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Hong Kong Private Company Incorporation Guide

Part 5 - Share Capital

1. Introduction

With the implementation of the new Companies Ordinance, the concept of authorised capital and nominal value has been abolished. All company shares will cease to have a nominal or par value, whether issued before or after the Commencement Date. Any provisions in a company's constitution which state the amount of the company's authorised capital and the nominal or par value of its shares will be regarded to have been deleted from the constitution. The nominal or par value amount of issued shares, together with the amounts standing in credit to the share premium account and the capital redemption reserve, will form the share capital.

2. Abolition of Par Value

(1) Authorised capital and nominal value of shares

The authorised capital represents the maximum sum that a company could raise by issuing shares and is expressed as the sum of a specific number of shares of a fixed amount each. The amount so fixed for a share is known as its nominal or par value. Nominal or par value also marks the minimum issue price for a share – this means a company cannot issue shares at a discount to nominal or par value.

(2) Changes Introduced

From the Commencement Date, the concept of authorised capital and nominal value will be abolished. All company shares will cease to have a nominal or par value, whether issued before or after the Commencement Date. Any provisions in a company's constitution which state the amount of the company's authorised capital and the nominal or par value of its shares will be regarded to have been deleted from the constitution. The nominal or par value amount of issued shares, together with the amounts standing in credit to the share premium account and the capital redemption reserve, will form the share capital.

3. Amount of Share Capital and Currency

The Hong Kong Companies Ordinance does not impose any restrictions on the amount of share capital and its currency. However, it does require that at the time of incorporation, a minimum of one share must be issued and allotted to its founder. In other words, the founder of a company can determine the amount of share capital and the currency of its share capital.

At the time when determining the amount of share capital, the founder should take into consideration:

- (1) The need of the operation of company, including factors such as the office space required, the initial number of employees to be hired and the business model of the company.
- (2) Whether the business activity of the company require special licence or permits. Some business activities require special licences and permits from their respective regulatory bodies. The rules or regulations governing the issue of those licence or permit may impose special requirements in respect of the amount of share capital.

4. Share Capital Clause

At the time of incorporation, the founder should state in the Articles of Association the number of shares to be issued upon incorporation and also the amount of share capital. This is called the capital clause. The capital clause will look like:

“The number of shares and the amount of capital of this company are 10,000 and HKD10,000 respectively”; or

“The number of share is 10,000 and the amount of capital is RMB1,000,000”; or

“The number of share is 10,000 and the amount of capital is USD100,000”.

5. Capital Duty

Hong Kong has abolished capital duty. In other words, the amount of capital to be registered will not have any impact on the amount of official filing fee for the registration of a company.

6. Special Licence and Permits

As stated above, the Hong Kong Companies Ordinance does not impose any restrictions on the amount of share capital and therefore it is the sole discretion of the company to decide the amount of capital.

However, the founder should take into consideration if the business activity of the company requires special licence or permits when determining the amount of capital. Certain business activities, such as insurance, insurance broker, travelling agency and financial institutions, are regulated by its respective regulatory bodies. The rules governing the issue of those licences and permits may impose a minimum requirement in respect of the share capital.