

The Exchange Publishes Phase II Consultation Paper on the Competitiveness Review of Listing Framework

12 October 2026

A. Background

The Stock Exchange of Hong Kong Limited (the "Exchange") published a [Consultation Paper](#) on Phase II of Listing Framework Competitiveness Review (the "Consultation Paper") on 21 September 2026, seeking market feedback on reforms to the post-listing regulatory framework. The proposals aim to ensure that the framework remains fit for purpose, while enhancing Hong Kong's competitiveness and attractiveness as an international listing venue.

Following its Phase I review of initial listing requirements, the Exchange's Phase II review addresses the continuing requirements applicable to issuers after listing. In particular, the Consultation Paper proposes reforms to (1) notifiable transactions, (2) connected transactions and (3) spin-offs to give issuers greater flexibility while maintaining investor protection.

The Exchange proposes that the amendments take effect on an effective date (the "**Effective Date**") to be specified in the consultation conclusions paper, with the Effective Date expected to fall shortly after the publication of that paper.

B. Key Proposals

1. Notifiable Transactions

The Consultation Paper sets out proposals to reform the notifiable transaction regime under Chapter 14 of the Main Board Listing Rules (Chapter 19 of the GEM Listing Rules).

Percentage ratios

Currently, issuers classify transactions using five percentage ratios: assets ratio, revenue ratio, profits ratio, consideration ratio and equity capital ratio. The Exchange proposes to remove the profits ratio.

Rationale: The profits ratio is considered particularly prone to anomalous results where an issuer or target records losses or exceptional items, while the remaining ratios are considered sufficient to assess a transaction's materiality.

The Exchange also proposes to modify the consideration ratio so that transaction consideration is measured against the higher of an issuer's market capitalisation or net asset value, rather than market capitalisation alone under the current approach.

Rationale: This is intended to provide a more representative measure for asset-heavy or undervalued issuers.

Transaction classifications and thresholds

The Exchange proposes to increase the threshold for a major transaction from 25% to 50%. Transactions between 25% and 50% would instead be classified as discloseable transactions and would not require a circular or shareholders' approval. The increased threshold for classifying major transactions would not apply to transactions involving financial assistance and securities or other investment activities, including acquisitions or disposals of securities, wealth management products, digital assets and other investment products, given the greater regulatory risks associated with such transactions.

Rationale: Shareholders have historically rarely exercised their voting rights to block transactions, while the circular and approval process can result in additional costs, delays and execution uncertainty. The proposal aims to facilitate legitimate, value-accretive transactions while retaining shareholders' approval for transactions that may materially affect an issuer's business or financial position.

The Exchange also proposes to abolish the very substantial acquisition ("**VSA**") and very substantial disposal ("**VSD**") classifications, with such transactions instead treated as major transactions. As a result, the existing pre-vetting requirement for VSA and VSD announcements would also fall away.

Rationale: Integrating VSA and VSD transactions into the major transaction category would simplify the classification regime. Removing the associated pre-vetting requirement would also align with the Exchange's broader shift from pre-vetting to post-vetting since 2009, promoting issuer self-compliance and more timely market disclosure.

With the proposed removal of the transaction classifications of VSA and VSD, the Exchange proposes to continue allowing major transactions to be approved by written shareholders' approval in lieu of holding a general meeting, except for acquisitions where any of the applicable percentage ratios is 100% or more, and disposals or other transactions where any such ratio is 75% or more. For acquisitions where any of the applicable percentage ratios is 100% or more, the requirement for the accountants' report included in the circular to be issued by a PIE Auditor would also continue to apply.

Rationale: These retentions aim to improve efficiency while preserving shareholders' voting rights for more significant transactions.

Ordinary and usual course of business exemption

The Exchange proposes a new exemption from the circular and shareholders' approval requirements for acquisitions or leases of assets in an issuer's ordinary and usual course of business, even if they constitute major transactions. The exemption would apply where the assets are acquired or leased to maintain or expand an existing principal business that has been reported as a continuing principal business for the preceding two full consecutive financial years. The board must also confirm that the transaction is in the ordinary course of business, on normal commercial terms, and fair and reasonable. The proposed new exemption will also be available where a listed issuer acquires or leases assets through a wholly owned special purpose vehicle which is established solely for the purposes of holding the asset for use in the issuer's ordinary and usual course of business. However, other than in these circumstances, the exemption would not cover acquisitions of companies, businesses or securities, joint ventures, financial assistance, or securities and investment activities.

Rationale: The exemption aims to provide issuers with greater flexibility to undertake capital expenditure for established principal businesses without the cost and delay of a circular and shareholders' approval. The two-year track record and board confirmation requirements are intended to prevent the exemption from being used for newly established or recently acquired businesses. Since the exemption is designed to be confined to the acquisition or leasing of assets that are conducted to the issuer's ordinary and usual course of business, it would not be extended to the acquisition of companies or businesses.

Enhanced announcement requirements for notifiable transactions

Currently, notifiable transaction announcements are only required to contain baseline information about the transaction, without the more detailed financial and impact disclosures proposed below. The Exchange proposes more extensive disclosure for all notifiable transaction announcements. The additional information would include:

- material terms and conditions of the transaction;
- the basis for determining the consideration, including relevant valuation detail where the consideration was determined primarily based on an independent valuation;
- key financial information of the target, including its audited financial information for the preceding two financial years, together with adequate explanations to enable shareholders and investors to better understand its financial performance;

- where audited financial information of the target is unavailable, the board would need to explain why it considers it reasonable to enter into the transaction based on unaudited information, the reliability of and risks associated with relying on such information, and disclose the source of the financial information presented in the announcement and the basis on which it was prepared;
- the qualitative and quantitative impact of the transaction on the issuer;
- post-transaction interests where the transaction involves an acquisition or a disposal of an interest in a company which will become or cease to be a subsidiary of the issuer;
- where relevant, details of securities forming part of the consideration; and
- a directors' responsibility statement.

Further announcements would also be required for any material subsequent developments, including but not limited to changes to long-stop dates or payment schedules, determination of previously unfixed consideration and completion of the transaction.

Rationale: Following the removal of circular and shareholders' approval requirements for transactions between 25% and 50%, the Exchange aims to maintain adequate investor protection by providing key financial and transaction information to investors at an earlier stage, with a view to enabling them to assess the significance, merits and risks of the relevant transactions.

Circular requirements for major transactions

Currently, circular disclosure requirements differ across major transactions, VSAs and VSDs. Following the proposed abolition of the VSA and VSD classifications, the Exchange proposes to align the circular requirements for all major transactions, broadly based on the existing VSA and VSD requirements but with streamlined disclosures.

Among other changes, the Exchange proposes to simplify the requirements for historical financial information and management discussion and analysis, remove the indebtedness statement and disclosure of material contracts unrelated to the transaction, introduce a risk factors section, and allow general information on directors and the chief executive to be incorporated by reference to other published documents. An independent valuation report would also be required where the consideration is primarily valuation-based.

For disposals, the Exchange proposes to remove the requirement for auditor or reporting accountant's review of the target's financial information and to limit the required historical financial information to the target's profit and loss, balance sheet and cash flow statements

(instead of the full set of financial statements including the statement of changes in equity as currently required for a VSD), in addition to the pro-forma profit and loss statement, balance sheet and cash flow statements of the remaining group. For acquisitions of revenue-generating assets, the Exchange also proposes to codify its existing waiver practice by allowing certain financial information to be omitted where the consideration is primarily valuation-based, subject to appropriate valuation and alternative historical performance disclosure and a board fairness statement.

Rationale: These changes aim to focus circulars on information material and relevant to shareholders' assessment of a transaction, while removing disclosures that impose costs without proportionate benefit.

Securities house exemption

Currently, only securities houses mainly engaged in regulated activities under the Securities and Futures Ordinance qualify for the revenue exemption. The Exchange proposes to extend the existing revenue exemption for securities transactions carried out by a PRC securities house regulated under the PRC Securities Law and mainly engaged in equivalent regulated activities. Eligibility would be assessed on a case-by-case basis, but the exemption would not be available where proprietary trading or investment forms a significant part of the securities house's business.

Rationale: The Exchange's rationale is to reduce the compliance burden on issuers already subject to prudential supervision.

2. Connected Transactions

The Consultation Paper proposes targeted reforms to the connected transaction regime under Chapter 14A of the Main Board Listing Rules (Chapter 20 of the GEM Listing Rules).

Scope of connected persons

Currently, a non-wholly owned subsidiary is a "connected subsidiary" if an issuer-level connected person holds or controls 10% or more of its voting power. Under the proposal, a non-wholly owned subsidiary would only be a connected subsidiary if a connected person at issuer level can exercise or control 30% or more of its voting power.

Rationale: The proposed change takes into account the issuer's continued control over the subsidiary and consolidation of its results, which may reduce the conflict-of-interest risk associated with such transactions.

Percentage ratios and announcement requirements

A number of reforms proposed for notifiable transactions would also apply to connected transactions, including the consideration ratio modification, enhanced announcement disclosures and streamlined circular

requirements, such as permitting certain information on directors and the chief executive to be incorporated by reference, to maintain consistency between the two regimes.

PRC issuer-specific requirement

The Exchange also proposes to remove a PRC-specific requirement under which any partner of a cooperative or contractual joint venture is treated as an associate of the connected person(s) where the connected person(s) together hold 30% or more of the joint venture's interests.

Rationale: Such joint venture partners are generally not in a position to control or significantly influence or benefit from transactions with the issuer. Removing the requirement would also promote consistency between PRC and non-PRC issuers.

Annual caps for continuing connected transactions

Currently, annual caps for continuing connected transactions generally must be expressed in monetary terms. The Exchange proposes to allow annual caps for revenue transactions in the ordinary and usual course of business to be expressed as a percentage of the issuer's revenue or other audited financial items, subject to disclosure of the basis for the cap and the internal controls for monitoring compliance.

Rationale: Percentage-based caps would provide greater flexibility where a fixed monetary cap may be arbitrary or difficult to estimate due to insufficient historical data, while maintaining appropriate monitoring controls.

3. Spin-offs

The Consultation Paper also proposes reforms to the spin-off regime under Practice Note 15 ("PN15"), under which an issuer (the "ParentCo") separately lists assets or a business (the "SpinCo").

Scope of PN15 applicability

Where a spin-off is proposed by an Exchange-listed subsidiary that is itself subject to PN15, its Exchange-listed holding company would be exempt from PN15 in respect of the same spin-off.

Rationale: Applying PN15 at the subsidiary level already addresses the "one business cannot support two listings" concern, making duplicate compliance at the holding company level unnecessary. Further, any material disposal by the holding company arising from the spin-off would remain subject to the applicable notifiable transaction requirements, where the interests of the shareholders are protected under applicable announcement and/or shareholders' approval requirements.

Regulatory process – self-assessment route

The Exchange proposes a new self-assessment route allowing ParentCos to assess their compliance with PN15 without prior approval from the Exchange. The self-assessment route would be available only to Main Board issuers.

To qualify for the self-assessment route, the ParentCo must comply with PN15 and, when the SpinCo submits its listing application, meet the following criteria:

- the ParentCo has a market capitalisation of at least HK\$10 billion, based on the 125-trading-day volume-weighted average price of its shares;
- the ParentCo's principal business generated revenue of at least HK\$1 billion in the latest audited financial year; and
- the remaining group following the spin-off (the "**Remaining Group**") must account for more than 50% of the issuer group's revenue and total assets.

Procedurally, the ParentCo must submit a board confirmation and detailed computation of its self-assessment when the SpinCo submits its listing application, and promptly reassess compliance following any material change. If the spin-off is terminated or suspended, the Exchange must be notified. Any subsequent reactivation would require a fresh confirmation and computation, failing which prior approval must be sought.

Where the SpinCo is to be listed on the Exchange, all ParentCos (irrespective of whether they rely on the self-assessment route or not) must also confirm continued compliance with PN15 at least four clear business days before the expected hearing date.

Rationale: The proposed route aims to improve efficiency and certainty for larger ParentCos with substantial businesses, where the risk of one business supporting two listings is lower, by setting size thresholds at least double the requirements under the market capitalisation/revenue test for new listing applicants under the Main Board Listing Rule 8.05(3) and aligning the 50% Remaining Group condition with the proposed major transaction threshold.

Importantly, the proposal does not relieve directors of their duty to ensure proper due diligence supporting PN15 compliance, and the Exchange would continue to review Spin-offs through post-vetting of announcements.

New announcement requirements

Currently, PN15 requires a ParentCo to announce its spin-off listing application, but does not prescribe the specific content the announcement must contain. The Exchange proposes to introduce specific disclosure requirements for spin-off announcements, including the identity and business of the SpinCo and the Remaining Group; the SpinCo's revenue and net profits for the preceding two financial years; the spin-off structure and listing venue; the ParentCo's expected shareholding in the SpinCo before and after the spin-off; the proposed

fundraising and use of proceeds; the reasons for and expected benefits of the spin-off, together with the directors' fairness statement; and confirmation of Exchange approval or reliance on self-assessment and compliance with PN15.

Rationale: The proposal enhances transparency by providing shareholders with key information needed to assess the spin-off and make informed investment decisions.

Assured entitlement requirement to be removed

Currently, PN15 requires ParentCos to have due regard to the interests of existing shareholders by providing an assured entitlement to shares in the SpinCo, either through a preferential offering or a distribution in species. The size of the assured entitlement is determined by the ParentCo's directors and advisers, with shareholders treated equally. The Exchange proposes to remove the assured entitlement requirement for all spin-offs, regardless of the SpinCo's listing venue or whether the ParentCo is primary or secondary listed.

Rationale: Assured entitlements, which are perceived as additional benefit to the shareholders of the ParentCo, have generally been limited in value, while preferential offerings have often been undersubscribed and may be difficult to implement due to cross-jurisdictional legal constraints. Shareholder protection would continue through the applicable notifiable transaction disclosure and approval requirements and continued indirect interests where the SpinCo remains consolidated.

Moratorium period to be shortened

Under the current PN15 framework, a spin-off would not normally be considered within three years of the ParentCo's listing. The Exchange proposes to shorten the moratorium period from three years to one year and clarify that compliance would be assessed when the SpinCo submits its listing application, rather than when the Listing Committee considers the spin-off proposal.

Rationale: The three-year moratorium may unduly restrict legitimate post-listing business developments. A one-year period would provide greater flexibility while aligning with existing safeguards against fundamental changes to an issuer's business shortly after listing.

Exemptions from the spin-off moratorium period

The Exchange further proposes to exempt certain overseas-listed issuers from the spin-off moratorium, including secondary-listed issuers and qualifying dual-primary-listed issuers that have been listed on a PRC stock exchange or a Recognised Stock Exchange for at least two consecutive financial years. Issuers relying on the exemption would be required to disclose in their listing documents any specific and imminent spin-off plans, or include an appropriate negative statement.

Rationale: Secondary-listed and dual-primary-listed issuers already have an established track record and operating history when they list in Hong Kong, enabling investors to assess them based on their existing operations and publicly available information from their prior listings.

C. Implementation and Transitional Arrangements

The Exchange proposes that the amendments take effect on the Effective Date to be specified in the consultation conclusions paper, with the Effective Date expected to fall shortly after the publication of that paper.

The Exchange proposes transitional arrangements to facilitate the implementation of the amendments, if adopted.

1. Notifiable Transactions

For notifiable transactions, the amendments would generally apply to transactions whose terms are agreed on or after the Effective Date. A one-month grace period would apply to the enhanced announcement disclosure requirements for transactions announced within one month after the Effective Date, during which any information not readily available at the time of the initial announcement may be provided in a supplemental announcement or circular as soon as practicable and, in any event, no later than one month after the initial announcement.

For major transactions, VSAs or VSDs whose terms are agreed within two weeks before the Effective Date and for which a circular has not yet been issued, issuers may elect to:

- announce the transaction in lieu of obtaining shareholders' approval if it would be exempt from such approval under the amendments. Such announcement should contain details of the change of the shareholders' approval arrangement and additional information required under the amended Listing Rules to the extent that it was not disclosed in the initial announcement;
- proceed with the circular and shareholders' approval requirements based on the amended transaction classification; or
- rely on the new ordinary-course exemption, where applicable.

Save for this transitional arrangement, issuers should not retrospectively reclassify transactions entered into or announced before the Effective Date.

2. Connected Transactions

For connected transactions, the amendments would generally apply to transactions whose terms are agreed on or after the Effective Date. The same transitional framework for notifiable transactions, including the

grace period for supplemental disclosure, would apply to connected transactions whose terms are agreed on or after the Effective Date.

3. Spin-offs

For spin-offs, the amendments would generally apply to all active spin-off proposals on or after the Effective Date.

The self-assessment route would not apply to proposals submitted to the Exchange for vetting and approval before the Effective Date, which would continue to be processed under the existing approval process. Issuers are not expected to withdraw pending submissions solely to access the new self-assessment route.

For assured entitlements, the amendments would apply to active proposals on or after the Effective Date, except where the record date and distribution ratio for the assured entitlements were already announced on or before the Effective Date.

The shortened moratorium period would apply to all issuers, including those listed before the Effective Date. However, the new exemptions for secondary-listed and dual-primary-listed issuers would apply only to issuers listed on the Exchange on or after the Effective Date. Existing waivers or exemptions would continue to apply, provided that their conditions continue to be met.

D. Conclusion

Overall, the proposals set out in the Consultation Paper aim to reduce costs, delays and execution uncertainty under the existing regime, while preserving robust protections for shareholders and investors.

Accordingly, if these proposals are adopted, issuers and directors should continue to maintain a high standard of internal control and transactional oversight processes.

For further details, please refer to the [Consultation Paper](#) published by the Exchange.

Contact the Author



George Tong

Partner, Hong Kong

T: +852 2841 6836 M: +852 6113 1482

E: george.tong@minterellison.com

MinterEllison Group and Associated Offices:

Adelaide Auckland Brisbane Canberra Darwin Gold Coast Hong Kong London Melbourne Perth Sydney Wellington

This bulletin was prepared by MinterEllison LLP for highlighting certain issues at the relevant time and for information only, and is not intended to be comprehensive. It is not for providing legal advice, and its contents do not constitute legal advice and shall not be relied upon by anyone for any general purpose or in relation to specific transactions and/or circumstances. Professional advice should be sought before applying the information to particular circumstances. Please contact one of your regular contacts at MinterEllison LLP should you have any questions or comments on this bulletin. MinterEllison LLP accepts no responsibility for any loss which may arise from reliance on the information contained in this bulletin.

© 2026 MinterEllison LLP