HKEX Guidance Letter
HKEX-GL119-24

April 2024 (Last updated in November 2026~~Effective from 11 June 2024~~)

Guidance on arrangements for listed issuers to hold or deposit treasury shares in CCASS

I. Background and purpose

1. Under the Listing Rules, a listed issuer may hold repurchased shares in treasury for future resale if it is permitted under the laws of the issuer's place of incorporation and its articles of association or equivalent constitutional documents. As the shareholders' rights (such as voting, dividend and distribution) attached to treasury shares are normally suspended by laws[1], the issuer shall ensure that treasury shares are appropriately identified and segregated.

2. In this regard, a listed issuer should have procedures in place to ensure that any movement of its issued shares and treasury shares are promptly and appropriately tracked and disclosed through next day disclosure returns and monthly returns. The issuer should provide appropriate instructions to the relevant parties, including its approved securities ~~share~~ registrar and broker, to ensure that a proper record of treasury shares is maintained (including any treasury shares held or deposited with Central Clearing and Settlement System (**CCASS**)).

3. This letter provides guidance to assist listed issuers in meeting their obligations to appropriately identify and segregate their treasury shares in CCASS (see section III.A).

4. This letter also provides guidance on the arrangements for shares repurchased by listed issuers for cancellation (see section III.B).

5. In this letter, references to dividends or distributions include other corporate events with entitlements (e.g. rights issues or open offers), and references to record date shall mean the last registration date if there is a book closure period.

II. Relevant Listing Rules

6. Main Board Rule 1.01 (GEM Rule 1.01) defines treasury shares as:

   "shares repurchased and held by an issuer in treasury, as authorised by the laws of the issuer's place of incorporation and its articles of association or equivalent constitutional documents which, for the purpose of the Rules, include shares repurchased by an issuer and held or deposited in CCASS for sale on the Exchange

   …"

[1] The exception is that under the company laws of some jurisdictions (e.g. Bermuda, the Cayman Islands, Singapore and the United Kingdom), treasury shares are entitled to distribution of bonus shares.

7. Main Board Rule 10.06(5) (GEM Rule 13.14) states that:

"Status of Purchased Shares

The shares repurchased by an issuer shall be held as treasury shares or cancelled. The listing of all shares which are held as treasury shares shall be retained. The issuer shall ensure that treasury shares are appropriately identified and segregated.

…"

III. Guidance

A. Treasury shares held for resale on the Exchange

8. A listed issuer intending to resell any treasury shares on the Exchange may hold or deposit such shares with CCASS registered under the name of HKSCC Nominees Limited (**HKSCCN**) as a common nominee. To facilitate the identification of treasury shares when they are held with CCASS, the issuer is expected to hold or deposit its treasury shares in a segregated account[2] in CCASS. It should also instruct the relevant broker to maintain a proper record of such treasury shares.

(1) Arrangements to hold or deposit treasury shares in CCASS

(a) Jurisdictions requiring treasury shares to be held in issuers' own names

9. If the laws of an issuer's place of incorporation (e.g. Bermuda and the Cayman Islands) require repurchased shares to be held in the issuer's own name in order to be classified as treasury shares, the issuer should, upon completion of the share repurchase, withdraw the repurchased shares from CCASS and register the repurchased shares in the issuer's register of ~~members~~ holders in its own name as treasury shares.

10. The issuer may re-deposit its treasury shares into CCASS only if it has an imminent plan to resell them on the Exchange, and it should complete the resale as soon as possible.

11. Although the repurchased shares would cease to be classified as treasury shares under the relevant laws when the legal titles of the shares are transferred to HKSCCN upon deposit with CCASS[3], such repurchased shares would continue to be treated in the same way as treasury shares registered in the issuer's own name under the Rules as they are beneficially owned by the issuer[4]. The issuer should, upon depositing any treasury shares in CCASS, give clear written instructions to its broker and ~~share~~ approved securities registrar that such repurchased shares would be treated as treasury shares under the Rules.

---

2 A segregated account may be opened by a broker or custodian (which is a CCASS participant) for the issuer to hold its treasury shares separately from the securities belonging to other clients of such broker or custodian. In such case, references to a broker in this guidance letter shall mean a broker or custodian through which the issuer's treasury shares are held in CCASS. The issuer may also consider other options available for holding treasury shares separately in CCASS.

3 The withdrawal or re-depositing process of the treasury shares from/into CCASS (as the case may be) would not be treated as a share repurchase or a transfer of shares out of treasury under the Rules if the issuer complies with the Rules and this guidance letter.

4 Under Main Board Rule 1.01 / GEM Rule 1.01, treasury shares include, for the purpose of the Rules, shares repurchased by an issuer and held or deposited in CCASS for sale on the Exchange.

12. For any treasury shares deposited with CCASS pending resale on the Exchange, the issuer should have appropriate measures to ensure that it would not exercise any shareholders' rights or receive any entitlements which would otherwise be suspended under the relevant laws if those shares were registered in the issuer's own name as treasury shares. These measures include, for example, an approval by the issuer's board of directors that:

    (i) the issuer should procure its broker not to give any instructions to Hong Kong Securities Clearing Company Limited (**HKSCC**) to vote at general meetings for the treasury shares deposited with CCASS; and

    (ii) in the case of dividends or distributions, the issuer should withdraw the treasury shares from CCASS, and either re-register them in its own name as treasury shares or cancel them, in each case before the record date for the dividends or distributions.

13. The issuer should disclose the interim measures referred to in paragraph 12 in its explanatory statement for share repurchase mandate if it may hold treasury shares in CCASS for resale on the Exchange.

(b) Jurisdictions which allow treasury shares to be held by nominees on behalf of issuers

14. On the other hand, where the laws of a listed issuer's place of incorporation (e.g. the PRC) do not require treasury shares to be held in the issuer's name, shareholders' rights attached to the shares will be suspended under the laws once the shares are repurchased by the issuer, irrespective of whether they are held in the name of the issuer or its nominee. In such case, the issuer may continue to hold the repurchased shares as treasury shares in a segregated account in CCASS. The issuer shall, upon completion of the share repurchase, give clear written instructions to its ~~share~~ approved securities registrar and the relevant broker to update the record to clearly identify those repurchased shares held in CCASS as treasury shares.

(2) Disclosure

(a) Voting at general meetings

15. The issuer should disclose in the poll results announcement[5] the number of treasury shares held by the issuer (including any treasury shares held or deposited with CCASS), and that such treasury shares were excluded from the total number of issued shares entitled to attend and vote on the resolution(s) proposed at the general meeting. The issuer should also confirm in the announcement that it has not exercised the voting rights of the treasury shares at the general meeting.

(b) Dividends or distributions

16. The issuer should disclose in the announcement relating to the declaration of dividends or distributions (i) the number of treasury shares held by the issuer (including any treasury shares held or deposited with CCASS); and (ii) that such treasury shares would not receive the dividends or distributions[6].

---

5 Main Board Rule 13.39(5)(a) / GEM Rule 17.47(5)(a)

6 In circumstances (such as distributions of bonus shares) where treasury shares are entitled to the distributions under the relevant laws (see footnote 1), the issuer should include a clarification in the announcement.

17. Where the issuer is incorporated in a jurisdiction requiring treasury shares to be held in its own name, it should also disclose in the announcement that it will withdraw all repurchased shares (if any) from CCASS, and either re-register them in its own name as treasury shares or cancel such repurchased shares, in each case before the record date for the dividends or distributions.

(3) Notification to HKSCC

18. If there remains any treasury shares held with CCASS which are not entitled to the dividends or distributions on the record date, the issuer should give clear written instructions to its ~~share~~ approved securities registrar to exclude such treasury shares in determining HKSCCN's entitlements to the dividends or distributions. The issuer and its broker should also promptly notify HKSCC the number of treasury shares held with CCASS, details of the broker and other information HKSCC may prescribe from time to time. HKSCC will exclude such treasury shares based on the notifications in allocating the dividends or distributions among the CCASS participants.

B. Repurchased shares pending cancellation

19. Main Board Rule 10.06(5) (GEM Rule 13.14) provides that the listing of any shares repurchased by an issuer but not held as treasury shares shall be automatically cancelled upon repurchase. The documents of title for the repurchased shares shall be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

20. Accordingly, an issuer should promptly instruct its broker to withdraw the repurchased shares from CCASS so as to complete the cancellation process with its ~~share~~ approved securities registrar. It should not exercise any shareholders' rights to attend and/or vote at the general meetings, or receive any dividend or distribution for the repurchased shares pending cancellation. The disclosure guidance on announcements relating to poll results and dividends or distributions in paragraphs 15 and 16 also applies to repurchased shares pending cancellation (if any).

21. If an issuer repurchased shares before the ex-date for any dividend or distribution but has not withdrawn the shares from CCASS for cancellation on or before the record date, the issuer should instruct its ~~share~~ approved securities registrar to exclude such repurchased shares in determining HKSCCN's entitlements. The issuer and the relevant broker should promptly notify HKSCC the number of such repurchased shares held in CCASS, details of the broker and other information HKSCC may prescribe from time to time.

Important note:
This letter does not override the Listing Rules and is not a substitute for advice from qualified professional advisers. If there is any conflict or inconsistency between this letter and the Listing Rules, the Listing Rules prevail. You may consult the Listing Division on a confidential basis for an interpretation of the Listing Rules, or this letter.