

## LCQ3: Privatisation of listed companies

Following is a question by the Hon Rock Chen and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (March 19):

Question:

It has been reported that in the first half of last year, a total of 14 listed companies in Hong Kong announced that they would be delisted, with the companies' market capitalisation reaching as high as \$66 billion, including some relatively renowned enterprises to be delisted through privatisation. In this connection, will the Government inform this Council:

(1) whether it knows the respective numbers of listed companies delisted from the Hong Kong stock market and delisted through privatisation last year, as well as the market capitalisation of the companies involved; whether it has reviewed the reasons for the wave of delisting of listed companies last year and its impact on the Hong Kong stock market, and whether it has assessed the trend of the wave of privatisation of listed companies of this year; if it has assessed, of the details, and whether it has measures in place to abate the relevant impact, so as to prevent the excessive privatisation from undermining the attractiveness of Hong Kong stocks; and

(2) whether it knows if relevant regulatory bodies have plans to improve the delisting mechanism so as to allow delisted companies more time and flexibility in the delisting process; if they have, of the specific measures and timetable?

Reply:

President,

With Hong Kong being an international financial centre, the Government has been utilising our unique advantage of enjoying strong support of the motherland and being closely connected to the world under "one country, two systems" in enhancing the competitiveness of the financial services industry and promoting high-quality market development. In recent years, the Government, in collaboration with the Securities and Futures Commission (SFC) and Hong Kong Exchanges and Clearing Limited (HKEX), has taken forward reforms in different aspects of the securities market and implemented a series of enhancement measures, so as to attract more enterprises and investors to participate in investment and financing activities in Hong Kong, inject vitality into our market and enhance liquidity.

To facilitate more quality enterprises to list and raise funds in Hong Kong, we have provided tailored listing mechanisms based on the needs of

different enterprises, including establishing listing avenues for new economy and technology enterprises with weighted voting rights structures, reforming the listing mechanism for small and medium enterprises, broadening the financing channels for overseas issuers, clarifying the timetable for listing application vetting process. We have also introduced a new treasury share regime and relaxed the restrictions on issuers' share repurchases to provide issuers with greater flexibility, and strived to increase disclosure by listed companies and improve corporate governance. To enhance the trading mechanism and efficiency, we have implemented severe weather trading and conducted a review on reduction of minimum price spread, and are advancing preparatory work for the uncertificated securities market regime to lay a solid foundation for further opening up new markets and attracting new capital.

As our country's economy demonstrates resilience with breakthroughs in key technologies, the enhancement measures for the securities market begin to bear fruit. Last year, the trading volume of securities market hit new highs, with the total market capitalisation increased by 14 per cent year-on-year and the average daily turnover surged by close to 30 per cent year-on-year. Hong Kong is also one of the world's four largest initial public offering (IPO) markets, welcoming listings of 71 companies within the year with over \$87 billion of IPO funds raised, up nearly 90 per cent year-on-year. As of February this year, the HKEX was processing over 100 listing applications, demonstrating increasing confidence of companies in the Hong Kong securities market.

In consultation with the SFC and the HKEX, my reply to the two parts of the question is as follows:

(1) In 2024, there were 32 and 16 companies whose listing was cancelled pursuant to the delisting procedures under the Listing Rules or delisted through privatisation, with market capitalisation of approximately \$17.7 billion and \$122.6 billion respectively.

Over the past five years, the average number of companies that were delisted through privatisation was 21 per year. Apart from the 16 companies in 2024, the number of companies delisted through privatisation from 2020 to 2023 were 26, 30, 17 and 14 respectively. The number of companies delisted through privatisation accounted for less than one per cent of the total number of listed companies, and there was no upward trend. During the same period, the number of newly listed companies on the HKEX was 118 on average. The impact of delisting through privatisation on the overall market is not significant.

The reasons of privatisation of companies vary. For example, a company's major shareholders or management may, through privatisation, prevent a takeover, maintain control over the company, and avoid outside influence on the company. As an internationally-aligned securities market, the SFC and the HKEX will continue to provide a fair and transparent acquisition and privatisation mechanism in accordance with the relevant provisions of the Codes on Takeovers and Mergers and Share Buy-backs and the Listing Rules, in

order to facilitate listed companies to choose different paths for corporate development based on their own operational needs.

(2) As regards the delisting mechanism, in accordance with the relevant provisions of the Listing Rules, the HKEX may cancel the listing of securities of Main Board companies that have been suspended for 18 consecutive months or securities of GEM companies that have been suspended for 12 consecutive months. The reasons for suspension include (but are not limited to) insufficient public float of the issuer's securities; the issuer does not have sufficient business operations or does not have assets of sufficient value to support its operations; the issuer has not published its results in accordance with the relevant requirements under the Listing Rules; or the issuer or its business is no longer suitable for listing. The HKEX in general will provide guidance on resumption of trading within three months of the issuer's suspension, and will give listed issuers sufficient time to address relevant matters and follow up. Generally speaking, when handling cases on resumption of trading, the HKEX will make an assessment based on specific facts and circumstances of individual issuers. For example, when assessing the issuer's business, the HKEX will consider the issuer's business operation model, business scale and performance, source of funds, customer base size and type, internal control mechanism, etc., and will make reference to the practices and standards of the relevant industry.

As mentioned by the Financial Secretary in the 2025-26 Budget, the SFC and the HKEX will further take forward a comprehensive review of the listing regime in reviewing listing requirements and post-listing ongoing obligations, evaluating listing-related regulations and arrangements to improve the vetting process, optimising the thresholds for dual primary listing and secondary listing, and reviewing the market structure. Through the reform, we hope to better align with the latest economic trends and corporate needs, enhance the competitiveness of Hong Kong's listing platform and further attract different companies to raise funds in Hong Kong. At the same time, the review aims to attract more investors, especially patient capital and overseas long-term investors, to participate and increase their allocation of Hong Kong stocks.

During the review process, we will continue to maintain close communication with the industry to fully understand the needs of different market participants. We also welcome Members and stakeholders to provide their opinions on different measures and practical operational arrangements to the regulator and the HKEX. Thank you, President.