Global Public M&A Guide - Hong Kong

Delisting

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# 8. Delisting

[Last updated: 1 January 2025, unless otherwise noted]

**8.1 Methods**

The methods that can be used to delist and take a public company private in Hong Kong (commonly referred to as "**privatization**") are:

scheme of arrangement;

general offer plus compulsory acquisition, i.e., squeeze-out (see 7.1 above);

general offer plus shareholders’ approval for delisting; and

capital reorganization plus shareholders’ approval for delisting.

A scheme of arrangement is a court sanctioned arrangement with shareholders to cancel or transfer to a bidder all the shares in the target company. The court may sanction and permit the scheme of a Hong Kong incorporated listed company if at least 75% of the voting rights of the shareholders present and voting at the court-directed shareholders' meeting vote in favor of the scheme at the meeting (and not more than 10% of the total voting rights attached to all "disinterested shares" vote against the scheme at the meeting). If the listed company concerned is not a Hong Kong incorporated company, the local laws may also require the scheme to be approved by a majority in number of the shareholders voting at the shareholders' meeting (commonly referred to as the "**headcount test**").

In addition to satisfying the voting requirements imposed by law, the Takeovers Code requires that (a) 75% or more of the votes attaching to the "disinterested shares" cast at a duly convened meeting of shareholders agree to the scheme; and (b) the number of votes cast against the scheme at such meeting is not more than 10% of the votes attaching to all "disinterested shares". The concept of "disinterested shares" for the purposes of the Takeovers Code is different from the definition of "disinterested shares" under the Companies Ordinance. Under the Takeovers Code, the term "disinterested shares" is defined to mean shares in the target company other than those which are owned by the bidder or persons acting in concert with it.

As a scheme of arrangement is implemented by the target company, it is not appropriate for hostile bids.

The scheme of arrangement is the most commonly seen privatization method in Hong Kong. Some reasons for this are the "all-or-nothing" nature of a scheme and the Hong Kong stamp duty savings that may ensue from a scheme involving the cancellation of shares in the target company.

**8.2 Delisting**

In Hong Kong, following a successful privatization through a scheme of arrangement or a squeeze-out, a Hong Kong listed company can voluntarily withdraw its listing on the Stock Exchange.

A Hong Kong listed company can also voluntarily withdraw its listing on the Stock Exchange following a general offer, a capital reorganization or in other specific circumstances. Such voluntary withdrawal will be subject to shareholders’ approval and other regulatory requirements, depending on whether or not the listed company has an alternative listing.

A listed company must give its shareholders notice of the proposed withdrawal of listing by way of an announcement, and the intention not to retain the listing must be stated in a circular to the shareholders.

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