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Listed companies beware: Be careful how you spend your money

February 10, 2021 | Client Update

In recent months, the Hong Kong Stock Exchange has stepped up its scrutiny of investments by Hong Kong-listed companies in various types of short-term investment products. Importantly, buying and selling of securities in the ordinary course of business no longer qualify for the “revenue exemption” under the notifiable transactions rules. These activities will be subject to the same regulatory requirements (as regards notification, public announcement and shareholders’ approval) as other forms of post-listing transactions. Newly listed companies should beware of the regulatory implications of these activities when using some of their IPO proceeds to purchase short-term investment products. The internal controls and compliance systems of listed companies should be updated to enable the management to monitor relevant transactions. This memorandum sets out the relevant regulations and some points to note for Hong Kong-listed companies.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Vanessa Chan
+852 2533 1047
vanessa.chan@davispolk.com

Li He
+852 2533 3306
li.he@davispolk.com

James C. Lin
+852 2533 3368
james.lin@davispolk.com

Martin Rogers
+852 2533 3307
martin.rogers@davispolk.com

Yue (Jenny) Yin
+86 10 8567 5007
yue.yin@davispolk.com

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