

CHANGE IN SHAREHOLDINGS OF HK PRIVATE COMPANY

To change the shareholdings in a Hong Kong Private Company can be achieved by:

- Transfer of Shares, or
- Allotment

Transfer of Shares

It will incur stamp duty payable of 0.26% on market value of the shares of which is normally the proportional amount of the aggregate market value of the company's assets, including real properties and investments. If the carrying book value of assets could not reflect their market value, they would be reassessed in calculation of stamp duty payable. If the market value of assets could not be ascertained at once, additional stamp duty may be demanded later on after an estimated amount has been paid upon the presentation of documents to Stamp Office for stamping. Therefore, payment of estimated stamp duty should not be treated as a final agreement with Stamp Office on the stamp duty payable.

Allotment

Allotment can increase or dilute the percentage of shareholdings in a company, it will not incur payment of stamp duty on market value.

Board Approval & Pre-emption Right

Both the transfer of shares and allotment are subject to the approval of board of directors and pre-emption right of existing shareholders.

Note: There are other ways available to change the shareholdings in a company with different costs, procedures and legal implications.