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Companies Registry External Circular No. 2 / 2025

Implementation of Treasury Share Regime

This circular announces that the Companies Ordinance (Cap. 622) (the “CO”) has been amended to introduce a new **treasury share regime** for listed companies. The relevant legislative amendments in the Companies (Amendment) Ordinance 2025 (the “Amendment Ordinance”) will **come into operation on 17 April 2025**.

Background

2. Listed companies may buy back shares for a variety of reasons, such as to return cash to shareholders, adjust debt-to-equity ratio, increase earnings per share, facilitate the exit of shareholders, or signal to the market that their shares are undervalued. Establishing a regulatory and legal framework for treasury shares in Hong Kong will provide greater flexibility and efficiency for listed companies to adjust their share capital through holding, selling and transferring of shares bought back for specific purposes. This will also attract quality companies to incorporate their holding entities and apply for listing in Hong Kong, thereby enhancing the competitiveness of Hong Kong as an international financial centre.

3. On 11 June 2024, The Stock Exchange of Hong Kong Limited (the “Exchange”) has amended its listing rules by removing the requirement for listed companies to cancel shares bought back to allow those shares to be held in treasury and providing for a framework to regulate the cancellation, resale and transfer of such shares.

4. In light of the amended listing rules, the Amendment Ordinance seeks to modernise the CO to enable listed companies to make use of the treasury share regime and bring Hong Kong generally on a par with the jurisdictions where the vast majority of the companies currently listed on the Exchange are incorporated or domiciled.

5. The treasury shares regime is applicable to listed companies only.

The Amendment Ordinance

6. The major elements of the treasury shares regime introduced by the Amendment Ordinance include:

- (a) providing that a listed company may, upon buy-back of its own shares, hold those shares in its own names or through a nominee as treasury shares;
- (b) setting out that treasury shares may be cancelled, transferred (whether or not for a consideration) or sold. Any transfer or sale of treasury shares shall be subject to the same approval requirements as applied to the allotment of new shares in the company;
- (c) setting out that a listed company holding treasury shares in its own name or through its nominee must enter its name or the name of its nominee in the register of members of the listed company. However, subject to certain exceptions, the listed company or its nominee holding treasury shares should, in respect of the treasury shares, not be regarded as a member of the listed company for the purposes of the CO or as a member, a shareholder or a contributory of the listed company for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32);
- (d) setting out that all rights attached to treasury shares, including but not limited to the right to attend or vote at the company's meetings, the right to receive dividends and the right to receive any distribution of the company's assets, would be suspended. However, the right to the allotment of shares as fully paid bonus shares in respect of treasury shares would not be affected and such fully paid bonus shares are to be regarded as being bought back on their allotment;

- (e) setting out that for corporate matters such as passing an ordinary or a special resolution of members, calling a general meeting, making an application to court, etc., and exercising the right by minority members to require an offeror to acquire shares in a takeover offer, etc., treasury shares should be excluded from the number of the issued shares of the company and the total voting rights in respect of shares of the listed company when calculating the relevant thresholds;
- (f) setting out that a listed company should be required to state the number of shares bought back and held as treasury shares in a return which is required to be delivered to the Registrar of Companies (the “Registrar”) (regardless of whether the shares are cancelled or held as treasury shares); and
- (g) setting out that a listed company should be required to deliver to the Registrar:
 - (i) a return in respect of the sale or transfer of treasury shares if the listed company sells or transfers any of its treasury shares; and
 - (ii) a return in respect of the cancellation of treasury shares if the listed company cancels any of its treasury shares.

New and Revised Specified Forms

7. To facilitate the implementation of the treasury share regime, the Registrar has specified two new forms and revised one existing form **for use with effect from 17 April 2025** as follows:

New Specified Forms

- Form NSC22 – Return of Sale or Transfer of Treasury Shares
(For Listed Company Only)
- Form NSC23 – Return of Cancellation of Treasury Shares
(For Listed Company Only)

Revised Specified Form

- Form NSC2 – Return of Share Redemption or Buy-back

8. The new and revised specified forms were published in the Gazette (G.N. 985 and G.N. 984) on 21 February 2025.

Further Information and Enquiries

9. A new thematic section on “Companies (Amendment) Ordinance 2025 - Treasury Share Regime” has been set up on the Companies Registry’s website at www.cr.gov.hk/en/legislation/co2025/tsr/overview.htm. The section contains the full text of the Amendment Ordinance, the new and revised specified forms and frequently asked questions etc. in relation to the implementation of the treasury share regime.



10. Enquiries concerning this circular can be directed to Ms Mendy LAM, Assistant Registry Manager (Registration)³, at (852) 2867 4562 or crenq@cr.gov.hk.

Miss Helen TANG
Registrar of Companies