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Research Report

Hong Kong's Role as a Fundraising Hub for International Companies

CONTENTS

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SUMMARY

It is rather common for companies around the world to seek a listing outside their domestic markets. International financial centres (IFCs) are considered the most attractive for offshore listings, regardless of their sizes, sectors and origins. While Mainland China, with its fast-growing economy, is a key source of offshore listings, demand for offshore listings from companies in other parts of the world is also significant.

Companies tend to seek initial public offerings (IPOs) in their domestic markets first. Companies may consider or prefer primary or secondary listings in overseas markets for various reasons, including for widening their investor bases and funding channels, supporting business expansion and cooperation, enhancing their global standings and brand awareness, and pursuing listing regimes and related disclosure and governance requirements that meet investors' needs.

Hong Kong has been one of the world's top-ranked IPO venues for many years and is a major offshore equity financing centre for Mainland companies and the most popular overseas listing venue for companies in member countries of the Association of Southeast Asian Nations (ASEAN).

Hong Kong's listing regime has evolved to welcome companies from around the world, facilitate the primary and secondary listings of diverse types of domestic and overseas companies, including new-economy companies, while upholding strong investor protection.

One attraction of Hong Kong is its unique position to offer two-way connectivity between Mainland China and the world, and this creates multiple advantages. The market also has efficient and well-established infrastructure, a diversified base of global and Mainland investors, and a mature asset management industry to serve growing investor demand for Mainland and global asset allocations.

Policy initiatives, such as the Stock Connect programme in particular, have boosted liquidity in Hong Kong's stock market. Southbound trading under Stock Connect has become a key channel of overseas asset allocations and portfolio diversification for Mainland investors.

Continuous enhancements to the Stock Connect scheme include the expansion of the scope of securities eligible for Southbound trading since 13 March 2023 to include eligible international companies primarily listed in Hong Kong. Coupled with continued product innovation and market enhancements, it is expected that the inclusion of international companies in Stock Connect will boost market liquidity over time.

In terms of market developments, Hang Seng Indexes Company has conducted a market consultation on adding international companies primarily listed in Hong Kong to the Hang Seng Index. If implemented, this may attract more passive funds into the market, potentially boosting liquidity for stocks of overseas issuers, expanding the ecosystem and increasing the attractiveness of the market as a key fundraising centre for international companies and an investment hub in Asia.

1. OVERVIEW OF OFFSHORE LISTINGS IN MAJOR MARKETS

A company may seek a listing at home, overseas or both for various reasons. In addition to raising capital for business development, reasons for listing include brand/reputation building, market exposure/visibility, shareholder base expansion, staff motivation/retention and liquidity creation for shares. To better achieve these goals, a company may opt for a listing in one or more overseas markets, instead of, or in addition to, its domestic market (see Section 2 for detailed discussions).

There are multiple ways to achieve an overseas listing. For example, in Hong Kong, an overseas company can seek a primary listing, dual primary listing or secondary listing. It can also choose to list shares or Hong Kong depositary receipts (HDRs) via one of these three routes (see Table 1).

Table 1. Different ways of listings in Hong Kong for overseas companies

Feature	Primary listing	Dual primary listing	Secondary listing
Type of securities listed	Shares or HDRs representing a specified number of shares in the company		
Company already listed in other market(s)	No	Yes	Yes
Regulatory framework	Laws and regulations of Hong Kong	Laws and regulations of Hong Kong and the place of the other primary listing apply equally	Laws and regulations of the place of the primary listing with extensive waivers of Hong Kong regulations

Source: Main Board Listing Rules of the Stock Exchange of Hong Kong.

There are a considerable number of listings of foreign companies on stock exchanges across the world (referred to as "offshore listings" in this paper). According to data from the World Federation of Exchanges (WFE), there were 5,433 offshore listings on 56 exchanges at the end of 2022, and there were 1,479 new offshore listings on 43 exchanges from 2018 to 2022[1].

International financial centres (IFCs) are considered the most attractive for offshore listings, so it is worth looking deeper into trends in such markets. The cases of the NASDAQ and the New York Stock Exchange (NYSE) in the United States (US); London Stock Exchange (LSE) in the United Kingdom (UK); Singapore Exchange in Singapore; and the Stock Exchange of Hong Kong (SEHK) in Hong Kong are examined.

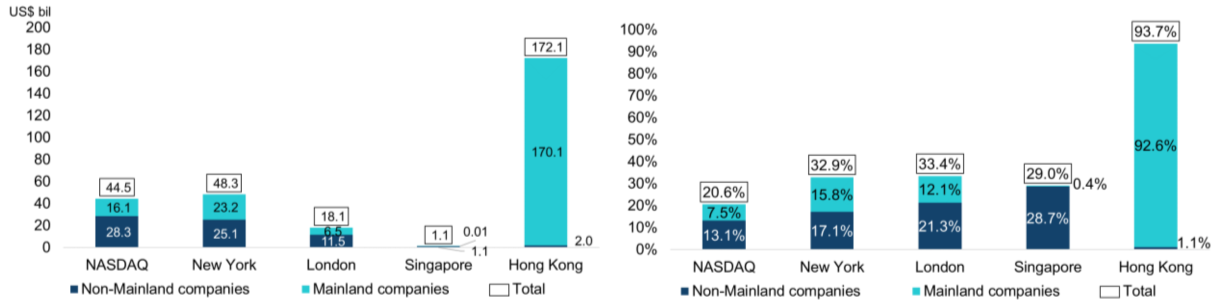
In the five years to 2022, offshore listings made up a considerable proportion of total funds raised through initial public offerings (IPOs) in these markets. As shown in Figure 1, from 2018 to 2022, offshore listings accounted for 20%-30% of total IPO funds raised on exchanges in the US, UK and Singapore.

Among the three exchanges, the share of Mainland companies was as high as 16% in the case of the NYSE. Hong Kong had the largest percentage of offshore listings in terms of IPO funds raised during the period. However, almost all of them were from Mainland enterprises, while the origins of offshore listings in the US and UK were much more balanced between Mainland China and other countries. To learn from them, we take a deeper look into the cases of the US and the UK.

[1] Source: Exchanges' data on WFE's website, downloaded on 28 June 2023.

Figure 1. IPO funds raised through offshore listings and their shares in total IPO funds raised in selected IFCs (2018 – 2022)

(a) IPO funds raised **(b) Share of total IPO funds raised in each market**



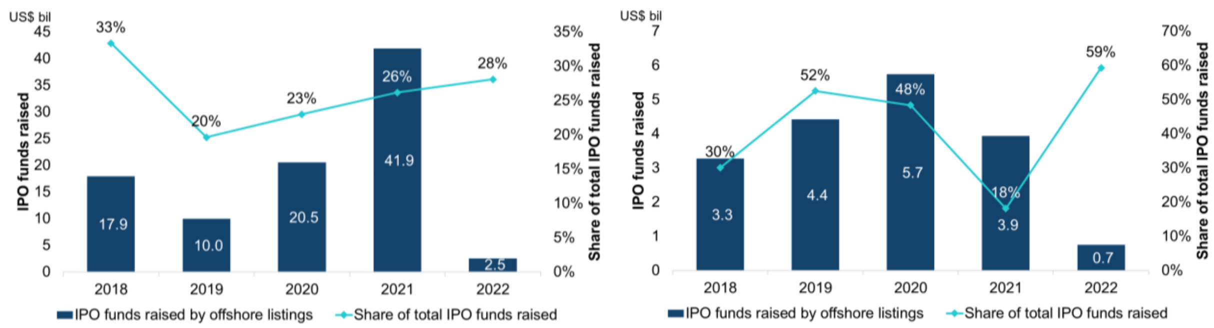
Note: Offshore listings are IPOs by companies from outside a given market, as classified by Dealogic.

Source: Dealogic.

In the US and the UK, the amount of IPO funds raised through offshore listings, and their share in total IPO funds, has fluctuated over the years (see Figure 2). From 2018 to 2022, IPO funds raised through offshore listings annually ranged from US$2.5 billion in 2022 to US$41.9 billion in 2021 in the US and from US$700 million in 2022 to US$5.7 billion in 2020 in the UK. The share of offshore listings in each market's annual IPO funds raised was relatively large during the period, though it fluctuated from 20% to 33% in the US and from 18% to 59% in the UK.

Figure 2. Annual IPO funds raised through offshore listings in the US and UK (2018 – 2022)

(a) US **(b) UK**

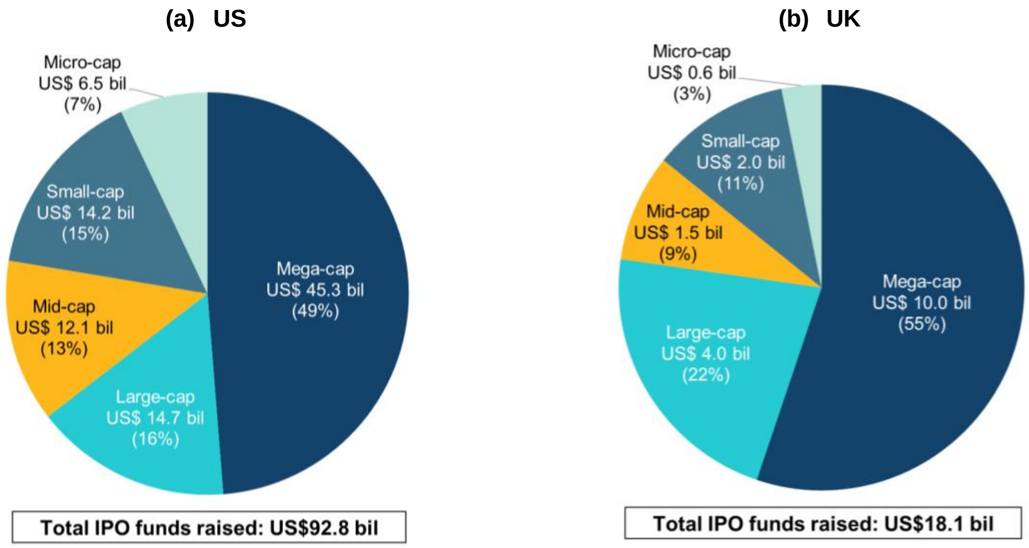


Note: Data excludes listings of special purpose acquisition companies (SPACs). Figures for the US are aggregate statistics for the NASDAQ and NYSE. Figures for the UK are statistics for the LSE.

Source: Dealogic.

Offshore listings during 2018-2022 in the US and the UK were dominated by mega-cap companies (those with market capitalisations of more than US$1 billion at the time of listing), in terms of IPO funds raised. They accounted for 49% of total IPO funds raised through offshore listings in the US and 55% in the UK (see Figure 3).

Figure 3. Distribution of total IPO funds raised by offshore listings in the US and UK by company size in terms of market capitalisation (2018 – 2022)

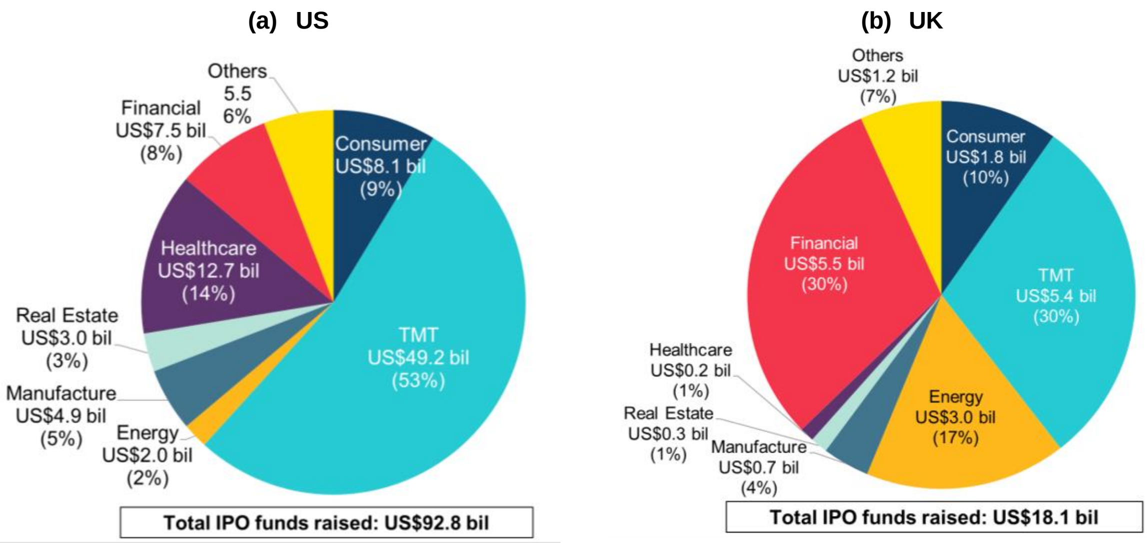


Note: Data excludes SPACs. Figures for the US are aggregate statistics for NASDAQ and NYSE. Figures for the UK are statistics for the LSE.
Mega-cap companies had market capitalisations of over US$1 billion at the time of listing;
Large-cap companies had market capitalisations of US$500 million to US$1 billion at the time of listing;
Mid-cap companies had market capitalisations of US$300 million to US$500 million at the time of listing;
Small-cap companies had market capitalisations of US$100 million to US$300 million at the time of listing;
Micro-cap companies had market capitalisations of US$100 million or less at the time of listing.

Source: Dealogic.

A sector breakdown of IPO funds raised through offshore listings during 2018-2022 yields different pictures for the US and the UK (see Figure 4). In the US, the telecommunication, media and technology (TMT) sector accounted for more than a half of total IPO funds raised through offshore listings, followed by the healthcare and consumer sectors. In the UK, the TMT, financial and energy sectors were the top three contributors, accounting for about 77% of total IPO funds raised through offshore listings.

Figure 4. Distribution of total IPO funds raised through offshore listings in the US and UK by sector (2018 – 2022)

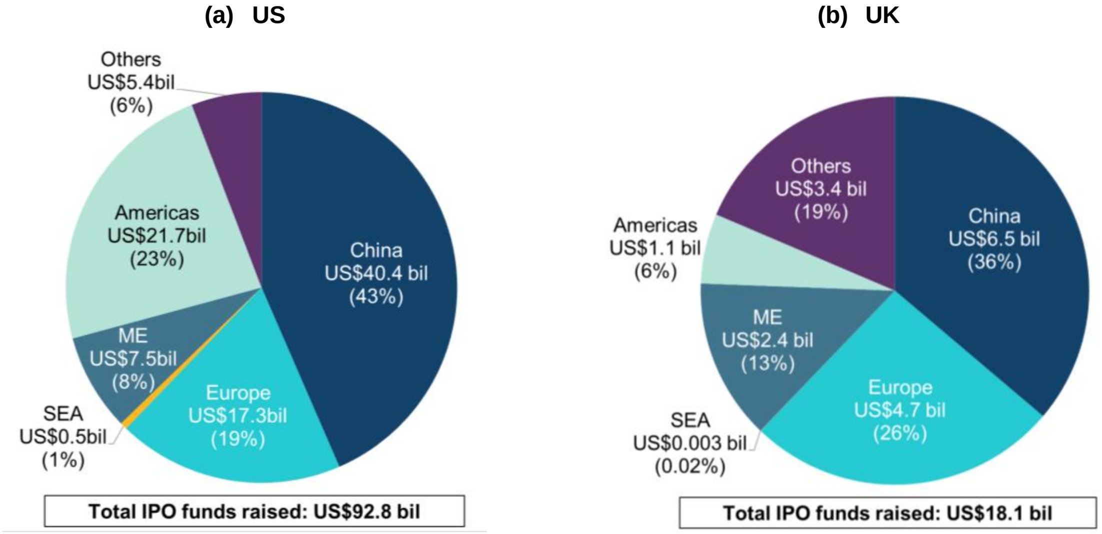


Note: Data excludes SPACs. Figures for the US are aggregate statistics for NASDAQ and NYSE. Figures for the UK are statistics for the LSE.

Source: Dealogic.

In terms of issuer origins, China-based companies dominated offshore listings in the US and the UK during the period, in terms of funds raised, followed by those from Europe and the Middle East (see Figure 5). It is worth noting that the geographical proximity of a target stock exchange may be a key consideration for a company to opt for an overseas listing. Reflecting this, companies from Europe and Middle East account for a relatively large share of offshore listings in the UK, while in the US, the proportion for those from the Americas is relatively large.

Figure 5. Distribution of total IPO funds raised through offshore listings in the US and UK by issuer origin (2018 – 2022)



Note: Data excludes SPACs. Figures for the US are aggregate statistics for NASDAQ and NYSE. Figures for the UK are statistics for the LSE. "ME" represents Middle East; "SEA" represents "Southeast Asia".

Source: Dealogic.

From the experience of the US and UK, IFCs have attracted offshore listings of various companies in terms of sizes, sectors and origins. While Mainland China, with its fast-growing economy, is a key source of offshore listings, demand for offshore listings from companies with other origins is also significant.

Hong Kong, as an IFC, has already been the largest offshore equity financing centre for Mainland companies. The following sections examine how Hong Kong can better serve both Mainland and global issuers as a listing venue and better appeal to Mainland and global investors by widening available investment choices.

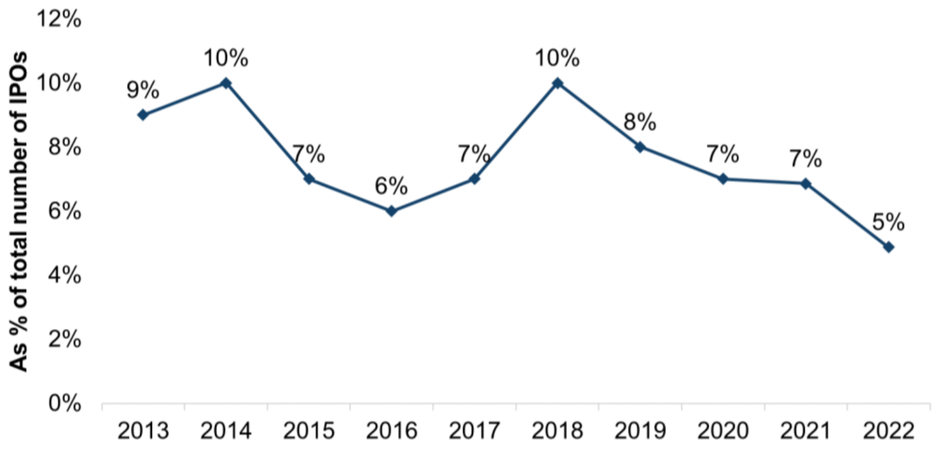
2. KEY CONSIDERATIONS OF COMPANIES FOR AN OFFSHORE LISTING

Macroeconomic and market factors have been fundamental drivers of listing-related decisions. These include the maximum possible amount of financing, cost of capital, timing of listing, sophistication and diversity of an investor base, and ease of regulatory obligations. In addition, the maturity of a market, company-specific circumstances, and advantages and disadvantages of different types of listings may affect a company's choice of an overseas listing.

2.1 Home-market preference, market maturity and business-specific factors

Companies tend to list on their home markets, with offshore listings making up 5%-10% of the annual total number of IPOs globally during 2013-2022 (see Figure 6). As local investors in a market share the same language and culture, and are usually more familiar with domestic companies, they tend to invest in their home market, instead of foreign markets — a phenomenon known as a home bias[2].

Figure 6. Share of offshore IPOs in the global market (2013 – 2022)



Source: Ernst and Young, *Global IPO Trends*, fourth-quarter (Q4) issues for 2017-2022.

Nevertheless, it may be an optimal choice for a company to seek a sole primary listing in an overseas market or a dual primary listing or secondary listing overseas after listing in its home market. A company may also consider it beneficial to primarily list in multiple overseas markets that are major financial centres.

A number of studies have examined the key considerations for companies to seek overseas listings. According to the findings of these studies, key driving factors for overseas listings are as follows:

(1) Widening investor base and funding channel

A company can widen its investor base beyond its home market to a foreign market through an overseas listing. Wider investor participation may increase liquidity in its stock and improve its valuation. An empirical study of 277 Canadian firms listed in the US during 1989-2004 found that cross-listed Canadian companies had higher valuation premiums than those that were not cross-listed as the number and proportional holdings of US institutional investors in their stocks increased[3].

Additional investor bases in overseas markets also diversify funding channels for overseas-listed companies.

(2) Disclosure and governance

A company may choose to list in an overseas market that has a robust disclosure and governance framework, which can help improve its credibility for investors and hence boost its valuation and optimise its fundraising outcomes.

[2] See Dodd, O. and B. Frijns, "The cross-listing decision and the home bias in international equity investments", Paper for the First International Conference on Finance and Banking, 11 December 2013.

[3] Source: King, M.R. and D. Segal, "The long-term effects of cross-listing, investor recognition, and ownership structure on valuation", *Bank of Canada Working Paper*, No. 2006-44, published on Bank of Canada's website, December 2006.

A study of cross-listings on the NYSE and LSE during 1990-2005 found that the robust regulatory and governance framework of the NYSE contributed to valuation premiums for stocks that were cross-listed in the US and facilitated post-listing equity issuance[4].

On the other hand, some companies may choose to list in an overseas market that imposes less regulatory burdens on disclosure and governance[5].

(3) Regional or global business expansion

When a company seeks business expansion into a specific region, listing in a financial centre in that region and disclosure about its business for compliance with associated rules could help potential customers in the region understand the company better. That is conducive to attracting new customers and exploring new business opportunities. Similarly, for a company with a global vision for business expansion, it may choose to list in an IFC that attracts global attention.

(4) Agglomeration effect from companies in the same sector

A company may choose to list in a market where there is a well-recognised cluster of listed companies in the same sector. Agglomeration effects from their existence would be beneficial in creating a following of analysts who focus on the sector and in building a concentrated pool of sector data and information that can help investors better understand the sector, which in turn would support the valuations of stocks in the sector. This is particularly true for innovative sectors that follow prevailing economic trends, such as advanced technology. For example, Toronto Stock Exchange in Canada and Australian Securities Exchange in Australia have built an ecosystem of mining companies and created agglomeration effects for the sector[6].

In addition, if listed companies and investors in a specific sector are drawn to a single marketplace, their interactions could promote better understanding about the latest business developments in the sector and facilitate the generation of new business ideas, helping the companies grow their businesses.

According to an empirical study on cross-listings in Europe and the US from 1986 to 1997[7], high-tech and export-oriented companies are attracted to US exchanges, and they expanded rapidly without significant financial leverage. However, these findings did not apply to companies cross-listed in Europe.

(5) Market maturity and accommodative listing regime that meet issuers' needs

A company may choose to list in an overseas market if its home market does not meet its financing needs for various reasons.

For example, financial markets in certain countries may be underdeveloped, such that the pool of potential investment capital is too small and illiquid to meet issuers' requirements and available risk management tools may be insufficient for hedging purposes.

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4 Source: Doidge, C., G.A. Karolyi, R.M. Stulz, (2007), "Has New York become less competitive in global markets? Evaluating foreign listing choices over time", *Journal of Financial Economics*, Vol. 91, pp.253-277.

5 See Cheung, C.S. and J. Lee, (1995), "Disclosure environment and listing on foreign stock exchanges", *Journal of Banking and Finance*, Vol. 19, pp.347-362.

6 See "~40% of the world's public mining companies are listed on TSX and TSXV", webpage on Toronto Stock Exchange's website, viewed on 26 September 2023; "6 trends impacting metals and mining M&A in 2022", published on Natixis' website, 7 March 2022.

7 Source: Pagano, M., A.A. Röell and J. Zechner, (2002), "The geography of equity listing: Why do companies list abroad?", *The Journal of Finance*, Vol. 57, pp.2651-2694.

A company may also seek to list in an overseas market that has a more accommodative listing regime than its domestic market for meeting its financing needs.

This is often the case for innovative companies that may choose to list with special shareholding structures such as weighted voting rights (WVR) or variable interest entity (VIE) structures, and for those in pre-profit or pre-commercialised stages.

Having said that, differences in regulatory regimes between home market and overseas markets may be a hurdle to an overseas listing. A company needs to spend time and money for regulatory compliance, particularly for a dual primary listing that is subject to full compliance with requirements for two listing markets. Differences in tax treatments affect after-tax returns for investors. If tax rules in an overseas market appear unfavourable compared to those at home, it may undermine investor demand in the overseas market. Therefore, tax treatments may affect foreign stocks' liquidity and therefore the market's attractiveness to foreign issuers as liquidity is a key concern for them. Moreover, findings from some studies suggest that the benefits of widening investor bases and improving valuations through overseas listings may not be realised in all markets[8].

As macroeconomic and business conditions change over time, so do incentives and demand for an overseas listing in response. According to a study[9] on 17,808 issuers from 90 countries during 1995-2007, IPOs abroad usually originated from countries with significantly fewer recent IPOs in their industries, less developed capital markets and less strict disclosure standards. However, the study highlights changing preferences for certain foreign markets over time, and that factors affecting the choice of a listing market are not consistent across all countries.

In addition, multinational companies may spin off their overseas operations via offshore listings. For example, a number of Indonesian conglomerates that have overseas operations are considering spinning them off through IPOs in North Asian markets, including Hong Kong, to widen their investor bases[10].

A recent study notes that stock exchanges around the world, for their part, are exploring ways to increase their shares in the global IPO market against the backdrop of heightened geopolitical tensions, and they may accelerate reforms of their listing regimes to attract a new wave of new-economy companies[11].

2.2 Listing choices in the Hong Kong market

After a company decides to seek an overseas listing, it needs to choose a market, as well as a board, and a type of listing that all can best meet its needs. Possible choices for the company include a sole primary listing in an overseas market, a dual primary listing in two markets (one of which can be its domestic market), and a secondary listing in an overseas market if it is already listed in its domestic market or in another overseas market.

Under Hong Kong's listing regime, a company can opt for a primary, dual-primary or secondary listing. A company chooses the type of listing it wants based on a range of considerations.

In the case of the Hong Kong market (see Table 2), a secondary listing is subject to lighter regulatory requirements than a primary listing and a secondary listed issuer enjoys a number

[8] Source: Hawtrey, K., (2019), "Does the dual listed company structure have a future?", *Journal of Management Policies and Practices*, Vol. 7, pp.1-11.

[9] Caglio, C., K.W. Hanley and J. Marietta-Westberg, "Going public abroad", *DERA Working Paper Series*, published on the website of the US' Securities and Exchange Commission, November 2013.

[10] Source: "In-depth: Exploring Hong Kong and Indonesia's strategic potential", *FinanceAsia*, 1 August 2023.

[11] Source: "The battle for listings", published on Baker Mckenzie's website, December 2019.

of rule waivers. In addition, associated listing qualifications are more accommodative for non-WVR issuers, including a lower market capitalisation threshold.

However, a secondary listed issuer is required to convert to a primary listing if it is delisted from its market of primary listing or if the majority of trading in its shares migrates to Hong Kong. The venue of a company's primary listing is highly correlated with where the majority of trading in its shares takes place. So, if the choice of a listing in Hong Kong is driven by the wish to benefit from a wider investor base and deeper trading activity here, then a company should expect to be subject to more Hong Kong requirements for disclosure and governance, as a primary listed issuer.

In the Hong Kong market, only primarily listed international companies are eligible for inclusion in Southbound trading for Mainland investors under Stock Connect (see Section 4). This has led issuers with a secondary listing to voluntarily opt to convert to a primary listing, if they are duly qualified, with different applicable grace periods for full compliance of requirements depending on circumstances. These companies have taken the option of primary listing, voluntarily, in anticipation of the deeper liquidity in trading of their shares that they expect to occur, in Hong Kong, as Stock Connect eligible securities.

Table 2. Comparison between dual-primary listing and secondary listing of an overseas issuer on the Main Board in Hong Kong

<table>
<tr><th>Area</th><th>Primary listing</th><th>Secondary listing</th></tr>
<tr><td rowspan="2">Listing qualifications*</td><td>Non-WVR issuers ("Basic Eligibility Requirements"):
(1) Profit test: First two years' profit in aggregate ≥ HK$45 mil, latest year's profit ≥ HK$35 mil and MC ≥ HK$500 mil; or
(2) MC/revenue/cash flow test: Latest year's revenue ≥ HK$500 mil, MC ≥ HK$2 bil and positive three-year aggregate operating cash flow (OCF) ≥ HK$100 mil; or
(3) MC/revenue test: Latest year's revenue ≥ HK$500 mil and MC ≥ HK$4 bil

Eligible biotech companies may list under Chapter 18A with a minimum MC of HK$1.5 bil.

Eligible specialist technology companies may list under Chapter 18C. For pre-commercial companies: MC ≥ HK$10 bil. For Commercial Companies: Latest year's revenue ≥ HK$250 mil and MC ≥ HK$6 bil</td><td>Non-WVR issuers: (in addition to the Basic Eligibility Requirement)
(1) At least HK$3 bil in MC and at least five years of primary listing with good compliance records[#] on (a) a Qualifying Exchange; or (b) any Recognised Stock Exchange (only for overseas issuers without a centre of gravity in Greater China); or
(2) At least HK$10 bil in MC and at least two years of primary listing with good compliance records[#] on a Qualifying Exchange</td></tr>
<tr><td colspan="2">A WVR issuer must be an innovative company and, in addition to the Basic Eligibility Requirements, satisfy one of the following:
(1) At least HK$40 bil in MC; or
(2) At least HK$10 bil in MC and at least HK$1 bil in revenue in audited results for the most recent financial year

For a secondary listing, a WVR issuer must have a track record of good regulatory compliance of at least two years on a Qualifying Exchange.</td></tr>
</table>

Table 2. Comparison between dual-primary listing and secondary listing of an overseas issuer on the Main Board in Hong Kong		
Area	**Primary listing**	**Secondary listing**
Eligibility for companies with non-compliant WVR and/or VIE structures	Allowed for Grandfathered Greater China Issuers and Non-Greater China Issuers (see notes)	
Applicable market regulations	Regulated by both markets where the issuer is primarily listed for a dual-primary listing; Regulated by the Hong Kong market for a sole primary listing in Hong Kong	Principally regulated by the market for the primary listing
Exemptions of listing requirements	Case-by-case basis	Automatic waivers; common waivers; and specific waivers on a case-by-case basis
Conversion from secondary listing to primary listing	Not applicable	One of the following (with different grace periods, where applicable, for full compliance with requirements for a primary listing): (1) Delisting from an overseas exchange; or (2) Trading migration; or (3) Voluntary conversion
Inclusion in Stock Connect	Eligible	Ineligible

* The qualification requirements listed in this table are only key financial requirements and not a comprehensive list of all listing qualifications.

\# A waiver of such listing track record criteria may be granted if the applicant seeking a secondary listing is well established and has a market capitalisation that is significantly larger than HK$10 billion at the time of listing.

Notes:

(1) Grandfathered Greater China Issuers are Greater China Issuers primarily listed on a Qualifying Exchange on or before 15 December 2017; or after 15 December 2017 but on or before 30 October 2020 and controlled by corporate WVR beneficiaries as at 30 October 2020 (Qualifying Exchanges are specified by the SEHK).

(2) A Non-Greater China Issuer refers to a Qualifying Issuer that is not a Greater China Issuer (an issuer with its centre of gravity in Greater China as defined in Chapter 19C of the Main Board Listing Rules of the SEHK).

Source: Compiled based on *Consultation Conclusions on Listing Regime for Overseas Issuers*, published on HKEX's website, November 2021; "Secondary listings in Hong Kong", webpage on HKEX's website, viewed on 31 May 2023; SEHK Main Board Listing Rules available on HKEX's website, viewed on 29 June 2023.

3. HONG KONG'S INCREASING ATTRACTIVENESS FOR INTERNATIONAL ISSUERS

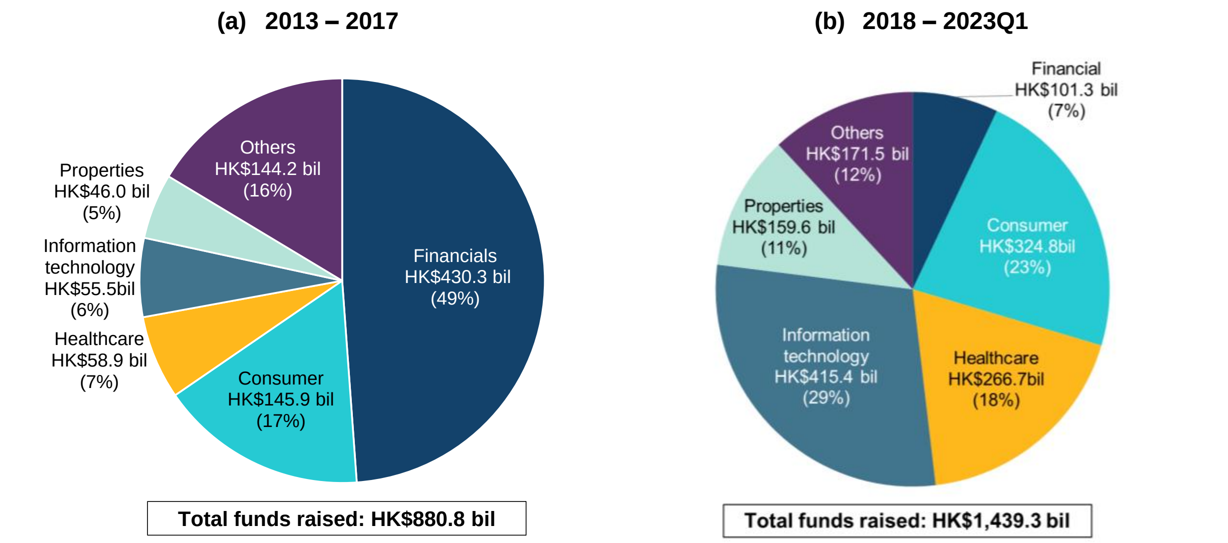
3.1 Hong Kong's listing regime for international issuers

The listing regime of the Hong Kong market has been developed to welcome issuers from around the world, while upholding strong investor protection. Since 1986, the SEHK has introduced a chapter (*Overseas Companies — Listing of Securities of Companies Not Incorporated in Hong Kong)* in the Listing Rules to allow international companies to list on the Main Board and GEM. In 2007 and 2013, the SEHK made enhancements to the respective Listing Rules of the Main Board and GEM to meet the evolving needs of issuers and investors while upholding investor protection. This has attracted companies incorporated in Bermuda, Brazil, the Cayman Islands, Germany, Italy, Jersey, Luxembourg, Singapore and UK to list in Hong Kong.

To cater to the needs of emerging and innovative companies, Hong Kong's listing regime has been undergoing reforms since 2018. The Hong Kong market started to allow the listings of companies with WVR structures, pre-profit biotech companies and secondary listings of Qualifying Greater China Issuers listed in overseas markets[12], including those with VIE structures. Hong Kong's listing regime has also incorporated changes to meet the needs of specialist technology companies[13] and work has started to enhance GEM to better serve small and medium-sized enterprises (SMEs)[14].

With the latest reforms of its listing regime, the Hong Kong market has evolved into a fundraising hub for innovative companies. Contrary to listings during 2013-2017 when financial companies dominated the IPO market (accounting for 49% by total IPO funds raised), listings from 2018 to the first quarter of 2023 were spread across more diverse sectors with innovative sectors making up a significant share (see Figure 7). The top three sectors in terms of IPO funds raised during the latter period were information technology (29%), consumer sector (23%) and healthcare (18%).

Figure 7. Distribution of total IPO funds raised by sector (2013 – 2023Q1)



Source: HKEX.

Since 2022, the SEHK has further streamlined its listing regime for overseas issuers[15]. Following the latest changes, one common set of core shareholder protection standards, which covers a range of matters including proceedings at general meetings, variations of rights and amendments to constitutional documents[16], is applied to all issuers, providing the same level of protection for all investors. Accordingly, an issuer must demonstrate how the domestic laws, rules and regulations it is subject to and its constitutional documents together meet the core shareholder protection standards.

The enhanced listing regime of the Hong Kong market is considered flexible and accommodative for issuers from around the world.

12 A Greater China Issuer refers to an overseas issuer with its centre of gravity in Greater China primarily listed on a Qualifying Exchange, i.e. NYSE, NASDAQ or the Main Market of the London Stock Exchange plc (and belonging to the UK Financial Conduct Authority's "Premium Listing" segment).

13 See "New specialist technology company listing rules", news release on HKEX's website, 24 March 2023.

14 See HKEX's *Consultation Paper on GEM Listing Reforms*, published on HKEX's website, September 2023.

15 See "Exchange publishes conclusions on reforms to enhance listing regime for overseas issuers", news release on HKEX's website, 19 November 2021.

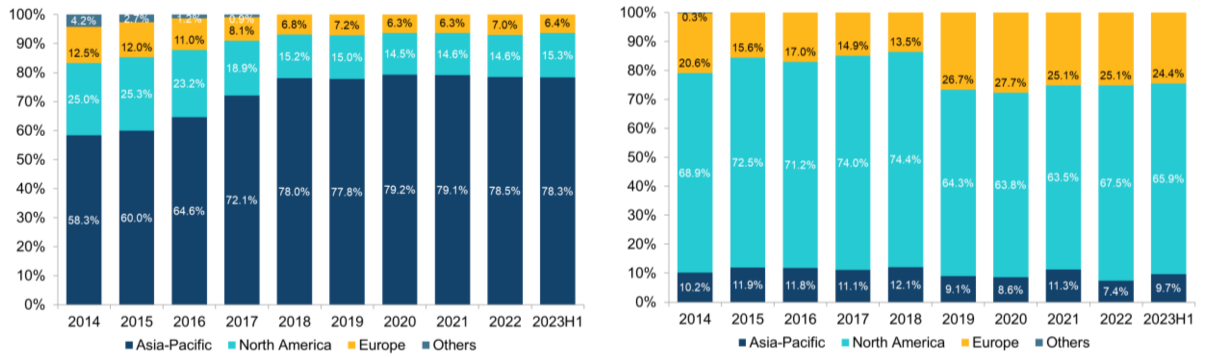
16 See "Appendix 3: Core shareholder protection standards", *Main Board Listing Rules*, published on HKEX's website, viewed on 21 August 2023.

3.2 From an offshore fundraising hub for Mainland enterprises to a listing centre for international issuers

Thanks to the international status of the Hong Kong market and strong policy support, it has been a major offshore equity financing centre for Mainland companies. At the end of June 2023, Mainland companies accounted for about 55% of the total number of companies listed in Hong Kong and 77% in their total MC[17]. Among issuers outside Greater China (Mainland China, Taiwan, Hong Kong and Macau), Asia-Pacific companies were dominant in number from 2014 to the first half of 2023, while those from North America (mainly the US) had the largest share in terms of MC (see Figure 8).

Figure 8. Distribution of Hong Kong-listed companies outside Greater China in number and market capitalisation by place of origin (2014 – 2023H1)

(a) Number of companies **(b) Market capitalisation**



Source: HKEX.

Hong Kong is also the most popular overseas listing venue for companies from member countries of the Association of Southeast Asian Nations (ASEAN)[18]. The attractiveness of the Hong Kong market to international issuers lies in its unique position to offer two-way connectivity between Mainland China and the rest of the world, with efficient and well-established market infrastructure, which offers a number of advantages for issuers.

(1) Facilitating business expansion in China and Asia

Hong Kong has been the main stepping stone for Mainland companies to expand geographically and for international companies to enter the Mainland market. Hong Kong accounts for more than half of China's growing outward direct investment (ODI) and foreign direct investment (FDI) (see Figure 9). In particular, Hong Kong's share in China's cumulative FDI has been increasing, reaching 76% in 2021, compared to 57% in 2010.

Moreover, some anecdotal evidence[19] shows that listings in the Hong Kong market have supported brand recognition, market penetration, customer acquisition and peer cooperation for international companies to expand business in China and/or Asia.

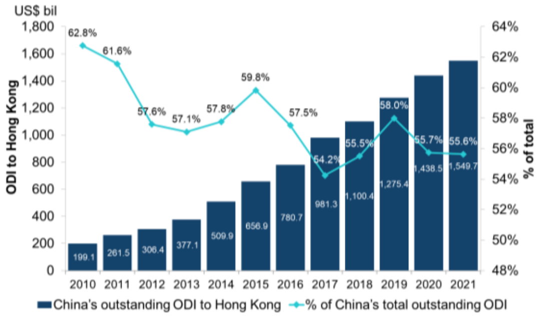
17 Source: HKEX.

18 Source: "Hong Kong as a listing destination for ASEAN companies", jointly prepared by CCB International Capital Limited and Hong Kong Trade Development Council (HKTDC), published on HKTDC's website, May 2022.

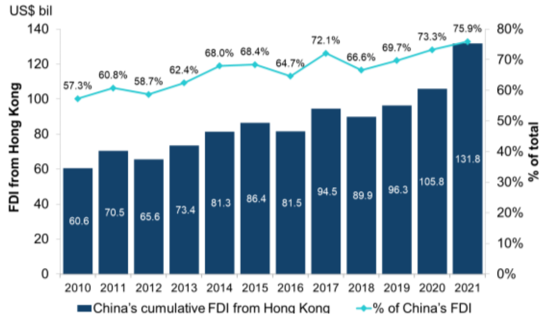
19 Source: HKEX's interviews with issuers and market participants.

Figure 9. China's outstanding ODI and cumulative FDI to and from Hong Kong (2010 – 2021)

(a) Outstanding ODI



(b) Cumulative FDI



Source: Wind.

(2) Efficient listing and financing mechanisms with predictable timing

Companies meeting the SEHK's listing requirements can choose the timing of their listings as the processing time for listing applications is largely predictable, with clear steps through the listing process[20]. Such predictability also applies to post-IPO refinancing, and the processing time may be less than a week[21].

Agglomeration effects for certain sectors, such as biotech, may help Hong Kong attract potential issuers. Hong Kong has become Asia's largest and the world's second largest biotech fundraising hub, with a large number of biotech companies listed and tapping into business and cooperation opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area[22].

(3) Diverse investor base, further boosted by market connectivity schemes

The Hong Kong market has attracted a diversified pool of investors from different regions including Asia, Europe, and the Americas, which underpins diverse and relatively stable shareholder structures for listed companies. In 2020, non-local investors accounted for about 41.2% of Hong Kong's cash market trading value, while local investors accounted for 30.7%, with principal trading by brokers making up the rest[23] (see Figure 10). Among Asian investors, those from Mainland China have been by far the biggest participant group, who accounted for more 10% of the total cash market trading value in Hong Kong by 2018[24].

[20] See details of the process in the "Listing process for listing on the Main Board" webpage on HKEX's website. The first round of comments will generally be provided within 15 business days of the receipt of an application. There is no pre-set time frame for a listing timetable, which will depend on the applicant's response time and quality of response.

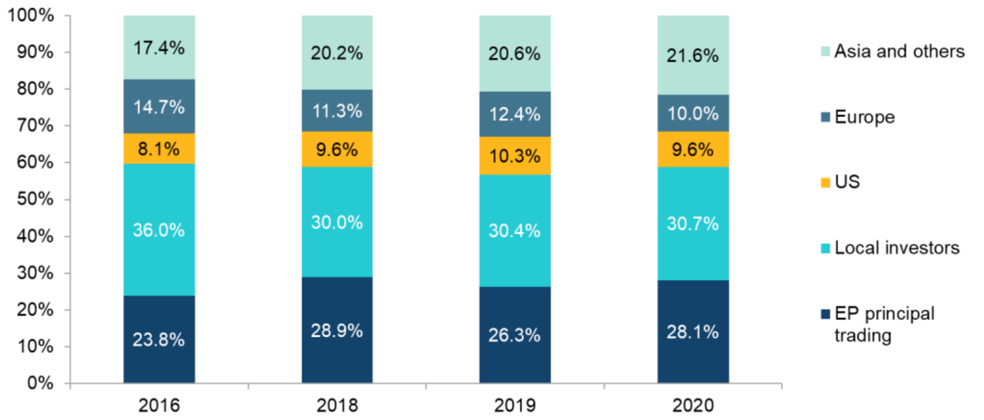
[21] See "In Hong Kong, it is a starting point for IPO listing, continued post-listing refinancing is more important" (〈在香港，IPO 上市只是一個起點，上市後的不斷再融資才更重要〉, published on *sina.com.cn*, 23 July 2021.

[22] See "Biotechnology, medical and healthcare industry in Hong Kong", published on HKTDC's website, 31 March 2023.

[23] Source: *HKEX Cash Market Transaction Survey 2020*, published on HKEX's website, April 2022.

[24] Source: *HKEX Cash Market Transaction Survey 2018*, published on HKEX's website, July 2019.

Figure 10. Distribution of Hong Kong cash market trading value by investor origin (2016 – 2020)



Source: *Cash Market Transaction Survey*, published on HKEX's website, issues of 2016 to 2020.

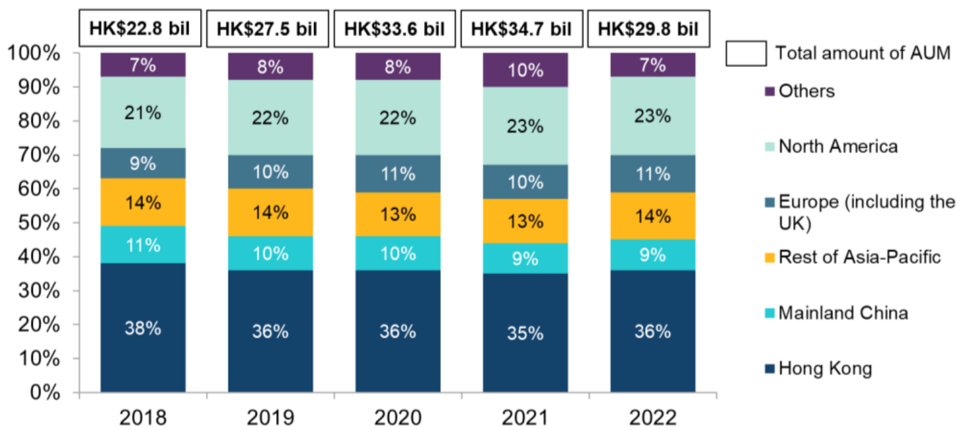
Among non-local investors, Mainland investors' participation has been facilitated by Stock Connect, which allows them to directly trade eligible Hong Kong-listed stocks through their Mainland agency brokers. Such Southbound trading accounted for 12.7% of the Hong Kong market's total trading value in 2022 (see Section 4).

Listing in the Hong Kong market can therefore help international companies diversify their investor bases beyond their home countries and attract Mainland investors in particular.

(4) An established asset management industry to meet growing demand from global investors

According to an annual survey of the asset management industry by the Securities and Futures Commission (SFC), assets under management (AUM) at asset and wealth management firms in Hong Kong not only came from Mainland China and Hong Kong, but also from other parts of Asia-Pacific, Europe and North America (see Figure 11). In absolute terms, AUM with origins outside Hong Kong and Mainland China have increased over time. As a result, the share of AUM from outside Hong Kong and Mainland China and Hong Kong grew to 55% in 2022 from 51% in 2018.

Figure 11. Distribution of AUM at asset and wealth management firms in Hong Kong by investor origin (2018 – 2022)



Source: SFC, *Asset and Wealth Management Activities Survey*, issues of 2018 to 2022.

Financial products on Mainland and overseas equities listed in Hong Kong can offer a wide range of investment choices for both Mainland and global funds.

(5) International standards with transparent guidelines

The Hong Kong market adopts international standards with transparent guidelines. For example, starting from 2016, the SEHK requires listed companies to compile and publish their environmental, social and governance (ESG) reports; it has also published an ESG Reporting Guide and updated it from time to time to align it with international standards.

For investor protection, irrespective of a company's primary listing place, a unified set of investor protection standards is applied to all issuers, providing the same level of investor protection (see Section 3.1). The internationally-compatible and robust regulatory standards in Hong Kong would enhance the visibility and credibility of companies listed in the market and help them attract investors and stakeholders.

(6) Comprehensive product ecosystem

The Hong Kong market offers an integrated platform with multiple asset classes in multiple currencies. Listed companies may choose to offer their stocks not only in Hong Kong dollar (HKD) counters, but also in renminbi (RMB) counters. Listed stocks may be included in various exchange traded funds (ETFs) listed in Hong Kong and/or other markets to provide more options for potential investors.

Hong Kong's comprehensive product ecosystem with diverse product types — including indices and ETFs on global and Mainland underlying stocks, single stock options, structured products, bonds, and currency and commodity derivatives denominated in US dollars (USD) and/or in RMB — facilitates long-term investors' asset allocations and supports a deep pool of market liquidity to meet the funding needs of issuers.

In addition to being attracted by the adaptive listing regime in Hong Kong (see Section 3.1) and the advantages discussed above, companies may choose to list in Hong Kong because of its favourable market positioning amid evolving macroeconomic conditions in global and Mainland markets.

(1) Spin-offs by multi-national corporations (MNCs) to realise enterprise values

Given that China is the world's second-largest economy[25], a large number of MNCs have expanded their businesses into the market, as reflected by growing FDI into China. Because of Hong Kong's geographical location, with major exposure to China and the Asian region, the investor base of the Hong Kong market is familiar with Chinese and Asian businesses and is likely to have a stronger interest in them than investors in other markets. An MNC may choose to spin off its business unit in China or Asia to list it in an Asian market such as Hong Kong to realise its enterprise value.

Some MNCs may consider offloading their operations in Mainland China as competition with domestic Chinese companies increases. Since 2006, MNCs' revenue from the Mainland has been growing amid the economy's relatively rapid growth, but its share in their total revenue has decreased[26]. They may choose to spin off and list their Mainland operations for the reallocation of their financial resources. In addition, MNCs may

[25] See the ranking of economy sizes from "GDP (current US$)", webpage on Worldbank's website.

[26] Source: McKinsey Global Institute, "The China imperative for multinational companies: Reconfiguring for opportunity and risk", published on McKinsey's website, January 2023.

introduce employee stock ownership plans (ESOPs) for their spun-off businesses to acquire and retain talent, and maintain their competitiveness.

(2) Facilitation of Chinese conglomerates' overseas business diversification

While China's ODI continues to grow, conglomerates and technology giants in the Mainland may choose to rebalance their portfolios of overseas businesses amid macroeconomic challenges, including geopolitical complexity and a weak global growth outlook[27]. Listing overseas businesses in Hong Kong may offer a way for these Mainland companies to free up capital for new investment in innovative sectors, such as TMT and healthcare.

(3) Regional cooperation initiatives, increasing funding needs of companies in Asia and Middle East

The Belt and Road Initiative (BRI) and the Regional Comprehensive Economic Partnership (RCEP) facilitate regional economic cooperation. According to a study by Ernst and Young[28], China's non-financial ODI into BRI countries — mainly ASEAN members, Pakistan, the United Arab Emirates, Serbia and Bangladesh — increased by 3.3% to US$21.0 billion in 2022 from the previous year.

Hong Kong has been functioning as a fundraising hub for these regional cooperation initiatives, and its stock market may help fulfill funding needs for related projects[29]. In addition, a number of markets in the region have signed or are seeking to sign MOUs with HKEX for cooperation.

Examples include an MOU that HKEX signed with Saudi Tadawul Group, the operator of Saudi Arabia's stock exchange in Saudi Arabia, in February 2023[30] and another one that the Hong Kong bourse signed with the Indonesia Stock Exchange (IDX) in July 2023 to explore opportunities across a number of strategic areas to support the mutual development of both exchanges and their corresponding markets[31]. Cross-border listings in the Hong Kong and Indonesian markets is one of the areas for collaboration. According to a study by the Hong Kong Trade Development Council (HKTDC)[32], more than 70% and 25% of companies currently listed on the IDX meet minimum capital requirements to list on Hong Kong's GEM and Main Board respectively.

(4) Potential demand for listings from private equity funds considering exiting their Asian or global investments

As Asia is a key contributor to global economic growth[33], investments in startups and projects in the region, across sectors such as industrials, renewable energy and healthcare in China and Southeast Asia, have been attractive to private equity firms[34].

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27 See "Overview of China outbound investment of 2022", published on Ernst and Young's website, 16 February 2023.

28 Source: "Overview of China outbound investment of 2022", published on Ernst and Young's website, 16 February 2023.

29 See CCB International and HKTDC, "Hong Kong as a listing destination for ASEAN companies", published on HKTDC's website, 27 May 2022.

30 See "HKEX signs cooperation agreement with Saudi Tadawul Group", news release on HKEX's website, 6 February 2023.

31 See "HKEX signs cooperation agreement with Indonesia Stock Exchange", news release on HKEX's website, 26 July 2023.

32 Source: "Listing of Indonesia companies in Hong Kong: Leveraging Hong Kong's capital market for regional expansion", published on HKTDC's website, 27 February 2023.

33 See "Asia likely to see dynamic economic growth, but with policy challenges", blog article published on International Monetary Fund's website, 13 April 2023.

34 See "Asia private equity set for modest uptick after slow 2022", *Asian Investor*, 29 January 2023.

The Hong Kong Government supports the development of the private equity industry with a number of policy initiatives, such as the open-ended fund company (OFC) regime, which was implemented in July 2018, and the limited partnership fund (LPF) regime, which was introduced in August 2020. Hong Kong has now become the second-largest private equity market in Asia, with more than 700 private equity funds as of the end of February 2023[35]. These private equity funds may exit their investments through listings of their investments in Hong Kong.

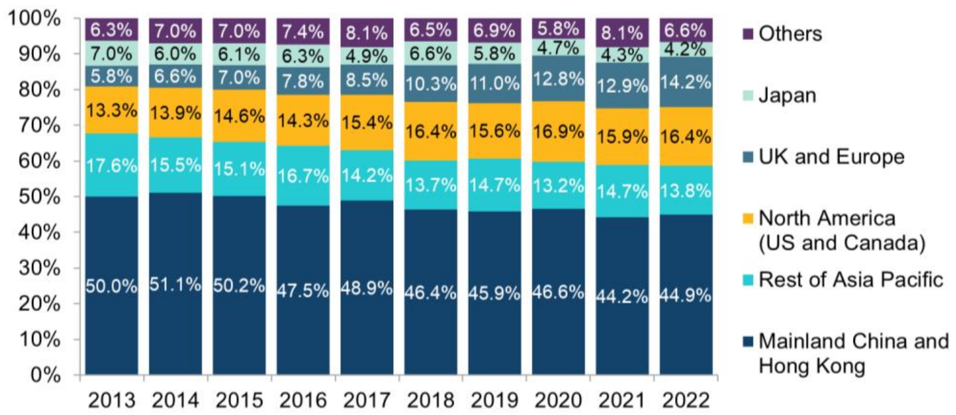
In addition, Chinese companies that have made investments in overseas markets may seek exits via IPOs of these investments, and Hong Kong offers a favourable platform for them.

4. POTENTIAL FOR THE HONG KONG MARKET TO BECOME AN INVESTMENT HUB FOR INTERNATIONAL COMPANIES

4.1 Stock Connect enhancement: Inclusion of international companies

Hong Kong has been a hub for investments in global and Mainland markets. According to annual surveys of the asset management industry by the SFC for the past ten years, assets managed in Hong Kong have been allocated to major financial markets across the world (see Figure 12). While asset allocations to the Mainland and Hong Kong have accounted for 40%-50% of total assets managed in Hong Kong since 2013, the share of allocations to the rest of the world, mainly other parts of Asia-Pacific, North America and Europe, increased to 55.1% in 2022 from 50% in 2013.

Figure 12. Geographical distribution of investments for assets managed in Hong Kong (2013 – 2022)



Source: SFC, *Asset and Wealth Management Activities Survey*, issues of 2013 to 2022.

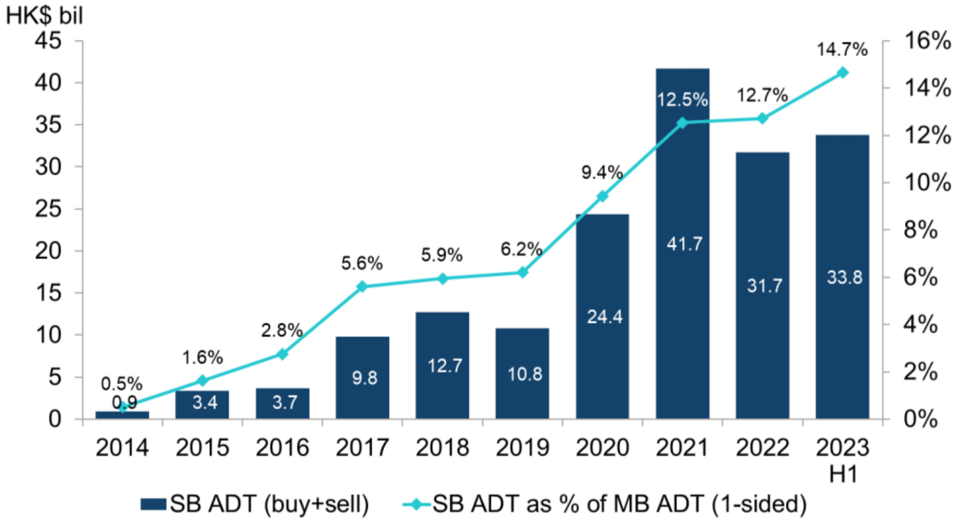
The Hong Kong market has drawn global and Mainland investors. The attraction of the Hong Kong market to global investors owes in part to its regime that allows free flows of capital and its international practices. Mainland investors can invest in the Hong Kong stock market through the Qualified Domestic Institutional Investor (QDII) and Stock Connect schemes. Particularly, Southbound (SB) trading under Stock Connect has become an important channel for Mainland investors to diversify their investment portfolios.

Since the launch of Stock Connect in 2014, Mainland investors' turnover in Hong Kong and their holdings of stocks in the market through SB trading under the scheme have grown

[35] Source: "LCQ15: Attracting overseas private equity funds to re-domicile to Hong Kong", press release on the website of the Inland Revenue Department of the HKSAR, 15 March 2023.

steadily (see Figures 13 and 14). The average daily turnover (ADT) value of SB trading as a percentage of the Hong Kong Main Board's ADT rose to 14.7% in the first half of 2023 from 0.5% in 2014, and the share of SB holdings of stocks eligible for SB trading in market value terms increased to 7.80% at the end of June 2023 from 2.94% at the end of 2018.

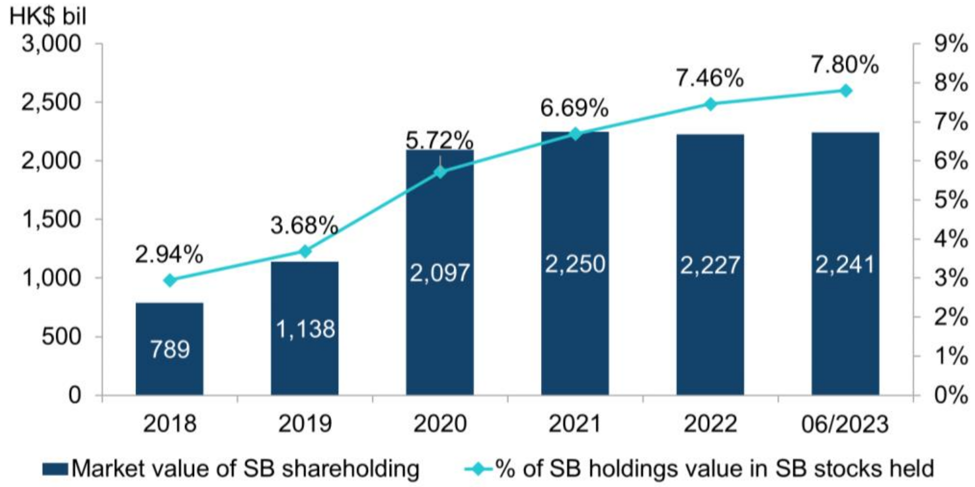
Figure 13. Average daily SB trading value through Stock Connect (2014 – 2023H1)



Note: Shanghai-Hong Kong Stock Connect commenced on 17 November 2014 and Shenzhen-Hong Kong Stock Connect commenced on 5 December 2016, both with Northbound (NB) and SB trading from the start. Inclusion of eligible ETFs in Stock Connect for NB/SB trading commenced on 4 July 2022.

Source: HKEX.

Figure 14. Period-end total market value of SB shareholdings and its share in SB-eligible stocks (2018 – Jun 2023)



Note: ETFs are excluded.

Source: HKEX.

The growth in SB turnover and shareholdings is partly attributable to continuous enhancements to the Stock Connect scheme. After the Shanghai-Hong Kong Stock Connect was launched in November 2014, the aggregate quota was removed in August 2016, and Shenzhen-Hong Kong Stock Connect was launched in December 2016. In May 2018, the daily quota for net purchases was quadrupled for both Northbound (NB) and SB trading.

In addition, the scope of eligible securities for trading through Stock Connect has been expanded. For SB trading, eligible securities have been expanded to companies with WVR structures since August 2019[36], to pre-profit biotech companies since November 2020[37] and to certain types of Hong Kong-listed ETFs since July 2022[38].

A more ground-breaking enhancement is the expansion of the scope of stocks eligible for SB trading to stocks of eligible international companies primarily listed in Hong Kong since 13 March 2023[39]. Eligible international companies must be primarily listed in Hong Kong and their stocks are (1) constituents of the Hang Seng Composite LargeCap Index or Hang Seng Composite MidCap Index, or (2) constituents of the Hang Seng Composite SmallCap Index (HSSI) with a market capitalisation of HK$5 billion or more[40].

Prior to the change in March 2023, only a handful of international companies were constituents of the Hang Seng Composite Index[41] and as a result became eligible for SB trading under Stock Connect based on the inclusion criteria at that time. They include a number of spun-off businesses of MNCs with operations in Asia-Pacific and global companies expanding in China[42].

The inclusion of more international companies for SB trading under Stock Connect will strengthen the role of Hong Kong as a global investment hub. With the participation of Mainland investors through SB trading, inclusion in Stock Connect is expected to gradually lead to growth in liquidity for eligible foreign stocks, and could even increase the attractiveness of Hong Kong for listings of more international companies[43].

Hong Kong has been a preferred market for Mainland investors and a key channel of portfolio diversification for them. In a 2021 survey[44] of high-net-worth individuals (HNWIs) in Mainland China, Hong Kong ranked first among their overseas investment destinations and transit markets (see Figure 15). The report on the survey also noted that Hong Kong possesses unique advantages in connecting Mainland China and the world because of its geographic location, financial market, human resources and capital allocations. The inclusion of more international companies in Stock Connect has further widened investment choices for global asset allocations by Mainland investors.

36 See "HKEX welcomes public consultation by SSE & SZSE on WVR-related rules changes", news release on HKEX's website, 2 August 2019.

37 See "HKEX announces Stock Connect expansion arrangements", news release on HKEX's website, 27 November 2020.

38 See "HKEX to include ETFs in Stock Connect on 4 July", news release on HKEX's website, 28 June 2022.

39 See *Joint Announcement of the China Securities Regulatory Commission and the Hong Kong Securities and Futures Commission*, issued by the CSRC and the Hong Kong SFC, 19 December 2022; "HKEX welcomes further expansion of Stock Connect" and "Expansion of Stock Connect eligible stocks to take effect 13 March", news releases on HKEX's website, 19 December 2022 and 3 March 2023, respectively.

40 See "Update on the Expansion of Eligible Stocks under Stock Connect", circular on HKEX's website, 19 January 2023.

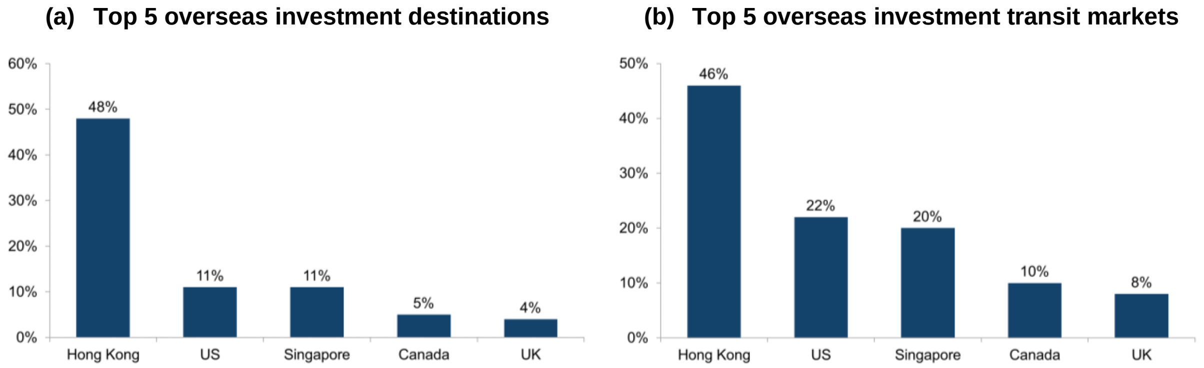
41 Hang Seng Composite Index started to include international companies in the third quarter of 2018. See "Hang Seng Indexes Company seeks market views on eligibility of foreign companies to the Hang Seng Index", published on Hang Seng Indexes Company's website, 26 April 2023.

42 For example, Budweiser Brewing Company APAC Limited (stock code: 1876) and Prudential Plc (stock code: 2378) have been included in Stock Connect since 21 October 2019 and 5 September 2022, respectively. See "Only one listing of foreign company since taking the office, Mrs Cha said it is difficult to promote during the pandemic and international business should be more developed" (〈上任至今僅一大型外企來港上市 查太稱疫下難敲門 認國際業務可做更多〉), *Ming Pao,* 21 June 2022; "Hong Kong-listed stocks of British insurance company Prudential was included in Stock Connect, and became a constituent of Hang Seng Composite Index" (〈英國保險商保誠港股獲納入港股通，亦正式成為恒生綜合指數成份股〉, *Reuters*, 5 September 2022.

43 It was reported that a number of international companies were delisted from the Hong Kong market in 2017 because of low liquidity. Source: "Why do Hong Kong's international listings always fail to take off?", *South China Morning Post*, 4 November 2017.

44 See China Merchants Bank, "China Private Wealth Report 2021 – China's Private Banking Industry: Embracing rivers to form the sea", 18 May 2021.

Figure 15. Survey results on top 5 overseas investment destinations and transit markets for Mainland HNWIs (2021)

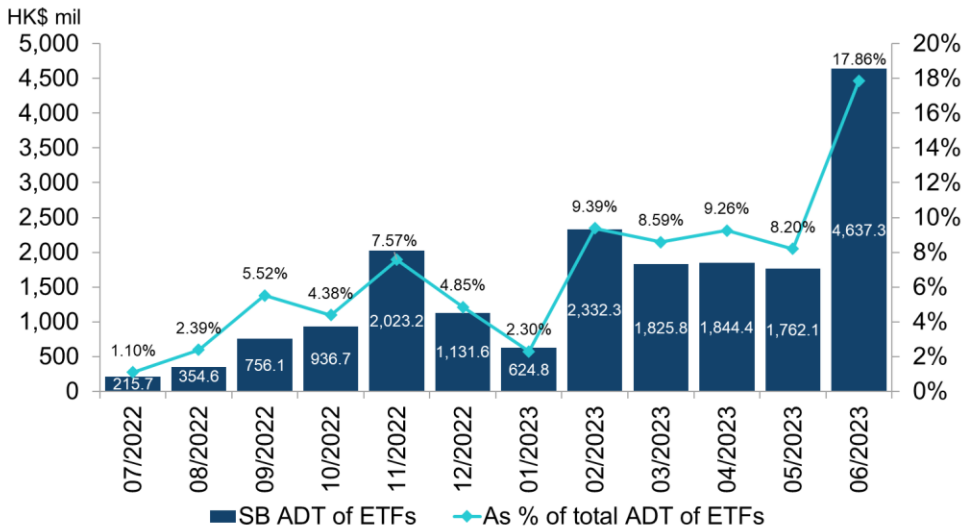


Source: China Merchants Bank, "China Private Wealth Report 2021 – China's Private Banking Industry: Embracing rivers to form the sea", 18 May 2021.

Because the scope of eligible international companies was expanded only recently, it will take some time to build up SB liquidity in foreign stocks listed in Hong Kong. As Mainland investors may not be familiar with international companies, arousing their interest requires market support. This includes services such as access to company information and stock trading data, as well as research, which market intermediaries can offer. However, market intermediaries will also need time to develop related capabilities.

Take ETFs, for example. Although the six ETFs eligible for SB trading (as of the end of June 2023) are very liquid instruments in the Hong Kong market, accounting for 96% of the total trading value for all Hong Kong-listed ETFs in the first half of 2023, SB turnover in them picked up only gradually after their inclusion in Stock Connect in July 2022 (see Figure 16). SB ADT in ETFs as a percentage of total ADT in all ETFs in the Hong Kong market increased to 18% in June 2023 from 1% in July 2022.

Figure 16. SB ADT in ETFs and its share in total ADT in all ETFs in the Hong Kong market (Jul 2022 – Jun 2023)



Note: Four ETFs were first included in SB trading on 4 July 2022, and the number of eligible ETFs increased to five ETFs in November 2022 and six in May 2023.

Source: HKEX.

Similarly, liquidity in Hong Kong-listed foreign stocks included in Stock Connect is expected to increase gradually as their investor bases expands to Mainland investors. Increased liquidity will encourage more overseas companies to list in Hong Kong[45]. This in turn will widen global investment choices available in Hong Kong and further increase Hong Kong's attractiveness as a global investment hub for companies around the world.

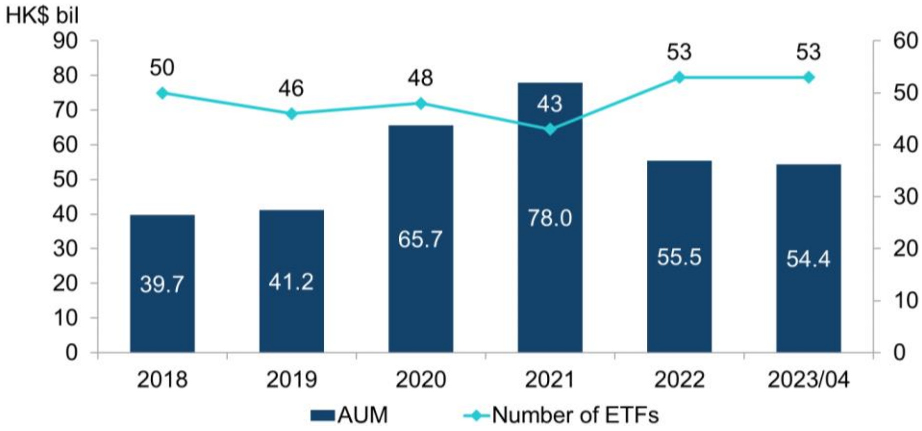
4.2 Further market enhancements

A well-established market ecosystem, including an extensive product suite that enriches and facilitates portfolio management, and efficient market mechanisms and infrastructure that facilitate trading, is indispensable for increasing investor participation. Therefore, to build up liquidity in international stocks in the Hong Kong market, continuous product innovation and market enhancements are necessary.

As for product innovation, the development of index-related products — such as ETFs and risk management tools for international stocks, which facilitate passive investments and hedging, respectively — would be conducive to boosting investors' asset allocations to international stocks.

The Hong Kong market offers a wide range of ETFs covering equities in Asia-Pacific and other overseas markets, including India, Japan, the US, Vietnam, Korea, ASEAN members and European countries. At the end of April 2023, there were 53 ETFs covering Asia-Pacific and other overseas equities with total AUM of about HK$54.4 billion (see Figure 17).

Figure 17. Period-end number and AUM of Asia-Pacific and overseas equity ETFs in Hong Kong (2018 – April 2023)



Note: ETFs for Hong Kong equities and Mainland China A shares are excluded.

Source: "ETF Perspective", published on HKEX's website, December issues of the years from 2018 to 2022 and April 2023 issue.

With more international stocks included in Stock Connect, Hang Seng Indexes Company (HSIC) is considering expanding the scope of eligibility stocks for Hong Kong's flagship indices to international stocks. The index provider has conducted a market consultation on the eligibility of international companies primarily listed in Hong Kong for inclusion in the Hang Seng Index (HSI)[46]. If these international stocks are included in the HSI, existing and new ETFs tracking the HSI will start investing in them, which will lead to an increase in their liquidity.

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45 See Financial Services Development Council, "Positioning Hong Kong as an international IPO centre of choice", *FSDC Paper*, No. 09, June 2014.

46 See "Hang Seng Indexes Company seeks market views on eligibility of foreign companies to the Hang Seng Index", published on Hang Seng Indexes Company's website, 26 April 2023.

Further possible enhancements to operating mechanisms of Stock Connect and its trading facilities, such as block trading,[47] will facilitate trading of eligible stocks of both domestic and international companies included in the scheme. Institutional investors have been demanding block trading to minimise trading costs, and facilitate their arbitrage and hedging activities.

In addition, if Stock Connect is extended to the primary market to allow Mainland investors to subscribe to IPOs in Hong Kong, new listings can be publicised more widely, and the investor base for them can become larger, resulting in further growth in liquidity.

Growth in liquidity, in turn, would spur the development of new products, such as ETFs and derivatives, to enhance the product ecosystem and attract more investors, which would further drive up liquidity. This then would help attract new listings of international companies to widen investment choices in the Hong Kong market.

The continued development of the product and market ecosystems for international companies listed in Hong Kong would also contribute to the growth of Hong Kong's asset management industry, which operates with a global investment perspective. Such development could be propelled by the inclusion of Mainland investor participation in trading of international stocks through Stock Connect, coupled with product innovation for listed international stocks in Hong Kong, such as indices, ETFs and related derivatives, and possible enhancements to Stock Connect. This will ultimately strengthen the role of the Hong Kong market as an investment hub for companies around the world.

5. CONCLUSION

The listing of companies outside their domestic markets is relatively common around the world. Understandably, IFCs are considered most attractive to offshore listings of different sizes, sectors and places of origin. While Mainland China, with its strong growing economy, constitutes a key source of offshore listings, demand for offshore listings from companies around the world is also significant.

The flexible and accommodative listing regime of the Hong Kong market as an IFC could help attract listings from not only Mainland enterprises but also from companies from the rest of the world.

In addition, two-way connectivity between Mainland China and the world that the Hong Kong market offers provides listed companies from around the world with an integrated base of global and Mainland investors. This is accompanied by opportunities for business expansion, quality market services that meet international standards and a comprehensive product ecosystem. Leveraging these advantages, global and Mainland investors can invest in companies across the world through the Hong Kong market.

The inclusion of international companies in Stock Connect would be a game changer to boost liquidity in stocks of international companies listed in Hong Kong in the long run. Increased liquidity will encourage more overseas companies to list in Hong Kong and spur further development of the product and market ecosystem for international companies listed in the market. This will in turn widen global investment choices available in Hong Kong and further increase the attractiveness of the market as a key fundraising and investment hub in Asia for international companies.

[47] See "Reconnecting China", Keynote speech at ASIFMA China Capital Markets Conference by Ms Julia Leung, Chief Executive Officer of the SFC, published on the SFC's website, 27 June 2023.

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