

HONG KONG STOCK MARKET: EQUITY-BACKED FINANCING AND PRICE PERFORMANCE

From time to time, shareholders made disclosures on equity-backed financing on HKEX disclosures of interests, which can take the form of margin financing or structures involving title transfers, etc. The market may have a perception that these disclosures will have a negative impact on shares prices of the underlying securities.

In this report, we conduct a study evaluating data from HKEX disclosures of interests to assess the price impact following equity-backed financing disclosures. This study is not intended to predict share price movements or to provide investment advice. It is merely an observation based on limited data.

HKEX DISCLOSURES

In our previous issue of FirstNews, we looked at the share price performance of companies that had completed equity-backed financing with EquitiesFirst in Asia, including Hong Kong, Japan and US-listed stocks, etc.

From January 1, 2024 to March 31, 2025, a total of over 320 disclosures regarding equity-backed financing were filed. A single company can file multiple equity-backed financing disclosures and a total of 67 companies reported that their shareholders had engaged in equity-backed financing during this period.

As shared above, a common question among investors is whether a company's share price will be affected following these disclosures. To address this frequently-raised question, we conducted a study on the impact of Hong Kong equity-backed financing on stock prices.

+0.3%

Price change 1 day
after the equity-
backed financing
disclosure

+2.3%

Price change 1 week
after the equity-
backed financing
disclosure

+2.0%

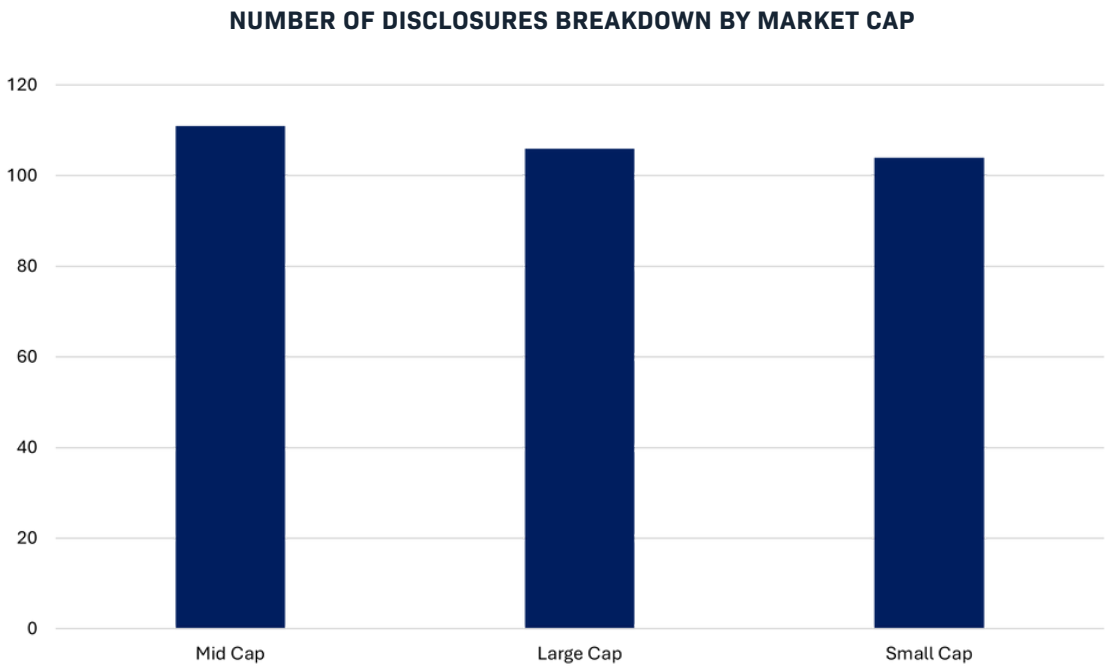
Price change 1
month after the
equity-backed
financing disclosure

+5.1%

Price change to date
(31 March 2025)

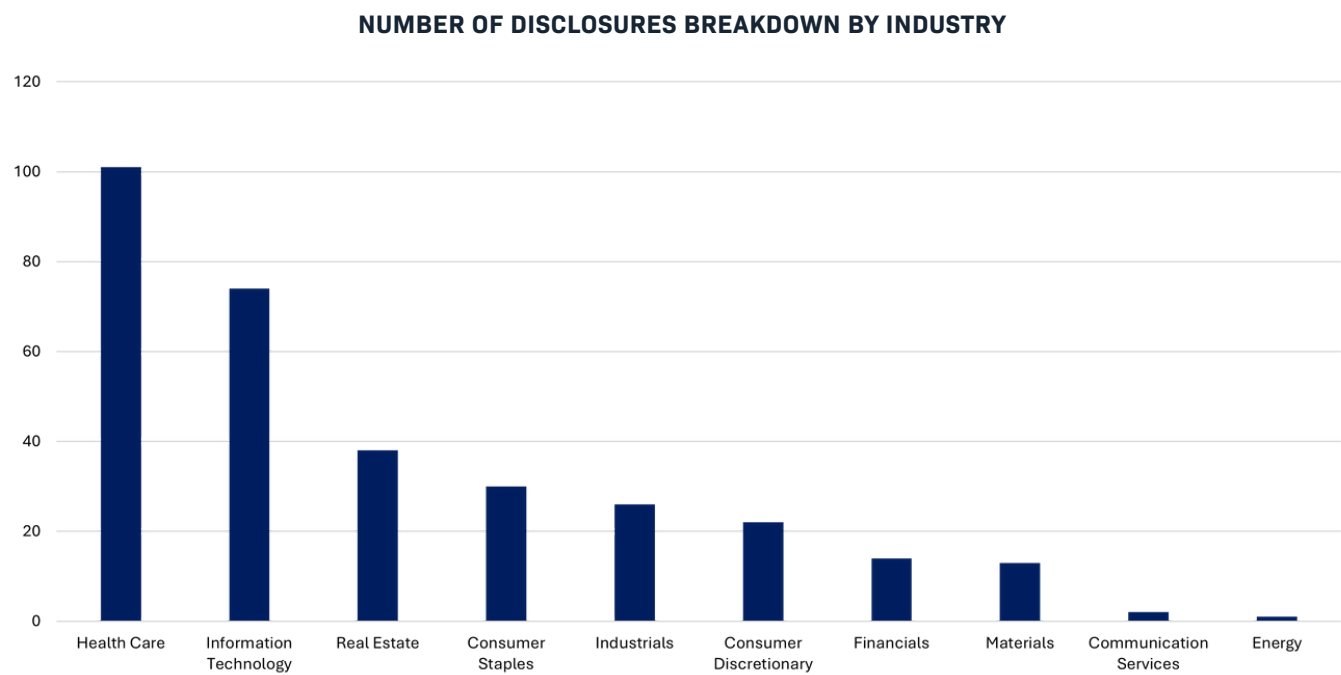
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MARKET CAP



Equity-backed financing occurred in similar proportions across all three segments, suggesting that regardless of a company's size, shareholders may have demand for equity-backed financing. For the market cap breakdown of the disclosures, we define small cap as below USD 1 billion, mid cap as USD 1–5 billion and large cap as above USD 5 billion.

INDUSTRY BREAKDOWN



In terms of industry breakdown, the healthcare sector registered the highest equity-backed financing activity. This prominence likely reflects the intensive research and development spending from biotech and pharmaceutical firms, which often require flexible financing solutions to fund clinical trials and innovation pipelines. Information technology ranked second, suggesting that hardware manufacturers and tech service providers also use equity-backed financing to support capital expenditure on infrastructure and product development.

Real estate and consumer staples also showed notable disclosure counts. Property developers may secure equity-backed financing to free up liquidity for land acquisition and construction, while consumer goods companies often need working capital to manage inventory cycles and distribution channels. Industrials fit a similar pattern, as manufacturers frequently tap into equity-backed financing to finance equipment purchases and production scaleups.

In contrast, sectors such as communication services and energy saw minimal equity-backed financing announcements. These industries either enjoy steadier cash flows from long - term contracts or have access to alternative financing structures, reducing reliance on equity-backed financing.

This report analyses the equity-backed financing disclosures by Hong Kong-listed companies across 2024 and early 2025 and finds that equity-backed financing did not have material impact on stock prices. Small caps and large caps showed similar equity-backed financing activity. Sector data reveal that healthcare, information technology, real estate and consumer staples companies most frequently used equity-backed financing. Overall, the performance data indicates that equity-backed financing has served as an effective liquidity solution.

EquitiesFirst provides equity-backed financing for stocks listed on major stock exchanges, including those in Hong Kong, Japan, US, Singapore and others. Our terms feature attractive interest rates with an average of 3.5%, a loan-to-value ratio of 60-70% and a typical margin call threshold set at 50%. Additionally, EquitiesFirst offers several benefits with its financing model, including non-recourse terms which do not require personal guarantees. Importantly, EquitiesFirst voluntarily waives the right to seek repayment if the borrower chooses to default on their repayment obligations.

CONTACT US



GORDON CROSBIE-WALSH

CEO Asia

+852 3958 4589

gcrosbie-walsh@equitiesfirst.com

BANGKOK

+66 2059 0242

THinfo@equitiesfirst.com

BEIJING

+86 10 5929 8686

info@equitiesfirst.com

HONG KONG

+852 3958 4500

HKinfo@equitiesfirst.com

SEOUL

+82 2 6370 5180

info@equitiesfirst.com

SHANGHAI

+86 21 5117 5896

info@equitiesfirst.com

SINGAPORE

+65 6978 9100

SGinfo@equitiesfirst.com

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