

Snapshot: the resurgence of take-private transactions in Asia

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Last year saw a resurgence in listed companies incorporated in the Cayman Islands, with links to Asia, de-listing from global stock exchanges. This is a trend we're seeing continue into 2021.

High profile examples include the delisting of Golden Meditech Holdings Limited, previously listed on the Hong Kong Stock Exchange (HKEX), and the take-private of China Biologic Products Holdings Inc, whose shares previously traded on NASDAQ and are now suspended, pending their delisting.

By way of illustration, in the 12 months to 31 December 2020, 21 companies listed on the HKEX were privatised by their major shareholder. [1] This represents a marked increase from the ten HKEX listed companies that were privatised by their major shareholder in 2019. [2]

| Why the surge in popularity?

Take-private transactions are cyclical in nature and tend to increase in number during economic downturns, where a variety of factors can cause the share price of a listed company to trade at a discount to its net asset value per share. 2020 is a case in point, as global stock markets saw increased volatility due to the Covid-19 pandemic and macroeconomic uncertainty.

Regulatory and compliance factors have also contributed to the renewed popularity of privatisations. Chinese entities with close ties to the state have privatised as a way to restructure their assets and improve internal efficiency by reducing compliance costs and centralising management. AVIC International Holdings Limited and Huadian Fuxin Energy Corporation Limited are examples from last year. After delisting, these entities may seek to achieve a higher valuation by listing on another platform such as the Shanghai Stock Exchange or the Shenzhen Stock Exchange (each an A-share Market).

Furthermore, tension between the US and Chinese governments has led some Chinese

companies to consider de-listing from NASDAQ or the New York Stock Exchange, with a possible return to an Asian market (such as the HKEX or an A-share Market), as a consequence of new US legislation, for general political reasons or to achieve a more favourable share price on re-listing.

The outlook for 2021

It is expected that these factors will continue in the short to medium term and, to date, 2021 has seen a continuation of the current wave of public-to-private transactions.

Ogier in Hong Kong recently acted as Cayman Islands counsel to the joint mandated lead arrangers on the US\$1.1 billion loan to part-finance the US\$4.76 billion privatisation of China Biologic Products Holdings Inc and our global team of experts has considerable experience in the corporate, finance and dispute resolution aspects of take-private transactions.

Please get in touch for more information.

[1] Note: See pages 69 of the [HKEX Fact Book 2020](#).

[2] Note: See page 63 of the [HKEX Fact Book 2019](#).

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