital by the court-free method for a Hong Kong private company are USD3,200. Our fees cover the preparation of all documents needed to effect the reduction of capital, publication of notices on one specified English and one specified Chinese newspapers, publication of notice in the Government Gazette, filing of return with the Hong Kong Companies Registry and payment of official filing fee and publication fees.

In order to process the reduction of capital with the court-free method, all shareholders must agree to the reduction, the company must be solvent and each of the board members must issue a statement of solvency to indicate that they have reasonable grounds to believe that the company is able to pay its debts.

For the purpose of reduction of capital, we will need you to prepare and deliver to us a set of the corporate documents, a copy of the latest annual return and a copy of financial statements prepared within last 3 months.

Normally, the procedures for reduction of capital in a Hong Kong company can be completed around 8-10 weeks, from the date we receive the duly signed reduction capital from you and also on the assumption that there is no objection to the reduction raised by any third party.

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1. Capital Reduction Services and Fees

Our fees for handling the reduction of capital in a Hong Kong private company by the court-free method are USD3,200. Our fees cover the following services:

- (1) Answering questions raised by client in respect of capital reduction in a Hong Kong company;
- (2) Review of the Articles of Association and making sure that the proposed reduction is within the power of the company;
- (3) Review of the register of member and making sure that the number of members/shareholders will not fall below the minimum number requirement;
- (4) Review of latest financial statements (within three months) and making sure that the company is solvent and it able to pay its debts as and when they fall due within 12 months after the proposed reduction;
- (5) Providing advice as to the maximum amount that can be reduced;
- (6) Discussing and fixing with the management of the company on the amount of capital to be reduced;
- (7) Preparation of resolution of directors and members in respect of the proposed ;
- (8) Preparation specific form of reduction of capital documents and file to the Companies Registry;
- (9) Publication of public notices on one specified English and one specified Chinese newspaper and the Government Gazette;
- (10) Arranging with the company regarding the payment of capital to the members;
- (11) Updating Register of Members and delivery of new share certificate(s) to the member(s).

Note:

- (1) Our fees quoted above already cover official filing fee and notice publication fee.
- (2) Our above quoted fees don't include delivery charge and other out-of-pocket expenses.

2. Payment Terms 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 Capital Reduction

If a company wishes to reduce its capital through the court-free process, it needs to meet all the requirements listed below:

- (1) the proposed capital reduction must be approved by the directors and shareholders of the company;
- (2) each director must sign a solvency statement:
 - (a) immediately after the transaction there will be no ground on which the company could be found to be unable to pay its debts; and
 - (b) one of the following:
 - (i) if it is intended to commence the winding up of the company within 12 months after the date of the reduction of share capital, the company will be able to pay its debts in full within 12 months after the commencement of the winding up; or
 - (ii) in other cases, the company will be able to pay its debts as they become due during the period of 12 months immediately following the date of the reduction of share capital.
- (3) within 15 days of the date of the solvency statement, the shareholders of the company must pass a special resolution approving the reduction of share capital;
- (4) certain public notices must be published in the Government Gazette, in one specified Chinese newspaper and in one specified English newspaper; and certain forms (including the solvency statements in specified Form) must be filed with the Companies Registry.

4. Materials Required for the Reduction of Capital

For the purpose of processing the reduction of capital by the court-free method, we will need to be provided with the following materials:

- (1) A copy of the Certificate of Incorporation;
- (2) A copy of the Articles of Association;
- (3) A copy of the latest Annual Return and any subsequent filings;
- (4) A copy of the registers of directors and of shareholders;
- (5) The proposed number of shares and amount to be reduced;
- (6) A copy of financial statements made up to a date which is within 3 months of the proposed reduction;
- (7) The original share certificate(s).

If Kaizen is the company secretary of your Hong Kong company, then you are only required to provide items (5) to (7). In the case that Kaizen is also engaged for accounting and auditing, then you will only need to provide item (5).

5. Share Capital Reduction Procedures and Time Frame

The whole process for reduction of capital, with the court-free method, could be completed around 8-10 weeks, including one month notice period for the public notice, assuming there is no objection to the reduction. The following table shows the timeline of the reduction process.

Step	Description	Day
1	Client confirms with Kaizen of the engagement; Kaizen issues and send its invoice to client.	1
2	Client email all materials required to Kaizen and at the same time, arranges settlement of Kaizen's invoice	2
3	Kaizen reviews all corporate documents and the management accounts and advise client on the maximum amount that can be reduced or confirms with client of the proposed amount of reduction.	2
4	Kaizen prepares relevant documents for the proposed reduction and deliver them to you for your signing	3
5	Client signs the share capital reduction documents and return to us by courier	4
6	Kaizen receives the duly signed documents and files share capital reduction with the Companies Registry	9
7	Kaizen arranges the publication of notice of approval of reduction of capital in the Gazette	10
8	Kaizen arranges the publication of notice of approval of reduction of capital in designated newspapers	10
9	Notice period (5 weeks) ends and Kaizen files last set of reduction documents with Companies Registry	55
10	Companies Registry registers the share capital reduction documents	65
11	Kaizen delivers reduction documents to client.	66
12	At the same time, the company remit the amount of capital reduced to each of the shareholders.	

6. Materials Returned after Completion

- (1) A resolution of directors and members of reduction of capital
- (2) A copy of solvency statement filed with the Company Registry reduction of capital
- (3) A copy of documents filed with the CR in respect of the reduction of capital
- (4) An updated register of members

If you wish to obtain more information or assistance, please visit our official website at www.kaizencpa.com or contact us through the following means:

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