



FEDERATION OF SHARE REGISTRARS LIMITED

Honorary Secretary – Hong Kong Registrars Limited
46/F Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Tel: 2862 8555 Fax: 2865 0990

證券登記公司總會有限公司

27 December 2023

Hong Kong Exchanges and Clearing Limited
8/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

By Email

Dear Sirs,

Re: Response to Proposed Amendments to Listing Rules Relating to Treasury Shares

The Federation of Share Registrars Limited (The Federation) welcomes the publication of HKEX's Consultation Paper: '**Response to Proposed Amendments to Listing Rules Relating to Treasury Shares**' and appreciates the opportunity to provide our comments. The Federation generally supports the proposal to amend the Listing Rules to remove the requirement to cancel repurchased shares, to allow greater flexibilities to listed companies in Hong Kong in the use of treasury shares. Having said that, the Federation recommends the Exchange to consider including the following while amending the Listing Rules:

Mandating Issuers to hold treasury shares on Register of Members ("ROM")

As set out in paragraph 49 in the Consultation Paper, shareholders' rights attached to treasury shares including dividend, distribution and voting rights, are normally suspended by laws and resumed when the treasury shares are resold or transferred out of treasury. Paragraph 75 of the Consultation Paper also requires the listed issuers to provide appropriate instructions to the relevant parties, including their share registrars, brokers and agents, to ensure that treasury shares are appropriately identified and segregated.

To this effect, and after considering approaches adopted internationally, the Federation is of the view that the best practice for such identification and segregation of the treasury shares is for the issuer to ensure that the treasury shares are held directly on the ROM in a clearly identified position. Subject to this being permissible under the issuer's constitution and laws of their place of incorporation, this could mean the shares are registered in the issuer's own name; or otherwise in a nominee name that clearly identifies the holding as treasury shares. This approach will most effectively facilitate suppression of the various shareholder rights for the treasury shares, and allow issuers, or agents on behalf of the issuers, to support associated monitoring, reporting and other compliance requirements specified in this initiative.

Under such scenario, upon completion of any share repurchase by the issuer's broker, the issuer will be required to make a share transfer request, for the treasury shares to be held under the issuer's legal name,



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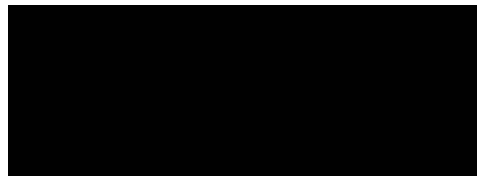
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or in a nominee name that clearly identify the holding as treasury shares, in the company's ROM. This mechanism will not only provide assurance that movement of issuers' shares are accurately tracked, it will also provide better protection of shareholders' right and better efficiency for issuers' agents, such as share registrar, while executing these critical functions on behalf of the issuers.

We trust that our comments above are helpful to the Exchange. Please reach out to the FSR via our email [REDACTED] or [REDACTED]. We welcome the opportunity to have a further in-depth discussion with your team on the above matters should further clarification be required.

Yours faithfully,
For and on behalf of
Federation of Share Registrars Limited



Chairman

c.c. Securities & Futures Commission