

# Upcoming amendments to the Hong Kong Listing Rules relating to treasury shares

**Briefing Summary:** Under the current Listing Rules of the HKEX, listed issuers are required to cancel any shares that are repurchased by the issuer, and there is no option for such shares to be held in treasury. This was an initiative of the HKEX to minimise the risk of market manipulation by issuers repeatedly repurchasing and re-selling their own shares on the market, notwithstanding that currently 92% of listed issuers are incorporated in jurisdictions that allow such issuers to hold treasury shares.

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**Location:** Hong Kong SAR

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Effective from 11 June 2024, the requirement for listed issuers to cancel repurchased shares will be removed. An issuer may elect to either hold the repurchased shares in treasury provided it is expressly permitted under the laws of its place of incorporation and its constitutional documents, or cancel such shares. With this reform coming into effect issuers will be able to enjoy the flexibility to re-sell the shares held in treasury in the future at an appropriate timing having regard to the prevailing market conditions and their business needs, as well as to better maintain their capital structure, which will bring long term benefits to the issuers and their shareholders.

For listed issuers incorporated in jurisdictions such as Bermuda and the Cayman Islands (**Offshore Issuers**), shares repurchased are permitted to be held as treasury, subject to the constitutional documents of each issuer. The general statutory position under the laws of Bermuda and the Cayman Islands stipulates that all treasury shares must be held in the name of the company. If it is anticipated that the shares to be repurchased by an Offshore Issuer involve shares which are held with CCASS, upon completion of the repurchase, such shares will have to be withdrawn and be registered in the register of members in the name of the Offshore Issuer as treasury shares. The treasury shares may be re-deposited into CCASS immediately prior to any future re-sale.

Contact our team to find out more on how we can assist Offshore Issuers to comply with these changes.

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